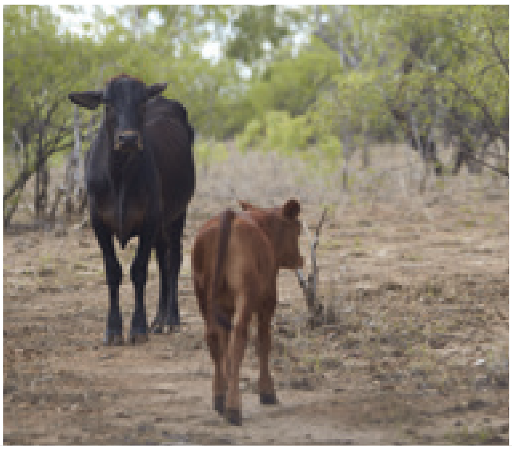
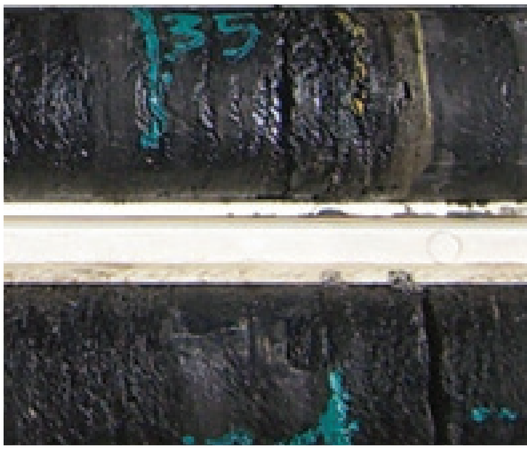




ANNUAL REPORT 2012

REY RESOURCES

ACN 108 003 890

CONTENTS

COMPANY PROFILE

Rey Resources Limited is an Australian ASX-listed (ASX: REY) exploration and development company pursuing development of the Duchess Paradise Project and identification of additional coal resources in Western Australia's Canning Basin. The Duchess Paradise Project is a proposed low-impact slot and underground mining and export operation with a planned export rate of up to 2.5 million tonnes per annum (Mtpa).

The Project is based on one of the highest energy coal sources known in Western Australia and is located on a remote pastoral station about 175 kilometres (km) by road south east of Derby.

During 2011-2012, the Company advanced the Duchess Paradise Project by progressing native title and heritage discussions with the Traditional Owners, continuing consultation with regional stakeholders and moving the Project through the regulatory approvals process.

Rey Resources has an experienced Board and management team committed to realising the development of the Duchess Paradise Project and, with over 6,000 square kilometres (km^2) of tenements in the Canning Basin, is continuing its exploration program to expand its resource base.

HIGHLIGHTS

- Rey Resources raised a total of $15 million during the financial year from a number of placement funding initiatives
- In order to finance the timely development of the proposed Duchess Paradise Project, the Company sought a strategic investor during the year. In June 2012, Rey Resources announced it had entered into share subscription agreements with ASF Group Limited and subsequently raised a further $10.8 million
- The Duchess Paradise Project progressed steadily through the State and Federal government regulatory approvals processes
- The Company continued discussions with native title applicants and in May 2012, Rey Resources announced it had concluded negotiations with the Traditional Owner (Nyikina and Mangala) Negotiating Committee on a Heads of Agreement for the development of the Duchess Paradise Project. The agreement is currently subject to ratification
- Rey Resources invested $2 million to successfully remediate an area at the Derby Export Facility suitable for future industrial/commercial operations, after inheriting a sublease at the facility
- Mr Brett Clark and Mr Lex Graefe were appointed to the Rey Resources Board as independent non-executive directors on 1 October 2011. Ms Min Yang and Mr Geoff Baker were appointed to the Board as nominee non-executive directors on 13 September 2012. These directors bring significant business, commercial, industry, project strategy and development experience to the Board.

CHAIRMAN'S MESSAGE

Dear Shareholder

I am pleased to report to shareholders on Rey Resources' activities for the year ended 30 June 2012 and to also outline the strategic direction that we are pursuing to realise shareholder value as we go forward.

Following the issuance of the Duchess Paradise Feasibility Study in June 2011, the last year has provided a number of challenges and opportunities as the Board and executive have worked to shape the future for Rey Resources.

It became apparent in late 2011 that changes in the external economic and investment environment would provide significant challenges for the funding of the project. Global market sentiment, combined with a high cost Australian economy and investor concerns with government policies, have all contributed to an environment that has seen a downturn in investor interest and returns. This is particularly the case for projects like Duchess Paradise that are in the early stages of development without current operating cash flows.

Rey Resources responded to the challenges by scaling back discretionary activities and focusing on Project approvals and the identification of a strategic partner who can bring value to the Company as it seeks to finalise its pathway for project financing, development, marketing and operations.

After considering various options, a strategic partner relationship emerged as the preferred way forward and the focus over the last year has been on delivering this option. The result of this process has been the arrangement with ASF Group Limited (ASF) which was approved by the shareholders at the general meeting held on 6 September 2012. As previously advised, the key elements of the proposed ASF arrangement were:

- Placement of 115 million shares at a price of 12.0 cents per share to raise $13.8 million
- An exclusivity period to 28 September 2012 during which ASF and Rey Resources explored opportunities for the joint development of the Duchess Paradise Project. An update on this process will be provided at the Annual General Meeting
- Appointment of two directors as nominees of ASF. Following successful completion of the placements, I am pleased to welcome Ms Min Yang and Mr Geoff Baker to the Rey Resources Board.

Rey Resources looks forward to working with ASF to establish a pathway which will lead to expansion of the resource base and the sourcing of appropriate funding to support the successful development of the Duchess Paradise Project.

In addition to working on the strategic partnership relationship, the executive has focused on the permitting and approvals process, including negotiations with Traditional Owner representatives, over the past year and on remediation of the Derby Export Facility. There was limited exploration activity in 2011-2012 as the Company sought to limit expenditure, negotiate land access and defer drilling programs to accommodate funding constraints. The 2012-2013 exploration program is currently awaiting final heritage clearances and is targeting new coal positions that are expected to provide for growth in the resource base of the Company.

The strategy of the Company is essentially unchanged and seeks to maximise shareholder value by:

- Establishing a pathway for development of a successful long term operation based on the Company's resources
- Pursuing exploration programs to improve the resource base
- Engaging with key stakeholders to ensure responsible development and operation of the project
- Seeking opportunities to generate further value for Rey Resources shareholders. This includes business development initiatives as well as corporate development and funding strategies.

The pathway for development is influenced by external factors, including economic and political conditions, the investment and financing environment, coal and energy market conditions and the environment for resource project developments in Australia. The Company will continue to respond to changes in these factors as it pursues an execution pathway which seeks to optimise shareholder value.

The Company has been successful in securing funds for its activities in 2011-2012 despite the challenges in the investment and financing markets. Following the finalisation of the ASF placement, the Company is well positioned to continue planned exploration, project approval and funding activities.

I would like to thank my Board colleagues for their support and contribution over the past year, and the Board wishes to record its thanks for the efforts of all the Rey Resources employees, consultants and contractors who have contributed to the Company's activities over the last year.

I would also like to thank shareholders for their continuing support for Rey Resources during what has been a challenging year. We look forward to a year where, despite uncertainties in the global and regional environments, we will enhance shareholder value by continuing to grow the resource base and progressing towards development of the Duchess Paradise Project.

Charlie Lenegan
Chairman

BUSINESS PERFORMANCE

CORPORATE ACTIVITIES

The Company successfully raised a total of $15 million during the year from a number of share placements designed to progress exploration and Duchess Paradise Project activities including approvals.

Rey Resources sought a strategic investor during the year and discussions were held with Australian and overseas parties who had expressed an interest in acquiring an interest in the Duchess Paradise Project.

In June 2012, the Company announced it had entered into share subscription agreements with ASF Group Limited, an ASX-listed company that holds interests in tenements near the proposed Duchess Paradise Project mine site. The Company issued a total of 115 million shares to a nominee of ASF to raise $13.8 million.

ORGANISATION

Rey Resources and its subsidiaries are ensuring its exploration and project development activities are underpinned by organisational policies and objectives that manage risk and ensure responsible corporate conduct.

OCCUPATIONAL HEALTH AND SAFETY

The Company recognises the importance of maintaining high standards of Occupational Health and Safety (OHS) in the conduct of its business and is committed to providing a safe and secure working environment for its employees, contractors and visitors. Our goal is to prevent accidents, harm to people and damage to property.

Safety priorities during the financial year ended June 2012 focused on exploration drilling in the project area and remediation activities at the Derby Export Facility with the development of a comprehensive Contractor Assurance Program, and an upgrade of the exploration site safety plan and supporting processes.

Corporate safety initiatives included enhancements to OHS management reporting and the introduction of a program to systematically upgrade key OHS management system processes to ensure compliance, and address Work Health and Safety legislation harmonisation requirements that are due to be implemented in Western Australia during 2013.

Rey Resources achieved zero lost time injuries for the reporting period.

ENVIRONMENT POLICY

An environmental policy is in place with a clear corporate commitment to responsible environmental management that applies to all aspects of the Company's business.

Business efforts this year have predominantly related to the areas of exploration, port remediation and the environmental approvals process for the proposed Duchess Paradise Project, all of which were guided by the principles set out in the Environmental Policy.

Exploration activities were conducted within the Exploration Environmental Management Plan framework including the rehabilitation of the unavoidable low-impact disturbance necessary to undertake exploration activities. Through sound practices, the areas temporarily disturbed by exploration activities are being successfully rehabilitated to continue supporting the pastoral activity concurrently occurring across the exploration area.

Duchess Paradise exploration access track and drill site rehabilitation (from left: March 2010 and April 2012, post rehabilitation).

DUCHESS PARADISE PROJECT

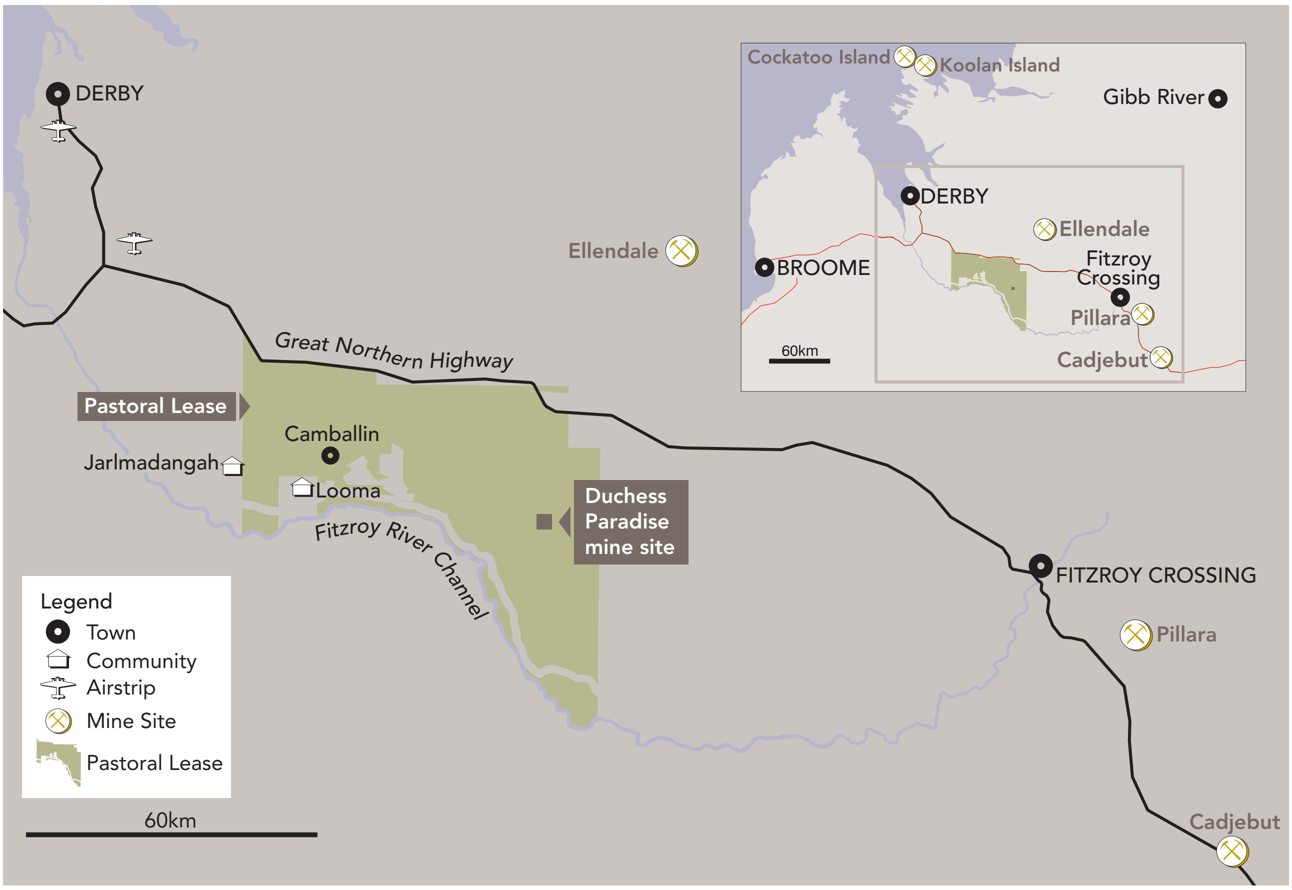
PROJECT OVERVIEW

Rey Resources has been conducting business responsibly in the Derby and Canning Basin region since 2007 when the Company started mineral exploration in close consultation with the local community and traditional owners.

On schedule in June 2011, the Company completed a Definitive Feasibility Study for the proposed Duchess Paradise Project which is located on a remote pastoral station grazed by livestock for over 100 years.

The proposed Project mine is about 175 km by road south east of Derby. For permitting purposes the project scope is an estimated 20-year, low-impact slot and underground mining and export operation with a predicted export rate of up to 2.5 Mtpa. The project, which is expected to employ about 300 people during construction, also includes a coal handling and preparation plant and support infrastructure such as an accommodation camp, administration and workshop buildings.

Product will be transported by truck along a 30 km access road from the mine to the Great Northern Highway. The product will then travel west to the Derby Highway and through Derby via Loch Street and the Causeway (also known as the Jetty Road) before being delivered to the Derby Export Facility at the existing port. Coal will be stockpiled at this facility before being loaded on to barges for transfer to ships and the export market.



The Project is based on one of the highest energy coal sources known in Western Australia, with good quality coal - bituminous 5,500 kcal/kg [gar]. The Project, combined with the prospects for growth and the strategic advantage of its close proximity to Asian markets, is well placed to provide significant export value to Western Australia.

Subject to timing of approvals and the availability of financing, the Project is on track for first exports in 2014.

Other Project benefits will include:

- Employment and business development opportunities for regional communities including a strong emphasis on Indigenous participation
- Creation of about 300 jobs over the Project operating life
- Contribution of an estimated $400 million payroll tax and royalties to the State Government
- Multiplier effects including job creation and demand for services both regionally and from Western Australia
- Contributing to economic diversity and local and regional investment
- A project that will not impact significantly on any known environmental and heritage protection areas
- Re-activating exports from the Derby Port, which has been supporting mining and agriculture since the 1890s.

CONSULTATION AND APPROVALS

Consultation

Since the Company's Canning Basin exploration program began in 2008, community engagement and involvement has been a key priority. By working closely with stakeholders through feasibility stages, extensive environmental surveys and other activities, Rey Resources has sought to deliver a low-impact Project that will provide benefits locally, regionally and nationally.

In 2012, the Company commissioned a Social Impact Assessment (SIA) in order to identify and respond to potential social benefits and risks associated with the proposed Duchess Paradise Project. It is expected that information from the SIA, which is currently being developed, will provide the basis for the Project's social impact management plan.

In addition, Rey Resources continues its involvement in various regional, industry and community events to provide up to date Project information to the local community. Access to information by community members to raise questions regarding the Project also continues to be a key focus. Information has been provided via business and community briefings, market day information stalls, visiting Indigenous communities and participation at the North West Expo.

Indigenous

Rey Resources recognises the Nyikina and Mangala people as the Traditional Owners of the land area that is the subject of the proposed Project mine site. The Company acknowledges and respects the Indigenous heritage values of the Traditional Owners and has established from the outset of exploration drilling a direct relationship with the Nyikina and Mangala, and their representative body the Kimberley Land Council (KLC).

In 2011, the Company signed a negotiation protocol with the KLC on behalf of the Nyikina and Mangala people with the intention of finalising a Heads of Agreement that would see the Nyikina and Mangala directly benefit from the Project. During this time, the Nyikina and Mangala people, through the Traditional Owner Negotiation Committee (TONC), regularly received project updates and have received a high level of detail about the planned Project.

A Heads of Agreement between Rey Resources and the Traditional Owner Negotiation Committee members was achieved in May 2012 and is currently subject to ratification. The Heads of Agreement contains provision for significant social and economic benefits to flow to the Nyikina and Mangala native title claimants and will set the pathway toward a Mining and Co-Existence Agreement. Indigenous consultation will continue throughout the life of the Project, in order to ensure that stakeholder feedback is taken into consideration.

Approvals

The Project environmental permitting process has progressed significantly. As anticipated, following the referral of the proposed Project in June 2011, the Western Australian Environmental Protection Authority (EPA) determined that the proposed Project be assessed at the level of Public Environmental Review (PER) in August 2011.

To avoid duplication in the assessment process, the federal Department for Sustainability, Environmental, Water, Population and Communities (DSEWPaC) in October 2011 determined the proposal to be a Controlled Action requiring approval, accrediting the assessment by the State for that purpose.

It was the decision of the EPA that Rey Resources, as the Project proponent, should prepare the assessment Environmental Scoping Document (ESD), which was approved in April 2012 as the basis for the PER.

Throughout this period, the Company continued and completed environmental investigations and undertook a number of Project technical studies in order to define and document a Project with the lowest practicable impacts to the environment.

In parallel to these activities, the environmental assessment documentation in the form of the PER, which is the next stage of project environmental approval, has been developed. Post engagement with the EPA and relevant government agencies, the document will be released into the public arena for comment for an eight week period.

Consultation undertaken during the PER development and its public review period will ensure that the EPA can provide informed advice to the State and Federal Ministers for Environment when they make their decisions in relation to the Project.

EXPLORATION

With some 6,000 km^2 of tenements in the Canning Basin, Rey Resources has continued its focus on potential targets to expand its resource base.

Drilling to the north of Duchess Paradise confirmed the presence of continuous shallow coal occurrences for about a further two kilometres along a coal sub-crop to the north of the resources included in the current proposed mine plan. This confirmed extensions to the P1 Seam resource down-dip up to two and a half kilometres to the east of the existing JORC Inferred Resource limits. The additional coal intercepts have the potential to expand the current JORC resource across an additional 22 km^2 of adjacent tenement holdings.

The confirmation of additional shallow coal to the north of Duchess Paradise has the potential to extend the mine life of the proposed slot mining from the current feasibility plan of 10 years to about 13-14 years.

Drilling on more regional prospects was delayed by access issues which are being negotiated.

BUSINESS OUTLOOK

GENERAL

The last year has been a challenging period as the Company has progressed project approvals and explored funding options at a time when both resource development activity and investor interest has come off previous highs. Global market sentiment, combined with a high cost Australian economy and investor concerns with government policies, have all contributed to an environment which has seen a downturn in investor interest and returns, particularly for projects like Duchess Paradise that are in the early stages of development without current operating cash flows.

Rey Resources responded to the challenges by scaling back discretionary activities and focusing on Project approvals and the identification of a strategic partner to bring value to the Company as it seeks to finalise its pathway for project development, marketing and financing. The strategic partnership secured with the ASF Group in June 2012 and approved by shareholders in September 2012 has provided a sound basis to move Project activities forward and crystallise Project value over the next year.

Whilst the uncertainties experienced in the global political, economic and financial environments are not expected to be resolved in the near term, the Australian and Asian regions are well placed to benefit from an improvement in the global economy when this occurs. Rey Resources will, by continuing with its Project approvals, exploration, project definition and financing activities, be well positioned to take advantage of the improvement in the conditions for both Australian project developments and the global economy when these occur.

MARKET OUTLOOK

The global demand for energy has grown strongly over the past decade, particularly in developing countries in Asia. Australia's major Asian trading partners continue to rely on coal as the most important fuel for generation of electricity.

In the reporting period, the thermal coal market was impacted by weaker demand in the northern hemisphere, by some displacement of generators by gas and by a change in net imports by China. However, underlying demand from China and India continues to grow, whilst many new coal projects suffer infrastructure constraints and delays. The Duchess Paradise Project remains well located to deliver into these growing markets and enjoys a clear sea transport advantage over coals from the east coast of Australia into Asian markets.

RESERVE AND RESOURCES STATEMENTS

P1 Seam Reserve Estimate for Duchess Paradise Mine Plan as at 30 May 2011

Type	Average Mine Recovery (%)	Total Run-of-Mine Coal (ar)[1] (Mt)	Wet Yield based on Expected Total Moisture (%)	Marketable Cleaned Coal (gar) [1] @ 17.3 % Total Moisture (Mt)
Slot Excavation	95	2.5	67.6	1.7
Highwall Mining	51	23.8	67.7	16.1
Total		**26.3**	**67.7[2]**	**17.8[3]**

(1) gar gross as received; ar as received

(2) A&B Mylec calculated a 67.3 per cent wet yield based on coal quality data from 60 cored holes and seam thickness data from 381 available drill holes, as supplied by Marshal Miller & Associates.

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

Reserves are included in the following resource statements.

Competent Persons Statement

The estimation of the Duchess Paradise P1 Seam Coal Reserves has been provided by Messrs Gerard Enigk, B.S.M.E., P.E., Manager of Engineering of MM&A and Peter Lawson, B.S.M.E., M.B.A., Executive Vice President of MM&A. Mr. Enigk has over 34 years of experience in coal-related work, including but not limited to coal reserve/resource estimation, mine planning and design, mine operations, mineral valuation and appraisals, and geotechnical evaluations. He is a Registered Member of the Society of Mining, Metallurgy, and Exploration (SME), which is part of The American Institute of Mining, Metallurgy, and Petroleum Engineers (AIME). Mr. Enigk holds a Bachelor of Science degree in Engineering of Mines from The Pennsylvania State University and a Masters degree in Environmental Science from the West Virginia Graduate College, and is a Registered Professional Engineer in West Virginia. Mr. Enigk has served in the capacity as Manager of Engineering and as a production supervisor for operating coal companies, and has extensive experience with surface and underground mining operations, including the use of highwall mining systems. Mr. Enigk is a certified mine foreman in West Virginia. His education and experience qualify him as a Competent Person as defined in the December 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves" (The JORC Code, 2004 Edition). Mr. Lawson has over 32 years of experience in coal-related work, including but not limited to coal reserve/resource estimation, mine engineering, mine operations, mineral valuation and appraisals, and mergers and acquisitions. He is a Registered Member of the Society of Mining, Metallurgy, and Exploration (SME), which is part of The American Institute of Mining, Metallurgy, and Petroleum Engineers (AIME). He is also a member of the West Virginia Coal Association, the American Society of Mining and Reclamation and the Illinois Mining Institute. Mr. Lawson holds a Bachelor of Science degree in Mining Engineering from The New Mexico Institute of Mining and Technology and a Masters degree in Business Administration from Ashland University. Mr. Lawson has served in the capacity as Manager of Engineering and as President for operating coal companies, and has extensive experience with surface mining operations, including the use of highwall mining systems. His education and experience qualify him as a Competent Person as defined in the December 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves" (The JORC Code, 2004 Edition). Mr. Enigk and Mr. Lawson consent to the information included in this report of the matters based on their information in the form and context in which they appear.

Duchess Paradise P1 Seam JORC Resources Estimate by category as at 6 April 2011

P1 Seam	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Totals	**60.2**	**78.5**	**167.0**	**305.8**

For further information on the above summary Resources estimate, please refer to the Company's ASX announcement dated 6 April 2011.

Competent Persons Statement

The estimation of the Duchess Paradise P1 Seam Coal Resources has been provided by Messrs Scott Keim and Ron Mullennex. Mr Keim is a Member of the American Institute of Professional Geologists. He is a full time employee of MM&A which was contracted to provide the JORC estimate. Mr Keim has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code, 2004 Edition). Mr Keim has over 29 years of coal specific experience including coal exploration, resource modelling, estimation and assessment, and geotechnical assessment and modelling. Mr Keim consents to the inclusion in the report of the matters based on his information in the form and context in which they appear. Mr Mullennex is a Member of the American Institute of Professional Geologists. He is a full time employee of MM&A which was contracted to provide the JORC estimate. Mr Mullennex has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code, 2004 Edition). Mr Mullennex has over 34 years of coal specific experience including coal exploration, resource modelling, estimation and assessment, and geotechnical assessment and modelling. Mr Mullennex consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

Coal Quality - Competent Persons Statement

The coal quality information in this report has been compiled under the supervision and reviewed by Mr. Andrew Meyers, who is a Member 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 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code, 2004 Edition). Mr Meyers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Exploration - Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr. John Bridson who is a member of Australasian Institute of Mining and Metallurgy (Member since 1985) and is contracted to provide geological services to Rey Resources. Mr. Bridson has sufficient experience to qualify as a Competent Person for the purposes of the December 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code, 2004 Edition). Mr. Bridson consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.

CORPORATE GOVERNANCE

STATEMENT ON CORPORATE GOVERNANCE AT REY RESOURCES

This statement reports on Rey Resources' key governance principles, practices and framework as at the date of the 2012 Annual Report. These principles and practices are reviewed annually and revised as appropriate to reflect changes in law and good practice in corporate governance.

ASX PRINCIPLES OF CORPORATE GOVERNANCE

Rey Resources, as a listed entity, must comply with the Corporations Act 2001 (Cth) ("Corporations Act"), the Australian Securities Exchange ("ASX") Listing Rules ("ASX Listing Rules") and other Australian securities laws.

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 with 2010 Amendments ("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.

COMPLIANCE WITH ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Details of the Company's compliance with the ASX Principles are set out below. A checklist, cross referencing the ASX Principles to the relevant section of this Statement and the Remuneration Report, is provided on pages 31 to 33 of this Report and published on the Company's website at www.reyresources.com.

1 THE BOARD OF DIRECTORS

(a) Board Composition and Expertise

The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate.

The current Board composition includes six non-executive directors, four of whom are independent, and two executive directors. The Board has a broad range of qualifications, with combined experience and expertise in the resources, exploration, finance and legal industries. Details on each director's background including experience, knowledge and skills and their status as an independent or non-independent director are set out on pages 36 to 38 of this Annual Report.

The Board considers that the non-executive and executive directors collectively bring the range of skills, knowledge and experience necessary to direct the Company.

In assessing the composition of the Board, the directors have regard to the following policies:

- The Chairman should be non-executive
- The role of the Chairman and Managing Director should not be filled by the same person
- The Managing Director should be a full-time employee of the Company
- The Board should include a majority of independent non-executive directors.

(b) Board Role and Responsibilities

The Board Charter outlines the matters that are reserved for the Board and those that the Board has delegated to management. The central role of the Board is to oversee and approve the Company's strategic direction, to select and appoint a Managing Director, to oversee the Company's management and business activities and report to shareholders.

In addition to matters required by law to be approved by the Board, the following powers are reserved to the Board for decision:

- Strategy - providing strategic oversight and approving strategic plans and initiatives
- Board performance and composition - evaluating the performance of non-executive directors, and determining the size and composition of the Board as well as recommending to shareholders the appointment and removal of directors
- Leadership selection - evaluating the performance of, and selection of, the Managing Director and those executives reporting directly to the Managing Director
- Corporate responsibility - considering the safety, ethical and environmental impacts of Rey Resources' activities, and setting policy and monitoring compliance with safety and corporate policies and practices
- Financial performance - approving Rey Resources' annual operating plans and budget, monitoring management, financial and operational performance
- Financial reports to shareholders - approving annual and half-year reports and disclosures to the market that contain, or relate to, financial projections, statements as to future financial performance or changes to the policy or strategy of the Company
- Risk management - providing oversight of risk management and setting risk management policy
- Establishing procedures - ensuring that the Board is in a position to exercise its power and to discharge its responsibilities as set out in the Board Charter.

The Board also recognises its responsibilities to Rey Resources' employees, the communities and environments within which Rey Resources operates and, where relevant, other stakeholders.

Responsibility for management of Rey Resources' business activities is delegated to the Managing Director who is accountable to the Board.

The Board Charter is available in the corporate charters section of Rey Resources' website.

(c) Chairman

The Board elects one of the independent, non-executive directors to be Chairman. The Chairman is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function, and for the promotion of relations between Board members and between Board and management that are open, cordial and conducive to productive co-operation.

Independent non-executive director, Mr Charlie Lenegan, has served as Non-Executive Chairman since 29 November 2010.

(d) Director Independence

The independence of a director will be assessed by determining whether the director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

Mr Kevin Wilson and Ms Maree Arnason are not regarded as independent due to their executive responsibilities. Ms Min Yang and Mr Geoff Baker are not regarded as independent as they are also directors of ASF Group Limited, which holds a relevant interest in approximately 23 per cent of the Company's issued capital. Mr Charlie Lenegan, Mr Ronnie Beevor, Mr Lex Graefe and Mr Brett Clark are regarded as independent.

Notwithstanding that the current composition of the Board does not meet the requirements of ASX Principle 2 as a majority of the Directors are not independent, the Board considers that the composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. The Board has formed the view that the individuals on the Board can, and do make quality judgments in the best interests of the Company on all relevant issues.

(e) Directors' Retirement and Re-election

Rey Resources' Constitution states that at each annual general meeting one third of directors (rounded down to the nearest whole number and excluding the Managing Director), and any other director who has held office for three or more years (excluding the Managing Director) since their last election must retire.

Any director appointed to fill a casual vacancy since the date of the previous annual general meeting must submit themselves to shareholders for election at the next annual general meeting. Directors who retire as required may offer themselves for re-election by shareholders. Re-appointment of directors retiring by rotation or filling a casual vacancy is not automatic.

Mr Lenegan, Mr Graefe, Ms Yang and Mr Baker will seek re-election as Directors in accordance with the Company's Constitution at the Annual General Meeting to be held in November 2012.

(f) Board Succession Planning

The Board, in conjunction with the Remuneration and Nomination Committee, reviews the size and composition of the Board and the mix of existing and desired competencies across members from time to time.

(g) Board Performance Evaluation

The Board undertakes ongoing self-assessment and review of the performance of the Board and individual directors at least every two years. The Chairman of the Board is responsible for determining the process for evaluating Board performance.

The performance of the Board was formally reviewed during the 2012 financial year.

(h) Nominations and Appointment of New Directors

Recommendations for nomination of new directors are considered by the Remuneration and Nomination Committee and approved by the Board as a whole.

(i) Professional Advice

Directors may, in carrying out their Company-related duties, seek external professional advice. If external professional advice is sought, a director is entitled to reimbursement of all reasonable costs where such a request for advice is approved by the Chairman. In the case of a request made by the Chairman, approval is required by at least two Board members.

(j) Conflicts of Interest

Directors are required to disclose any actual or potential conflict or material personal interests on appointment as a director and are required to keep these disclosures up to date.

In the event that there is, or may be, a conflict between the personal or other interests of a director, then the director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter. When the matter comes before the Board for discussion, the director withdraws from the meeting for the period the matter is considered and takes no part in the discussion or decision making process.

(k) Terms of Appointment, Induction Training and Continuing Education

All new directors are provided with a formal letter of appointment setting out the key terms and conditions of the appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

An induction is provided to all new directors. It includes comprehensive meetings with the Managing Director, key executives and management, and information on key corporate and Board policies.

All directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, this is paid for by the Company where appropriate.

(l) Directors' Remuneration

Details of remuneration paid to directors are set out in the Remuneration Report.

(m) Board Meetings

The Managing Director sets the agenda for each meeting in conjunction with the Chairman and the Company Secretary. Any director may request additional matters be added to the agenda. Members of senior management attend meetings of the Board by invitation and sessions are also held for non-executive directors to meet without management present.

(n) Company Secretary

The Company appointed Ms Shannon Coates as Company Secretary in January 2012.

Ms Coates is a qualified lawyer and company secretary, and member of Chartered Secretaries Australia. Ms Coates is responsible for the secretarial function including providing advice to directors and executives on corporate governance and regulatory matters, recording minutes of directors' and committee meetings, administering Rey Resources' corporate governance framework and giving effect to the Board's decisions.

All directors have access to advice from the Company Secretary.

2 BOARD COMMITTEES

(a) Board Committees and Membership

The Board currently has three standing committees to assist in the discharge of its responsibilities. These are the:

- Audit and Risk Committee
- Remuneration and Nomination Committee
- Sustainability Committee.

The charters of all Board committees, detailing the roles and duties of each are available in the corporate charters section of Rey Resources' website. All Board committee charters are reviewed at least annually.

The membership of each Board committee is as follows:

Audit and Risk Committee	Remuneration and Nomination Committee	Sustainability Committee
Ronnie Beevor (Chair)	Charlie Lenegan (Chair)	Brett Clark (Chair)
Charlie Lenegan	Ronnie Beevor	Charlie Lenegan
Lex Graefe	Lex Graefe	

Committee members are chosen for the skills, experience and other qualities they bring to the committees. Executive directors and management attend various Board committee meetings by invitation.

Following each committee meeting, generally at the following Board meeting, the Board is given a verbal update by the Chair of each committee. In addition, minutes of all committee meetings are provided to all directors.

The Company Secretary provides secretariat services for each committee.

(b) Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, internal control structure, financial risk management procedures and external audit function. In doing so, it is the Committee's responsibility to maintain free and open communication between the Committee and the external auditors and the management of Rey Resources.

The Audit and Risk Committee is composed of three independent non-executive directors and is chaired by an independent chair who is not the chair of the Board.

The external auditors, the Managing Director and the Financial Controller attend Committee meetings by invitation. The Committee meets at least twice per year.

(c) Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee is to assist the Board by reviewing and recommending Rey Resources' remuneration policies and practices and the appointment of non-executive directors to the Board. The Committee's responsibilities include:

- Assessment of the necessary and desirable competencies of Board members
- Review of Board succession plans
- Review of the Company's remuneration framework, which is used to attract, retain and motivate employees to achieve operational excellence and create value for shareholders
- Review of the remuneration packages and incentive schemes for the Managing Director and senior executives to establish rewards, which are fair and responsible, having regard to the Company's strategic goals, individual performance and general remuneration conditions
- Review of the performance and succession planning for the Managing Director.

The Remuneration and Nomination Committee is composed of three independent non-executive directors and is chaired by an independent chair.

The Managing Director attends Committee meetings by invitation. The Committee meets at least twice per year.

(d) Sustainability Committee

The role of the Sustainability Committee is to assist the Board in the effective discharge of its responsibilities in relation to health, safety, environmental and community ("HSEC") issues for Rey Resources, and the oversight of risks relating to these issues. The Committee's responsibilities include to:

- Understand the risks of HSEC issues involving Rey Resources' activities
- Ensure that the systems and processes for identifying, assessing and managing HSEC risks of Rey Resources are adequately monitored
- Regularly review and ensure compliance with the HSEC strategies and policies of Rey Resources' and the supporting Management systems and processes
- Monitor developments in relevant HSEC related legislation and regulations and monitor Rey Resources' compliance with relevant legislation, including through audits.

(e) Board and Committee Meetings during Financial Year 2012

Refer to page 39 of the Directors' Report for details of meetings held and attended during the 2012 financial year.

3 EXTERNAL AUDITOR RELATIONSHIP AND INDEPENDENCE

(a) Approach to Audit and Governance

The Board is committed to the basic principles that:

- Rey Resources' financial reports represent a true and fair view
- Rey Resources' accounting practices are comprehensive, relevant and comply with applicable accounting standards and policies
- The external auditor is independent and serves shareholders' interests.

(b) External Auditor Relationship

Rey Resources' independent external auditor is KPMG.

The Board requires the rotation of the audit partner at least every five years and prohibits the reinvolvement of a previous audit partner in the audit service for two years following their rotation.

The Audit and Risk Committee oversees the terms of engagement of Rey Resources' external auditor, including provisions directed at maintaining the independence of the external auditor and in assessing whether the provision of any proposed non-audit services by the external auditor is appropriate.

4 RISK MANAGEMENT AND INTERNAL CONTROL

(a) Approach to Risk Management

The Board and senior executives are responsible for overseeing the implementation of the Company's Risk Oversight Policy.

The Company's approach to risk management is based on the identification, assessment, monitoring and management of material risks embedded in its business and management systems.

(b) Risk Management Roles and Responsibilities

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with those risks and opportunities.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- The Board receives regular updates on key risks associated with the development of the Company's Duchess Paradise Project
- The implementation of Board-approved annual operating budgets and plans which are continually monitored against the actual cost and progress
- Ensuring the executive management team is responsible for developing policies, processes and procedures to identify risks and mitigation strategies in Rey Resources' activities.

The Company's Risk Oversight Policy is available on the corporate policies section of Rey Resources' website.

(c) Managing Director and Financial Controller Assurance on Corporate Reporting

The Board receives monthly management reports on the financial condition and operational results of Rey Resources.

The Managing Director and Financial Controller provide, at the end of each half yearly period, a formal statement confirming that the Company's financial reports present a true and fair view, in all material respects, and the group's financial condition and operational results have been prepared in accordance with the relevant accounting standards.

The statement also confirms the integrity of the Company's financial statements and notes to the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies approved by the Board, and that Rey Resources' risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

5 PROMOTING ETHICAL AND RESPONSIBLE BEHAVIOUR

(a) Occupational Health and Safety

The Board is committed to maintaining the highest possible standards of Occupational Health and Safety in the conduct of Rey Resources' business operation. The health, safety and wellbeing of Rey Resources' people, contractors, suppliers, visitors and host communities are key values for the Company. A Sustainability Committee has been established to assist the board in the effective discharge of its responsibilities in relation to safety, health, environment and community issues and the risks relating to these issues. The committee charter was approved by the Board in July 2012.

The 2012 Health and Safety objectives are focused on creating a healthy work environment, keeping our people safe and improving our compliance. Health, Safety and Environment Management reporting ensures that the Board has oversight of Rey Resources' performance in this area.

The Company's Occupational Health and Safety Policy is available in the corporate policies section of Rey Resources' website.

(b) Environment

Rey Resources conducts its business in an environmentally responsible and sustainable manner, in addition to complying with the applicable environmental regulation for its exploration and development activities.

The Board has developed an Environment Policy that identifies the required standard of environmental care and to ensure that the Company complies with environmental legislation.

The Company's Environment Policy is available in the corporate policies section of Rey Resources' website.

(c) Code of Conduct

The Board has approved a Code of Conduct that applies to directors, management and staff which describes the standards of ethical behaviour that directors and employees are required to maintain.

Compliance with the Code of Conduct will also assist Rey Resources in effectively managing its operating risks and meeting its legal and compliance obligations.

A copy of the Code of Conduct is available in the corporate policies section of Rey Resources' website.

(d) Ethical Behaviour

With the relatively small employee base at this stage of the Company's development, management is charged with the responsibility of ensuring all employees are committed to maintaining an open working environment in which employees are able to report instances of unsafe work practices, unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

(e) Securities Trading Policy

Rey Resources' Securities Trading Policy is binding on all directors and employees. This policy provides a brief summary of the law on insider trading and other relevant laws, sets out the restrictions on dealing in securities by people who work for or who are associated with Rey Resources, and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

The policy stipulates that the only appropriate time for a director or employee to deal in the Company's securities is when he or she is not in possession of 'price sensitive information' that is not generally available to the share market. A director wishing to deal in the Company's securities may only do so after first having received approval from the Chairman. All staff wishing to deal must obtain approval from the Managing Director. Confirmation of any dealing must also be given by the director or employee to the Company Secretary within two business days after the dealing.

Trading in the Company's securities is also subject to specified blackout periods, which are set out in the Company's Securities Trading Policy or as otherwise determined by the Board from time to time.

The Company prohibits directors and employees from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.

A copy of the Company's Securities Trading Policy is available in the corporate policies section of Rey Resources' website.

6 SHAREHOLDERS AND CORPORATE RESPONSIBILITY

Rey Resources aims to produce positive outcomes for all stakeholders in managing its business and to maximise financial, social and environmental value from its activities.

In practice, this means having a commitment to transparency, fair dealing, responsible treatment of employees and customers, and positive links into the community.

Sustainable and responsible business practices within Rey Resources are viewed as an important long term driver of performance and shareholder value. Through such practices, Rey Resources seeks to reduce operational and reputational risk and enhance operational efficiency while contributing to a more sustainable society.

(a) Continuous Disclosure

Rey Resources is committed to maintaining a level of disclosure that meets the highest standards and provides all investors with timely and equal access to information.

Rey Resources' Continuous Disclosure Policy reinforces Rey Resources' commitment to ASX continuous disclosure requirements and outlines management's accountabilities and the processes to be followed for ensuring compliance. The policy also describes Rey Resources' guiding principles for market communications.

A copy of the Continuous Disclosure Policy is available in the corporate policies section of Rey Resources' website.

(b) Shareholder Communications and Participation

Rey Resources is committed to giving all shareholders comprehensive, timely and equal access to information about its activities so that they can make informed decisions. Similarly, prospective investors are entitled to be able to make informed investment decisions when considering the purchase of shares in Rey Resources.

A range of communication approaches are employed including direct communications with shareholders and presentations to shareholders at the Company's AGM. Publication of all relevant Company information, including the Company's annual report, can be found in the shareholder centre section of Rey Resources' website at www.reyresources.com

Rey Resources communicates effectively with its shareholders, giving them timely access to balanced and understandable information about Rey Resources and encouraging shareholder participation at shareholder meetings. The way it does this includes:

- Ensuring that financial reports are prepared in accordance with applicable laws
- Ensuring the disclosure of full and timely information about Rey Resources' activities in accordance with the general and continuous disclosure principles of the ASX Listing Rules and the Corporations Act 2001. This includes reporting on a quarterly basis the activities and prospects of the Company
- The Chairman and Managing Director reporting to shareholders at the Company's Annual General Meeting
- Placing all market announcements (including quarterly reports and financial reports) on Rey Resources' website as soon as practicable following release
- Ensuring that reports, notices of meetings and other shareholder communications are prepared in a clear and concise manner.

The Company has adopted a Shareholder Communications Policy which is available in the corporate policies section of the Rey Resources' website.

7 DIVERSITY

On 30 June 2010, the ASX Corporate Governance Council introduced a number of new recommendations in respect of diversity. These changes apply for financial years commencing on or after 1 January 2011, being the financial year ending 30 June 2012 for Rey Resources.

The Company is committed to developing a diverse workforce and providing a work environment in which all employees are treated fairly and with respect. To this end, the Company has in place an Employee Policy which details its commitment to being an equal opportunity employer. The Board has also adopted a Diversity Policy in accordance with ASX Principle 3. The Diversity Policy outlines the Company's commitment to fostering a corporate culture that embraces diversity and recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. A copy of the Diversity Policy is available in the corporate policies section of the Rey Resources' website.

Given the small size of the Company and its current stage of operations, the Board has opted not to establish measurable objectives for achieving gender diversity and as a result has not assessed such objectives or the Company's progress towards achieving them. However the Board is pleased to report that in addition to having two female directors (one of whom, Ms Min Yang, has been appointed in September 2012 following shareholder approval for the placement of shares with ASF), the Company has a number of women who undertake work on a contracted or casual basis including a Financial Controller, Company Secretary and Occupational Health and Safety Manager.

To provide an accurate reflection of the proportion of women across the whole organisation, the Company has opted to include contractors as well as casual and part-time employees in the below percentages, which show the proportion of women in the organisation as at the date of this Annual Report:

Rey Resources' Diversity Profile	
Board:	25%
Senior Executives:	50%
Employees/Contractors	62.5%

ASX CORPORATE GOVERNANCE COMPLIANCE STATEMENT

All References are to the Company's ASX Principles Compliance Statement, Director's Report and Remuneration Report, which are set out in the Company's 2012 Annual Report.

Principle	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations	Reference	Compliance
1	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	1b	Compliant
1.2	Companies should disclose the process for evaluating the performance of senior executives.	remuneration report	Compliant
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	1b, remuneration report	Compliant
2	**Structure the Board to add value**		
2.1	A majority of the Board should be independent directors.	1a, 1d	Non-compliant
2.2	The chair should be an independent director.	1c	Compliant
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1a	Compliant
2.4	The Board should establish a nomination committee.	1h, 2a, 2c	Compliant
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	1g, 2a	Compliant
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	1a, 1g 1i, 2a directors' report	Compliant
3	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: – the practices necessary to maintain confidence in the Company's integrity; and – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5c, 5d	Compliant
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	7	Compliant
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them	7	Non-compliant
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	7	Compliant
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	7	Partially Compliant

Principle	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations	Reference	Compliance
4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	2b	Compliant
4.2	The audit committee should be structured so that it: – consists only of non-executive directors; – consists of a majority of independent directors; – is chaired by an independent chair, who is not chair of the Board; – and has at least three members.	2a, 2b	Compliant
4.3	The audit committee should have a formal charter.	2a	Compliant
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	2a, 3b directors' report	Compliant
5	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance and ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	6, 6a	Compliant
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	6a	Compliant
6	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	6b	Compliant
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	6b	Compliant
7	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	2b, 4a, 4b	Compliant
7.2	The Board should require management to design and implement the risk management and internal control systems to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	4b	Compliant
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	4c	Compliant
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	4b,4c, directors' report	Compliant

Principle	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations	Reference	Compliance
8	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee.	2a, 2c, remuneration report	Compliant
8.2	The remuneration committee should be structured so that it: – consists of a majority of independent directors – is chaired by an independent chair – has at least three members	2c	Compliant
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	remuneration report	Compliant
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	2a, 5e directors' report, remuneration report	Compliant

FINANCIAL REPORT CONTENTS

DIRECTORS' REPORT

The directors of Rey Resources Limited ("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 2012.

1 DIRECTORS

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

Charlie Lenegan, (Chairman, Independent Non-Executive)

Kevin Wilson (Managing Director, Executive)

Ronnie Beevor, (Director, Independent Non-Executive)

Maree Arnason (Strategy Director, Executive)

Lex Graefe (Director, Independent Non-Executive, appointed 1 October 2011)

Brett Clark (Director, Independent Non-Executive, appointed 1 October 2011)

Alan Humphris (Director, Independent Non-Executive, retired 1 October 2011)

James McClements (Director, Independent Non-Executive, retired 1 October 2011)

Unless otherwise stated, directors were in office from the start of the financial year to the date of this report.

Details of directors' qualifications, experience, special responsibilities and details of directorships of other listed companies can be found on pages 36 to 38.

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				
Charlie Lenegan Appointed on 29 November 2010	Chairman Independent Non-Executive	Qualifications - BSc Economics (Hons) Mr Lenegan is a former Managing Director of Rio Tinto Australia. He has had a distinguished 27 year career with Rio Tinto where he held various senior management positions across a range of commodities and geographies. His responsibilities at Rio Tinto included senior roles in various feasibility studies and in the planning and development of the Kaltim Prima Coal mine in Indonesia and the Argyle Diamond mine in Australia. His experience also extends to senior operating roles at the Tarong Coal mine in Queensland and the Kelian Gold mine in Indonesia. He is a former Chairman of the Minerals Council of Australia, a former President of the Australian Mines and Metals Association and a former board member of the Business Council of Australia. Mr Lenegan is also a non-executive director of Turquoise Hill Resources Ltd (formerly Ivanhoe Mines Limited) listed on Toronto Stock Exchange, the New York Stock Exchange and the NASDAQ Stock Market.	• OZ Minerals Limited (February 2010, ongoing)	• Chairman of the Board since 29 November 2010 • Chairman of Remuneration and Nomination Committee since 29 November 2010 • Member of Sustainability Committee since 22 March 2011 (Chairman from 22 March 2011 to 17 May 2012) • Member of Audit and Risk Committee since 29 November 2010
Kevin Wilson Appointed on 9 August 2007	Managing Director Executive	Qualifications - BSc (Hons), ARSM, MBA Mr Wilson has over 30 years' experience in the minerals and finance industries. He was the Managing Director of Leviathan Resources Limited, a Victorian gold mining company, from its IPO in 2005 through to its sale in 2006. His experience includes eight years as a geologist with the Anglo American Group in Africa and North America and 14 years as a stockbroking analyst and investment banker with CS First Boston and Merrill Lynch in Australia and New York.	• Navarre Minerals (March 2011, ongoing)	• Managing Director since 9 August 2007
Ronnie Beevor Appointed on 2 August 2010	Director Independent Non-Executive	Qualifications - BA (Hons) Mr Beevor is an investment banker and is a Senior Advisor to Standard Chartered Gryphon Partners, having previously been Head of Investment Banking at NM Rothschild & Sons (Australia) Limited between 1997 and 2002. He has had extensive involvement in the natural resources industry, both in Australia and internationally. He was formerly a non-executive director of ASX-listed Oxiana Limited which successfully developed the Sepon gold-copper project in Laos as well as the Prominent Hill copper-gold deposit in South Australia. Mr Beevor is Chairman of AIM-listed EMED Mining Public Limited and a non-executive director of Ampella Mining Limited, Bannerman Resources Limited, Bullabulling Gold Limited, Talison Lithium Limited and Unity Mining Limited	• Ampella Mining Limited (July 2011, ongoing) • Bannerman Resources Limited (July 2009, ongoing) • Unity Mining Limited (formerly Bendigo Mining Limited) (November 2002, ongoing) • Bullabulling Gold Limited (July 2012, ongoing)	• Chairman of Audit and Risk Committee since 3 March 2011 • Member of Remuneration and Nomination Committee since 3 March 2011

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				
Maree Arnason Appointed on 7 April 2011	Strategy Director Executive	Qualifications - BA Ms Arnason has over 25 years' experience working across the resource, energy and manufacturing sectors in Australia and New Zealand. Ms Arnason has held senior leadership roles in remote and corporate environments with BHP Iron Ore, BHP Billiton, Carter Holt Harvey and Wesfarmers Energy and has operated a strategy consultancy business advising several resource projects in Western Australia including Rey Resources. Ms Arnason is member of the Australian Institute of Company Directors, National Director of the Australia China Business Council and an Executive Council member with the WA Chamber of Minerals and Energy. Maree is also an Executive Director of a private company, Energy Access Services, which operates an energy trading platform for the Western Australian wholesale gas market.	None	None
Lex Graefe Appointed on 1 October 2011	Director Independent Non-Executive	Qualifications - BEc, CPA Mr Graefe holds a Bachelor of Economics (Accounting Major) degree from Adelaide University and is a CPA. He has extensive management and commercial experience, working in the mining industry for the last 30 years in Australia, Africa and Asia. His experience includes leadership roles in project studies, engagement with government and stakeholders and various CFO roles. Mr Graefe brings a broad range of project and commercial experience to the board. He has previously held the role of CFO/Company Secretary to Sphere Minerals Limited and has also held senior leadership roles with Shield Mining, Resolute Mining (Tanzania) Rio Tinto Indonesia and Rio Tinto India. Mr Graefe also held a number of management, commercial and financial roles with Hamersley Iron. Mr Graefe currently acts as CFO to Iron Road Limited.	None	• Member of Audit and Risk Committee since 1 October 2011 • Member of Remuneration and Nomination Committee since 24 July 2012
Brett Clark Appointed on 1 October 2011	Director Independent Non-Executive	Qualifications - B Econ Mr Clark holds a Bachelor of Engineering degree from Curtin University and a Graduate Diploma of Business Management and Finance from Deakin University. He has over 20 years' experience in the resources sector in business development, operations, acquisitions, asset management, project management, business improvement and financial roles. With specific experience in corporate roles that have focused on strategic operational outcomes and implementation of major resource project studies, Mr Clark brings very relevant experience to the board at this stage of the Company's development. Mr Clark is currently Chief Operating Officer of Pluton Resources and has previous director experience with Oakajee Port and Rail, and Wembley Resources; and senior executive roles with Tethyan Copper, Ernst & Young, Snowden Group, Rio Tinto/Iron Ore Company of Canada/Hamersley Iron and Western Mining.	None	• Chairman of Sustainability Committee from 17 May 2012 (member from 1 October 2011 to 17 May 2012)

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
Former				
Alan Humphris Appointed on 27 July 2004 and resigned on 1 October 2011	Director Independent Non-Executive	Qualifications - BSc, BEc, MA (Laws) Hons (UK), FCPA Mr Humphris is a merchant banker with more than 25 years' experience in Australia and offshore markets specialising in corporate finance and advisory services. He is Managing Director of Balmoral Capital Pty Limited, a boutique merchant banking firm. Previously he was an Executive Director of Hambros Australia Limited and Head of Hambros Corporate Finance, and earlier he was a Director of JP Morgan Australia Limited. Mr Humphris has had significant experience in the resources sector in both advisory and Non-Executive Director roles.	• ASF Group Limited (September 2007, ongoing)	• Former member of Audit and Risk Committee to 1 October 2011
James McClements Appointed on 29 August 2007 and resigned on 1 October 2011	Director Independent Non-Executive	Qualifications - BEcon (Hons) Mr McClements co-founded Resources Capital Funds (RCF) in 1998 and oversees all aspects of fund management, including the development and implementation of investment strategy as well as oversight of investment, divestment and management decisions regarding portfolio companies. Prior to launching RCF, he was a natural resources sector banker with N.M. Rothschild in Australia and the United States, and with Standard Chartered Bank. He began his professional career with BHP Limited.	• Murchison Metals Limited (May 2007, ongoing) • Bannerman Resources Limited (December 2008 to May 2011)	• Former member of Audit and Risk Committee to 1 October 2011

3 COMPANY SECRETARIES

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 18 years' experience in corporate law and compliance. Ms Coates is a Chartered Secretary and currently acts as company secretary to several ASX, JSE and AIM listed companies and unlisted companies, the majority of which operate in the mineral resources industry, both in Australia and internationally. Ms Coates is Legal and Compliance Counsel to Perth based corporate advisory firm Evolution Capital Partners, which specialises in the provision of corporate services to ASX, JSE and AIM listed companies.

Joint company secretaries Mr Glen Smith and Mr Krishna Kulshreshtha resigned on 11 January 2012.

4 DIRECTORS' ATTENDANCE AT MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board		Audit and Risk Committee		Remuneration and Nomination Committee		Sustainability Committee	
	A	B	A	B	A	B	A	B
Charlie Lenegan	22	22	4	4	5	5	2	2
Kevin Wilson	22	22	-	-	-	-	-	-
Alan Humphris[1]	5	6	0	1	1	2	-	-
James McClements[1]	0	6	0	1	-	-	-	-
Ronnie Beevor	21	22	4	4	5	5	-	-
Maree Arnason	22	22	-	-	-	-	-	-
Lex Graefe[2]	15	16	3	3	-	-	-	-
Brett Clark[2]	14	16	-	-	-	-	2	2

A Number of meetings attended

B Number of meetings held during the time the director held office or was a member of the relevant committee during the year

Notes:

1 Resigned 1 October 2011

2 Appointed 1 October 2011

5 DIRECTORS' INTERESTS IN SECURITIES IN REY RESOURCES

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

	Ordinary shares	Options over ordinary shares	Performance Rights
Charlie Lenegan	100,000	–	400,000
Kevin Wilson	4,485,006	1,500,000	800,000
Ronnie Beevor	1,952,149	–	150,000
Maree Arnason	74,000	–	3,000,000
Lex Graefe	200,000	–	–
Brett Clark	–	–	–

6 REMUNERATION REPORT - AUDITED

This remuneration report outlines the director and executive remuneration arrangements for Rey Resources Limited 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.

Following feedback from shareholders, at the 2011 AGM the Company withdrew the proposal for a non-executive director share performance rights plan. As outlined below, non-executive director fees comprise a fixed annual fee plus committee fees, with no participation in any performance rights plan. Removal of the non-executive director share performance rights plan proposed in 2011 addressed shareholder concerns which had given rise to the "no vote" of the 2011 remuneration report.

6.1 Principles of compensation

For the purpose of this report key management personnel ("KMP") are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company. The officers listed under KMP below are included in the report. The report will provide an explanation of Rey Resources Limited's 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.

2011 Key Management Personnel

The KMP of Rey Resources Limited during the year ended 30 June 2012 were:

Non-Executive	
Charlie Lenegan	Chairman
Ronnie Beevor	Non-Executive Director
Brett Clark	Non-Executive Director (appointed 1 October 2011)
Lex Graefe	Non-Executive Director (appointed 1 October 2011)
Alan Humphris	Non-Executive Director (retired 1 October 2011)
James McClements	Non-Executive Director (retired 1 October 2011)
Executive	
Kevin Wilson	Managing Director
Maree Arnason	Executive Director - Strategy
Ron Hite	Project Director (resigned 9 March 2012)

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 senior management and to align their remuneration with the achievement of clearly defined targets.

2 To provide market competitive remuneration and conditions in the current market for high quality directors and executives, particularly in Western Australia.

3 To align remuneration with the creation of shareholder value and the achievement of company strategy, objectives and performance.

4 To be able to differentiate reward based on performance, in particular acknowledging the contribution of outstanding performers.

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

The Remuneration and Nomination Committee is responsible for advising the board on matters relating to the remuneration of the directors, senior executives and employees of the Company, including making recommendations in relation to the remuneration framework of the Company and the fees and remuneration paid to directors and executives.

The Committee seeks independent remuneration advice from time to time, and refers to relevant market survey data for the purposes of external comparison.

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 motivates 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. An annual review of TFR is undertaken each year and reflects market movements and individual performance.

Short term incentive

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

In the year ended 30 June 2012, the Managing Director was eligible for a cash payment of up to 40% of his TFR for meeting established targets for a number of key business measures, including completion of key project milestones, executing funding strategies, business and organisation development, increasing resource status and improving safety performance. This has been a challenging period for the Company and the targets have not been achieved. As a result there is no STI payable to the Managing Director. For the year ending 30 June 2013, a similar set of company and individual measures will be established with a target of 20% of TFR and a maximum of 40% of TFR.

During the same period a payment of $50,000 was approved for the Executive Director - Strategy in recognition of her contribution. For the year ending 30 June 2013 a similar set of company and individual measures to those applying for the Managing Director will be established, providing a target of 10% of TFR and a maximum of 20% of TFR.

Long term incentive

Executives are eligible to participate in the Rey Resources Limited Executive Incentive Rights Plan ("2011 EIRP"), which replaced the 2010 Executive Incentive Rights Plan ("2010 EIRP") and was approved at the 2011 Annual General Meeting. The EIRP aligns the reward of the participants with the long term creation of shareholder value. The Managing Director, Executive Director - Strategy and Environmental and Approvals Manager are eligible to participate in the plan.

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

The EIRP forms an important component of the total remuneration of both the Managing Director and Executive Director - Strategy. A number of rights are provided based on a percentage of TFR, 50% for the Managing Director and 15% for the Executive Director - Strategy. The allocated rights are then subject to a three year vesting period which requires achievement of a compound annual growth in Total Shareholder Return hurdle for the vesting period, and where relevant, achievement of additional performance conditions. The proportion to vest increases from 25% at a 10% compound annual growth rate, to 100% for achieving greater than 20% compound annual growth. The vesting condition may be retested one year after the three year vesting period.

Shareholder approval will be sought at the 2012 Annual General Meeting to issue rights to the Managing Director in relation to the years ended 30 June 2011 and 30 June 2012, and to the Executive Director - Strategy in relation to the year ended 30 June 2012.

Relationship between Company performance and remuneration

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

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

Driver	Status
Upgrades to the resource base	Reserve Statement issued June 2011. There was limited exploration drilling in the year to 30 June 2012 as the focus was on permitting and approvals processes.
Progress towards development of a successful long term operation based on the Company's resources Effective engagement with key stakeholders to secure successful development of the long term project	Definitive Feasibility Study completed June 2011. Environmental permitting process commenced June 2011 and proceeding to plan. Heads of Agreement with Traditional Owners awaiting ratification.
Seeking opportunities to generate further value through business development, corporate development and funding strategies.	Engaged with a number of parties to establish strategic partner relationship. Agreement signed with ASF Group Limited in June 2012 provides for funding of up to $13.8 million (before costs) through share placements.

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

The only relevant financial measure at this point is share price for which the history is presented below. Absolute TSR performance is the basis for long term incentive awards under the EIRP. For information an index showing movement of four comparator companies over the same period is provided.

	2012	2011	2010	2009	2008
Rey Resources Closing Share Price 30 June	0.075	$0.190	$0.115	$0.130	$0.360
Comparator Index*	0.21	0.39	0.35	0.40	1.00

*Comparator companies (ASX codes) - Pluton (PLV), Cockatoo Coal (COK), Talisman Mining (TLM), East Energy Resources (EER). The comparator index is currently not used to measure remuneration but may be used in the future reporting periods.

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. In recognition of the need to conserve cash outgoings, NED fees remain at levels established in 2010 despite removal of the previously proposed equity plan in 2011.

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

The following table summarises the fees payable to NEDs, inclusive of superannuation, during the year.

	Main Board Fee	Audit & Risk Committee	Remuneration and Nomination Committee	Sustainability Committee
Chairman	$120,000	$10,000	$5,000*	$5,000*
Other non-executive directors	$50,000	–	–	–

*No fee payable during the year as committee chaired by Board Chairman. The Board Chairman was replaced as Chairman of the Sustainability Committee by Mr Brett Clark on 17 May 2012, at which time a committee fee became payable to Mr Clark.

From 1 July 2012 the fee for the Chairman of each committee will be $10,000 and other members will receive $5,000. In addition the Board Chairman will become eligible to receive committee fees.

The Board further notes that under the terms of the proposed share placements to ASF Group Limited announced on 18 June 2012, two new non-executive directors will be added to the Board following completion of the transactions. This event, combined with the need to provide competitive remuneration to non-executive directors, may lead to a review of the aggregate fee limit before the 2013 Annual General Meeting.

6.2 Directors' and executive officers' remuneration

The table below sets out the remuneration of the KMP identified in the 2012 and 2011 Annual Reports.

	Short Term Benefits			Post-employment benefits	Share based payments	Termination Benefits	Total	Percentage Shares Related	Percentage Performance Related
	Cash salary and Fees	Annual Incentive	Non-monetary benefits	Super	Rights/ options	Termination Payments			
Name	$	$	$	$	$	$	$		%
C Lenegan (Chairman)									
2012	110,091	–	–	9,908	20,555	–	140,554	15%	0%
2011	65,067	–	–	5,856	–	–	70,923	0%	0%
R Beevor (Non-executive director)									
2012	60,000	–	–	–	7,315	–	67,315	11%	0%
2011	38,750	–	–	–	6,705	–	45,455	15%	0%
A Humphris (Non-executive director - retired 1 October 2011)									
2012	12,486	–	–	1,124	-7,163	–	6,447	-111%	0%
2011	40,917	–	–	3,682	7,163	–	51,762	14%	0%
J Ludowici (Chairman, retired 29 November, 2010) [1]									
2012	–	–	–	–	–	–	–		–
2011	160,250	–	–	21,786	–	100,000	282,036	0%	0%

Name	Short Term Benefits: Cash salary and Fees $	Short Term Benefits: Annual Incentive $	Short Term Benefits: Non-monetary benefits $	Post-employment benefits: Super $	Share based payments: Rights/options $	Termination Benefits: Termination Payments $	Total $	Percentage Shares Related	Percentage Performance Related %
J McClements (Non-executive director - retired 1 October 2011)									
2012	11,468	–	–	1,032	-7,163	–	5,337	-134%	0%
2011	40,000	–	–	3,600	7,163	–	50,763	14%	0%
B McIntosh (Non-executive director - appointed 21 February 2011, resigned 6 April 2011)									
2012	–	–	–	–	–	–	–	–	–
2011	4,093	–	–	368	–	–	4,461	0%	0%
L Graeffe (Non-Executive Director - appointed 1 October 2011)									
2012	34,403	–	–	3,096	–	–	37,499	0%	0%
2011	–	–	–	–	–	–	–		–
B Clark (Non-Executive Director - appointed 1 October 2011)									
2012	34,403	–	–	3,096	–	–	37,499	0%	0%
2011	–	–	–	–	–	–	–	–	–
K Wilson (Managing Director) [2]									
2012	307,339	–	–	27,661	38,985	–	373,985	10%	0%
2011	300,478	80,000	–	27,043	170,488	–	578,009	29%	14%
M Arnason (Executive Director - Strategy - appointed 7 April 2011)									
2012	344,036	50,000	691	30,963	204,545	–	630,235	32%	8%
2011	80,549	–	–	7,249	–	–	87,799	0%	0%
R Hite (Project Director - resigned 9 March 2012) [2]									
2012	248,016	–	53,403	–	-119,510	–	181,909	-66%	0%
2011	343,749	–	136,967	–	592,141	–	1,072,857	55%	0%
B Preston (Technical Director - resigned 6 April 2011) [3]									
2012	–	–	–	–	–	–	–	–	–
2011	165,000	–	–	14,850	–	–	179,850	0%	0%
TOTAL									
2012	1,162,242	50,000	54,094	76,880	137,564	–	1,480,780	9%	3%
2011	1,238,853	80,000	136,967	84,435	783,660	100,000	2,423,914	32%	3%

Notes:

1 $100,000 in "Termination Payments" in 2011 is a payment of approximately 12 months salary as an agreed payment, which included consideration of Mr Ludowici's provision of executive and directors services to the Company.

2 Includes cost to provide a car loan and medical insurance to Mr. Hite.

3 Mr Preston ceased to be a KMP at 30 June 2011.

6.3 Equity instruments

6.3.1 Rights over equity instruments granted as compensation

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

	Number of rights granted during FY 2012	Grant Date	Fair value per share at grant date	Expiry date	Number of rights vested during FY 2012
C Lenegan*	400,000	23.11.2011	$0.1163	30.06.2015	0
M Arnason*	1,500,000	23.11.2011	$0.1350	30.06.2013	0
	1,500,000	23.11.2011	$0.1350	30.06.2014	0

*As approved at 2011 Annual General Meeting

The valuation assumptions and methodology for the Performance Rights are set out in note 20 of the notes to the accounts.

No rights have been granted since the end of the financial year. The rights were provided at no cost to the recipients. The rights are issued as either retention rights, linked to ongoing employment service with the Company, or performance rights, which are conditional on the Company achieving certain performance hurdles.

6.3.2 Options and rights over equity instruments granted as compensation

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

Name	Number	Grant Date	% vested in year	% forfeited/ lapsed in year	Financial year in which grant vests
Share rights					
C Lenegan	400,000	23.11.2011	0%	0%	2015
R Beevor	150,000	29.11.2010	0%	0%	2014
A Humphris	150,000	29.11.2010	0%	100%	2014
J McClements	150,000	29.11.2010	0%	100%	2014
K Wilson	800,000	29.11.2010	0%	0%	2014
M Arnason	1,500,000	23.11.2011	0%	0%	2013
	1,500,000	23.11.2011	0%	0%	2014
R Hite	1,147,000	11.05.2011	100%	0%	–
	484,333	11.05.2011	0%	100%	–
	968,667	11.05.2011	0%	100%	–

Name	Number	Grant Date	% vested in year	% forfeited/ lapsed in year	Financial year in which grant vests
Options					
K Wilson	1,000,000	24.06.2008	0%	100%	2009
	1,000,000	24.06.2008	0%	0%	2010
	1,000,000	24.06.2008	0%	0%	2011
	500,000	26.11.2008	0%	100%	2011
	500,000	26.11.2008	100%	0%	2012
	500,000	26.11.2008	0%	0%	2013

Subsequent to year end, a further 1,500,000 options lapsed in accordance with their terms of issue.

6.3.3 Movements in share rights

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

Name	Granted in year $	Value of options/rights exercised in year	Lapsed in year $
Share rights			
C Lenegan	46,520	–	–
A Humphris	–	–	21,000
J McClements	–	–	21,000
M Arnason	405,000	–	–
R Hite	–	229,400	468,000
Options			
K Wilson	–	–	255,000

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
Kevin Wilson Managing Director	Ongoing	6 months' notice or payment in lieu. Pro-rata Annual Incentive is paid. Unvested Long Term Incentive vests.	6 months' notice or payment in lieu. If terminate within 6 months of a Fundamental Change receives 6 months TFR at termination date.† Board discretion to pay pro-rata Annual Incentive and unvested Long Term Incentive.
Maree Arnason Executive Director - Strategy	Ongoing	6 months' notice or payment in lieu.	3 months' notice or payment in lieu.

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

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

Non-executive directors are engaged by a letter of appointment for a term as stated in the constitution of the Company. They are able to 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 Remuneration and Nomination Committee seeks 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 of the Remuneration and Nomination Committee.

During the 2010-2011 year Godfrey Remuneration Group ("GRG"), a specialist executive remuneration advisory business, was engaged to review and provide recommendations on non-executive director fees, executive fixed remuneration, and the design of long term incentive plans. Under this engagement GRG provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid $69,400 for these services.

During the 2011-2012 year the Board engaged CRHR, a strategic human resources advisory business, to provide advice on the remuneration structure for KMP, including development of a short term incentive plan. Under this engagement CRHR provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid $15,221 for these services. CRHR was also engaged to provide support on matters related to preparation of the 2012 remuneration report, development of remuneration structure for all employees, and undertaking a Board performance review and other strategic human resource advice for fees totalling $31,309.

The Board is satisfied that the remuneration recommendations from both advisors were made free from any undue influence by the members of the KMP to whom the recommendations related, and that all recommendations were made to the Remuneration and Nomination Committee.

7 PRINCIPAL ACTIVITIES

The principal activity of Rey Resources is coal exploration in the Canning Basin, Western Australia, and development of the Duchess Paradise Project.

8 RESULTS FOR THE YEAR AND REVIEW OF OPERATIONS

During the year, work continued on optimising and progressing the Duchess Paradise Project through the regulatory approvals process. As anticipated, following Rey Resources referral of the proposed Duchess Paradise Project in June 2011, the Western Australian Environmental Protection Authority (EPA) determined that the proposed Project be assessed at the level of Public Environmental Review (PER) in August 2011.

To avoid duplication in the assessment process, the federal Department of Sustainability, Environment, Water, Population and Communities (DSEWPaC) in October 2011 determined the proposal to be a Controlled Action requiring approval, accrediting the assessment by the State for that purpose.

It was the decision of the EPA that Rey Resources, as Project proponent, should prepare the assessment Environmental Scoping Document (ESD), which was approved in April 2012, as the basis for the PER.

The Company continued discussions with native title holders to obtain required agreements and to ensure the benefits from the Project, such as employment and business development opportunities, provide value to local communities. On 10 May 2012, Rey Resources announced that a Heads of Agreement had been reached with the Traditional Owner (Nyikina and Mangala) Negotiating Committee for the potential development of the Duchess Paradise Project. This draft agreement is currently subject to ratification.

In order to finance the timely development of the Duchess Paradise Project, the Company sought a strategic investor during the year and on 18 June 2012, Rey Resources announced it had entered into share subscription agreements with ASF Group Limited ("ASF"), an ASX listed company that holds an interest in tenements adjoining Rey Resources' Duchess Paradise Project. Further, ASF was granted exclusivity until 28 September 2012 on negotiations with respect to a potential corporate transaction on the Duchess Paradise Project.

The Company raised a total of $15 million during the year, which comprised a placement of 40 million shares at an issue price of $0.20 per share during July and August 2011 to raise $8 million; a placement of 28,571,428 shares at an issue price of $0.14 per share in December 2011 to raise $4 million, and a placement of 25 million shares at an issue price of $0.12 per share to a nominee of ASF Group Limited in June 2012 to raise $3 million.

A further $10.8 million was raised following the approval at the general meeting of shareholders held on 6 September 2012, for the placement of a further 90 million shares at an issue price of $0.12 each to ASF Group Limited or its nominee. Cleared funds of $10.8 million were subsequently received.

9 DIVIDENDS

No dividend has been paid or declared by the Company during the financial year ended 30 June 2012 (2011: nil) and the directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2012.

10 SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

11 LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

12 PERFORMANCE RIGHTS OVER UNISSUED SHARES

Performance Rights on Issue

During the financial period, 3,400,000 (2011: 4,873,000) performance rights were issued to directors, following shareholder approval at the Company's Annual General Meeting on 23 November 2011. Of this amount, 3,000,000 were issued pursuant to the Company's Executive Incentive Rights Plan as approved by shareholders on 23 November 2011. Since the end of the financial period no performance rights have been issued. Performance rights have no exercise price on vesting.

As at the date of this report there are 4,797,000 performance rights on issue. Details of performance rights over unissued shares in Rey Resources as at the date of this report are set out below:

Class	Number	Grant Date	Expiry Date
Director Performance Rights	950,000	29 November 2010	30 June 2014
Executive Performance Rights (Tranche 2)	298,000	11 May 2011	30 June 2014
Executive Performance Rights (Tranche 3)	149,000	11 May 2011	30 June 2013
Executive Performance Rights	3,000,000	23 November 2011	23 November 2016
Chairman Performance Rights	400,000	23 November 2011	30 June 2014

Performance Rights vested, forfeited or lapsed

During the financial period, 1,753,000 performance rights lapsed on resignation of directors. During or since the end of the financial year no other performance rights were forfeited, cancelled or lapsed.

13 OPTIONS OVER UNISSUED SHARES

Options on Issue

As at the date of this report there are 1,500,000 options on issue. No options were issued during or since the end of the financial period. No option holder has any right under the terms of the options to participate in any other share issue of the Company.

Details of options over unissued shares in Rey Resources Limited as at the date of this report are set out below:

Class	Number	Exercise Price	Grant Date	Expiry Date
Unlisted Options	1,000,000	$0.30	24 June 2008	9 August 2013
Unlisted Options	500,000	$0.50	26 November 2008	9 August 2013

Options exercised, forfeited or lapsed

During or since the end of the financial period, 1,500,000 options lapsed in August 2012 in accordance with their terms of issue.

14 ENVIRONMENTAL DISCLOSURE

The Group's operations are subject to various laws governing the protection of the environment in areas such as air and water quality, waste emission and disposal, environmental impact assessments, mine rehabilitation and access to, 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 the 18 June 2012 the Company announced that it had entered into share subscription agreements to raise up to $13.8 million (before costs) through the issue of up to 115 million shares at an issue price of $0.12 per share to ASF Group Limited (or its nominee).

The first placement comprising 25 million shares was completed on 18 June 2012. The second placement comprising 90 million shares to raise a further $10.8 million was approved at the General Meeting of shareholders held on 6 September 2012 and the funds were subsequently received.

17 PROCEEDINGS ON BEHALF OF THE COMPANY

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

18 ROUNDING

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

19 NON-AUDIT SERVICES

During the year KPMG, the Group's auditor, has performed certain other services in relation to tax advisory and compliance in addition to their statutory duties, refer to note 25.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2011 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

20 AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 53 and forms part of the directors' report for the financial year ended 30 June 2012.

Signed in accordance with a resolution of directors.

Charlie Lenegan
Chairman
Perth, Western Australia
10 September 2012

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Rey Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 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

KPMG

R Gambitta
Partner

Perth

10 September 2012

in thousands of dollars	***Note***	**30 June 2012**	**30 June 2011**
Other income	*4*	795	984
Derby Port remediation costs		(2,126)	–
Exploration expense		(105)	–
Exploration impairment		(3,143)	(759)
Administrative expenses	*5*	(4,507)	(5,910)
Loss from operations		**(9,086)**	**(5,685)**
Finance income	*4*	167	353
Net finance income		**167**	**353**
Loss before income tax		**(8,919)**	**(5,332)**
Income tax benefit	*6*	–	–
Loss for the year, attributable to owners of the Company		(8,919)	(5,332)
Other comprehensive income/(loss)			
Foreign currency translation reserve of subsidiary disposed		–	(269)
Other comprehensive income/(loss) for the year, net of income tax		–	(269)
Total comprehensive loss for the year, attributable to owners of the Company		(8,919)	(5,601)
Loss per share			
Basic and diluted (cents per share)	*7*	(2.39)	(1.82)

The notes on pages 58 to 92 are an integral part of these consolidated financial statements

in thousands of dollars	*Note*	30 June 2012	30 June 2011
ASSETS			
Current assets			
Cash and cash equivalents	*8*	3,790	3,315
Trade and other receivables	*9*	303	1,159
Prepayments		462	180
Total current assets		**4,555**	**4,654**
Non-current assets			
Trade and other receivables	*9*	664	737
Property, plant and equipment	*10*	109	205
Exploration and evaluation expenditure	*11*	29,508	25,696
Total non-current assets		**30,281**	**26,638**
Total assets		**34,836**	**31,292**
LIABILITIES			
Current liabilities			
Trade and other payables	*12*	879	2,713
Loans and borrowings	*13*	–	8
Provisions	*14*	315	230
Total current liabilities		**1,194**	**2,951**
Non-current liabilities			
Loans and borrowings	*13*	–	33
Provisions	*14*	32	13
Total non-current liabilities		**32**	**46**
Total liabilities		**1,226**	**2,997**
Net assets		**33,610**	**28,295**
EQUITY			
Share capital	*15*	57,329	43,273
Reserves	*16*	1,931	1,753
Accumulated losses		(25,650)	(16,731)
Total equity attributable to equity holders of the Company		**33,610**	**28,295**

The notes on pages 58 to 92 are an integral part of these consolidated financial statements.

	Attributable to equity holders of the Company				
in thousands of dollars	**Share capital**	**Translation reserve**	**Share based payment reserve**	**Accumulated losses**	**Total equity**
Balance as at 1 July 2010	31,676	269	913	(11,399)	21,459
Loss for the year	–	–	–	(5,332)	(5,332)
Total other comprehensive income	–	(269)	–	–	(269)
Total comprehensive loss for the year	–	(269)	–	(5,332)	(5,601)
Transactions with owners of the Company, recognised directly in equity					
Issue of ordinary shares	12,059	–	–	–	12,059
Less: Transaction costs	(601)	–	–	–	(601)
Share-based payment transactions	139	–	840	–	979
Total transactions with owners of the Company	11,597	–	840	–	12,437
Balance 30 June 2011	43,273	–	1,753	(16,731)	28,295
Loss for the year	–	–	–	(8,919)	(8,919)
Total other comprehensive income	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	(8,919)	(8,919)
Transactions with owners of the Company, recognised directly in equity					
Issue of ordinary shares	15,000	–	–	–	15,000
Less: Transaction costs	(944)	–	–	–	(944)
Share-based payment transactions	–	–	178	–	178
Total transactions with owners of the Company	14,056	–	178	–	14,234
Balance 30 June 2012	**57,329**	**–**	**1,931**	**(25,650)**	**33,610**

The notes on pages 58 to 92 are an integral part of these consolidated financial statements.

in thousands of dollars	*Note*	30 June 2012	30 June 2011
Cash flows from operating activities			
Other income received	*4*	82	–
Derby Port remediation costs		(2,126)	–
Cash paid to suppliers and employees		(4,982)	(4,013)
Receipt of R&D claims		1,346	
Net cash used in operating activities	*8b*	**(5,680)**	**(4,013)**
Cash flows from investing activities			
Interest received		177	472
Payments for property, plant and equipment	*10*	(1)	(122)
Payment for bonds		(37)	–
Recovery of bonds		131	–
Payments for exploration expenditure		(8,240)	(15,014)
Net cash used in investing activities		**(7,970)**	**(14,664)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares (net of costs)		14,125	11,399
Proceeds from exercise of share options		–	87
Repayments of loans and borrowings		–	(9)
Net cash from/(used in) financing activities		**14,125**	**11,477**
Net (decrease)/increase in cash and cash equivalents		475	(7,200)
Cash and cash equivalents at the beginning of the year		3,315	10,515
Cash and cash equivalents at the end of the year	*8a*	**3,790**	**3,315**

The notes on pages 58 to 92 are an integral part of these consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

1 REPORTING ENTITY

Rey Resources Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 1121 Hay Street, West Perth, Western Australia, 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 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 exploration and mineral 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 10 September 2012.

(b) Going concern

The directors have prepared the financial statements on a going concern basis which contemplates the realisation of assets and payment of liabilities in the normal course of business. The Group has no debt obligations. The Group successfully raised $14.1 million (net of costs) during the year and has raised additional funds to meet its budgeted expenditure requirements (refer note 24).

(c) Basis of measurement

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

(d) Functional and presentation currency

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

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

(e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Other information about assumptions, estimates and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 6 Income tax expense and note 20 - share based payments.

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

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

(i) Subsidiaries

Subsidiaries are entities controlled by the Group's parent entity. Control refers to the power of governing the operating and financial policies of an entity so as to obtain benefits from its activities. Control is presumed when the parent acquires more than half of the voting rights of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that 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.

(b) Foreign currency

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

(c) Non derivative financial instruments

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

(i) Non-derivative financial assets

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

Loans and receivables

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

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

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

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

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

(iii) Share capital

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

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

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

(e) Exploration and development assets

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

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

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

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

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

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

(f) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on the terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payments status of the borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables and held-to maturity securities

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

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.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(g) Employee benefits

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

(i) Short-term employee benefits

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

(ii) Share-based payment transactions

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

(h) Goods and services tax

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

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

(i) Income tax

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

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

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

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

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

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

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

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Rey Resources Limited.

(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

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

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

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

(n) Determination of fair values

Share-based payment transactions

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

(o) New standards and interpretations not yet adopted

In the year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2012. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

4 OTHER INCOME AND FINANCE INCOME

in thousands of dollars	**2012**	**2011**
Other income		
Profit on disposal of subsidiary	–	28
Reversal of foreign currency translation on reserve on subsidiary disposed	–	269
Research and development grant received	713	633
Other income	**82**	**54**
	795	**984**
Finance income		
Interest income	167	353
	167	**353**

5 ADMINISTRATIVE EXPENSES

in thousands of dollars	**2012**	**2011**
Office supplies and expenses	419	482
Professional and consulting fees	1,061	1,386
Employee benefits expense (see below)	1,599	2,519
Depreciation and amortisation expense	69	43
Foreign exchange loss	15	(3)
Insurance premiums	349	240
Other expenses	992	1,243
	4,507	**5,910**
Employee benefits expense consists of:		
Equity-settled share-based payments	179	979
Salaries and fees	1,369	1,443
Superannuation	51	97
	1,599	**2,519**

6 INCOME TAX EXPENSE

in thousands of dollars	**2012**	**2011**
Income tax recognised in loss		
Current tax benefit	–	–
Over provided in prior years*	–	–
	–	**–**
Deferred tax (benefit)		
Origination and reversal of temporary differences	–	–
Current year losses for which no deferred tax asset was recognised	–	–
	–	–
Income tax benefit	**–**	**–**

The research and development grant received was classified as an income tax credit in the prior year. This has been re-classified to other income to better represent its nature as a government grant.

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

in thousands of dollars	**2012**	**2011**
Accounting loss before tax	(8,919)	(5,332)
At statutory income tax rate of 30% (2011: 30%)	(2,676)	(1,600)
Non-deductible expenses	(104)	140
Tax exempt income	(214)	(190)
Tax losses for which no deferred tax asset was recognised	2,994	1,650
Income tax benefit	–	–

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Statement of financial position		**Profit or loss**	
in thousands of dollars	**2012**	**2011**	**2012**	**2011**
Deferred tax liabilities				
Exploration and evaluation expenditure	(8,862)	(7,709)	(1,463)	(4,817)
Other	(49)	(44)	(5)	263
Gross deferred tax liability	(8,901)	(7,753)		
Deferred tax assets				
Tax loss carry-forwards	8,776	7,603	1,173	4,404
Other	125	150	(25)	150
Gross deferred tax asset	8,901	7,753	1,468	4,554
Net deferred tax asset/(liability)	–	–	–	–
Deferred tax (expense)/benefit			–	–

Tax losses

At 30 June 2012, the Group has tax losses arising in Australia of $47,701,650 (2011: $34,118,932) that are available indefinitely for offset against future taxable income. The Group has not recognised a deferred tax asset in relation to these tax losses (other than an offset to the deferred tax liability) as realisation of the benefit is not regarded as probable.

Tax consolidation

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

7 LOSS PER SHARE

in thousands of dollars		2012	2011
a.	Reconciliation of earnings to profit or loss	(8,919)	(5,332)
	Loss attributable to owners of the Company	(8,829)	(5,332)
	Loss used to calculate basic and diluted loss per share		
		No.	No.
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted loss per share	373,812,023	292,992,742
c.	Basic and diluted loss per share (cents per share)	(2.39)	(1.82)

At 30 June 2012, the Company's potential ordinary shares, which is 3,000,000 options (2011: 4,500,000) and 4,797,000 share performance rights (2011: 4,873,000) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

8a CASH AND CASH EQUIVALENTS

in thousands of dollars	2012	2011
Cash at bank and in hand	3,790	3,315
Cash and cash equivalents	3,790	3,315

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

8b RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

in thousands of dollars	***Note***	**2012**	**2011**
Cash flows from operating activities			
Loss for the period		(8,921)	(5,332)
Adjustments for:			
Depreciation	***10***	69	43
Reversal of foreign currency translation reserve		–	(269)
Impairment of capitalised exploration expenditure	***11***	3,143	759
Loss on disposal of assets		–	34
Net gain on disposal of subsidiary		–	(28)
Equity-settled share-based payment expense	***5***	179	979
Income tax benefit		–	(633)
Foreign exchange loss/(gain)		–	(3)
Interest income		10	(409)
		(5,428)	**(4,859)**
(Increase)/decrease in trade and other receivables		(629)	(34)
(Increase)/decrease in prepayments		17	(94)
Increase/(decrease) in trade and other payables		256	782
Increase/(decrease) in provisions and employee benefits		84	192
Net cash used in operating activities		**(5,680)**	**(4,013)**

9 TRADE AND OTHER RECEIVABLES

in thousands of dollars	**2012**	**2011**
Other receivables	303	526
Research and development benefit	–	633
	303	1,159
Security deposits	664	737
	967	**1,896**
Current	303	1,159
Non-current	664	737
	967	**1,896**

10 PROPERTY PLANT AND EQUIPMENT

in thousands of dollars	**2012**	**2011**
Plant and equipment		
At cost	216	261
Accumulated depreciation	(107)	(56)
Total Property, plant and equipment	**109**	**205**

Movements in carrying amounts:

in thousands of dollars	**2012**	**2011**
Balance as at 1 July	205	148
Additions	1	134
Disposals	(28)	(34)
Depreciation expense	(69)	(43)
Balance as at 30 June	**109**	**205**

11 EXPLORATION AND EVALUATION EXPENDITURE

in thousands of dollars	2012	2011
At cost	33,437	26,482
Accumulated impairment losses	(3,929)	(786)
	29,508	**25,696**

Movements in carrying amount:

in thousands of dollars	2012	2011
Opening balance	25,696	10,753
Current year expenditure capitalised	6,955	15,702
Impairment	(3,143)	(759)
	29,508	**25,696**

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

Tenements where tenure is not intended to be continued have been fully impaired as at 30 June 2012. Accordingly an impairment loss of $3,143,000 has been recognised in the financial statements.

Blackfin Pty Ltd ("Blackfin"), a subsidiary of the Company, lodged applications for exemption from expenditure in relation to 11 of its exploration licences (E04/1515-1518, E04/1520-1525 and E04/1529) for the 2009 expenditure year. Mineralogy Pty Ltd ("Mineralogy") lodged objections to the applications for exemption from expenditure and forfeiture applications affecting the 11 exploration licences ("Mineralogy Proceedings"). While the tenements, which are the subject of the application, cover areas of strategic interest to Rey Resources, they do not relate to Rey Resource's Duchess Paradise Project.

By the exemption applications, Blackfin claims that it is entitled to be exempt from incurring the required expenditure amount associated with the tenements on various grounds. Following the hearing of the exemption applications the Warden will recommend to the Minister the grant or refusal of the certificates of exemption from expenditure.

By the forfeiture applications, Mineralogy is claiming that Blackfin has failed to comply with its expenditure obligations, and such failure is of sufficient gravity to justify forfeiture of the tenements.

Blackfin is defending the Mineralogy Proceedings in the Perth Wardens Court and they were heard by the Mining Warden in May and July 2012. The Warden's decision as to the recommendation to the Minister with respect to the Exemption Applications and the Forfeiture Applications is pending.

If Blackfin is not successful in obtaining the certificates of exemption the Exploration Licences will be at risk of forfeiture, or Blackfin may be issued with a fine of up to $10,000 per tenement.

The carrying value of the exploration and evaluation expenditure at 30 June 2012 is $3,447,000 (2011: $3,108,000) pertaining to the 11 tenements.

12 TRADE AND OTHER PAYABLES

in thousands of dollars	2012	2011
Unsecured liabilities		
Trade payables	647	2,190
Sundry payables and accrued expenses	232	523
	879	**2,713**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

13 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's and Group's exposure to interest rate, foreign currency and liquidity risk, see note 22.

in thousands of dollars	2012	2011
Current liabilities		
Hire purchase	–	8
	–	**8**
Non-current liabilities		
Hire purchase	–	33
	–	**33**
Carrying amounts of non-current assets pledged as security are:		
Plant and equipment	**–**	**36**

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

in thousands of dollars				30 June 2012		30 June 2011	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Hire purchase liabilities	AUD	10.95%	2015	–	–	51	36
				–	**–**	**51**	**36**

The bank loan was secured over a vehicle with a carrying amount of $35,000 in 2011.

The loan was finalised and the vehicle sold as at 30 June 2012.

14 PROVISIONS

in thousands of dollars	2012	2011
Current		
Employee benefits	235	150
Other	80	80
	315	**230**
Non-current		
Employee benefits	32	13
	32	**13**

15 ISSUED CAPITAL

in thousands of dollars	***Note***	**2012**	**2011**
415,733,873 (2011: 320,439,445) fully paid ordinary shares		57,329	43,273
		57,329	**43,273**

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

	2012		**2011**	
	Number	**$'000**	**Number**	**$'000**
On issue at the beginning of the year	320,439,445	43,273	258,639,445	14,996
Shares issued during the year:				
8 July 2011	6,700,000	1,340	–	–
8 July 2011	1,723,000	–	–	–
16 August 2011	33,300,000	6,660	–	–
19 December 2011	28,571,428	4,000	–	–
18 June 2012	25,000,000	3,000	–	–
6 August 2010	–	–	1,000,000	87
8 August 2010	–	–	1,000,000	139
17 August 2010	–	–	(200,000)	(28)
10 December 2010	–	–	60,000,000	12,000
Transaction costs relating to share issues	–	(944)	–	(601)
On issue at the end of the year	**415,733,873**	**57,329**	**320,439,445**	**43,273**

On 8 July, 2011 the Company undertook a placement of shares, issuing 6,700,000 shares under Tranche 1 at an issue price of $0.20 per share and, on 16 August 2011, issuing 33,300,000 shares under Tranche 2.

On 8 July 2011, 1,723,000 performance rights vested.

On 19 December 2011 the Company undertook a placement of shares, issuing 28,571,428 shares at an issue price of $0.14 per share.

On the 18 June 2012 the Company entered into share subscription agreements to raise up to $13.8 million (before costs) through the issue of up to 115 million shares at an issue price of $0.12 per share to ASF Group Limited (or its nominee). The first placement comprising 25 million shares was completed on 18 June 2012.

Options and share performance rights

For information relating to the Rey Resources Limited employee option plan and share performance rights plan, including numbers granted, exercised and lapsed during the financial year and the numbers outstanding at year-end refer to note 20.

16 RESERVES

Translation reserve

The translation reserve comprises of all foreign currency differences arising from the translation of the financial statements of foreign operations.

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.

17 COMMITMENTS

(a) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

in thousands of dollars	**2012**	**2011**
Not later than one year	202	140
Later than one year but not later than five years	283	561
	485	**701**

(b) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by tenements licenses and acquisition agreements. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

in thousands of dollars	**2012**	**2011**
Not later than one year	2,755	3,171
Later than one year but not later than five years	1,879	3,774
	4,634	**6,945**

18 GROUP ENTITIES

Consolidated subsidiaries

	Country of incorporation	Ownership interest	
		2012	**2011**
Blackfin Pty Limited	Australia	100%	100%
Rey Kimberley Pty Limited	Australia	100%	100%
Rey Derby Pty Limited	Australia	100%	100%
Rey Derby Operations Pty Limited (a)	Australia	100%	100%

19 JOINT VENTURE INTERESTS

Participation and joint venture operating agreements in respect of two Exploration Permit Applications, EP10/04-5 and EP11/04-5, were finalised on August 2007 with Gujarat NRE Mineral Resources Limited ("Gujarat") and Gujarat NRE Oil Pty Limited.

In January 2008, Gujarat paid $275,000 to Rey Resources and earned a 90% interest in each of the two Petroleum Exploration Permits, EP 457 and EP 458 and must spend $4.85 million over the life of the petroleum permits. Rey Resources Limited retains a 10% interest in the permits, which is free carried until the grant of a petroleum production licence, after which the parties are to contribute according to their interest. Under the joint venture arrangement, Gujarat is responsible as operator for execution of the exploration work plan. Rey Resources is free carried (by loan) until a production licence is granted. No liability or expenses have been incurred by the Group. Gujarat, as operator, has applied for a one year extension of the licence term to 23 October 2015.

20 SHARE BASED PAYMENTS

The Group has the following share-based payment arrangements:

Share option program (equity-settled)

On 2 June 2006, the Group established a share option program that entitles KMP to purchase shares in the Company. The plan is subject to ASX listing rules. In accordance with these programs, options are exercisable at the market price of the Share at the date of the grant.

Share performance rights program (equity-settled)

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

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

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

Shareholder approval will be sought at the 2012 Annual General Meeting to issue rights to the Managing Director in relation to the years ended 30 June 2011 and 30 June 2012, and to the Executive Director - Strategy in relation to the year ended 30 June 2012.

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

Vesting Scale:

Performance Level	Compound Annual Rate of the Company's TSR Over the Measurement Period	Vesting%
<Threshold	<10%	–
Threshold	10%	25%
>Threshold & <Target	>10% & <15%	Pro rata
Target	15%	50%
>Target & <Stretch	>15% & <20%	Pro rata
Stretch	≥20%	100%

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

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

(b) Share-option program

Terms and conditions of share-option program

The terms and conditions relating to the grants of the share-option program are as follows:

Grant date/employees entitled	Number of instruments	Vesting conditions	Exercise price	Contractual life of options
Option grant to KMP on 24 June 2008	1,000,000	Vest on 9 August 2009	$0.20	4.129 years
Option grant to KMP on 24 June 2008	1,000,000	Vest on 9 August 2010	$0.30	5.129 years
Option grant to KMP on 26 November 2008	500,000	Vest on 9 August 2011	$0.40	3.701 years
Option grant to KMP on 26 November 2008	500,000	Vest on 9 August 2012	$0.50	4.704 years
Total	**3,000,000**			

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

	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)	Number of options
in thousands of dollars	**2012**	**2012**	**2011**	**2011**
Outstanding at 1 July	0.28	4,500,000	0.26	6,150,000
Exercised during the period		–	0.10	(1,000,000)
Expired during the period	0.22	(1,500,000)	0.33	(650,000)
Granted during the period		–	–	–
Outstanding at 30 June	0.32	3,000,000	0.28	4,500,000
Exercisable at 30 June	0.28	2,500,000	0.24	3,500,000

The options outstanding at 30 June 2012 have an exercise price in the range of $0.20 to $0.50 and a weighted average remaining contractual life of 0.610 years.

(c) Share rights program

Terms and conditions of share rights program

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

Grant date/employees entitled	Number of instruments	Vesting conditions	Contractual life of rights
Rights grant to Directors on 29 November 2010	950,000	Subject to the Company's absolute total shareholder return over the measurement period 1 July 2010 to 30 June 2013	3 years
Rights grant to KMP on 11 May 2011	298,000	Subject to satisfaction of a board approved mining operation between the measurement period of 1 July 2010 and 30 June 2014	4 years
Rights grant to KMP on 11 May 2011	149,000	Subject to continuous employment to 30 June 2013	3 years
Rights grant to KMP on 23 November 2011	400,000	Subject to the Company's absolute total shareholder return over the measurement period 1 July 2010 to 30 June 2013	3 years
Rights grant to KMP on 23 November 2011	1,500,000	Subject to full delivery of full permitting condition for the Company's first mining operation.	5 years
Rights grant to KMP on 23 November 2011	1,500,000	Delivery of a board-approved mining operation	5 years
Total	**4,797,000**		

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

in thousands of dollars	Weighted average exercise price ($) 2012	Number 2012	Weighted average exercise price ($) 2011	Number 2011
Outstanding at 1 July	–	4,873,000	–	–
Granted during the year	–	3,400,000	–	4,873,000
Vested during the year	–	(1,723,000)	–	–
Cancelled during the year	–	(1,753,000)	–	–
Outstanding at 30 June	–	4,797,000	–	4,873,000

Inputs for measurement of grant date fair values

The grant date fair value of the rights granted, the vesting conditions of which were subject to the Company's absolute total shareholder return over the measurement period 1 July 2010 to 30 June 2013, was measured based on Monte Carlo simulation model. The grant date fair value of other share-based payments was measured based on the fair value of the shares on the grant date and for options issued fair value was measured based on the Black-Scholes valuation model.

The inputs used in the measurement of the fair values at grant date of the share-based payment plans, which were subject to the vesting conditions relating to the Company's absolute total shareholder return are the following:

Valuation of Director Performance Rights (DPR)	
Grant Date	23 November 2011
Start of measurement period	1 July 2010
End of first DPR measurement period	30 June 2013
End of second DPR measurement period	30 June 2014
Spot price at start of measurement period ($)	$0.125
Share price at grant date	$0.135
Volatility of share (%)	100.0
Risk free rate (4.0 years) (%)	3.4
Dividend yield	nil
Expected life (years)	4 .0
DPR Fair Value at Grant Date ($/DPR)	0.1163

The inputs used in the measurement of the fair values at grant date of the share-based payment plans, which were not subject to the vesting conditions resulting to the Company's absolute total shareholder return are the following:

Valuation of Executive Rights (ER)

Tranches	Vesting conditions	Start of measurement period	End of measurement period	Fair value at Grant Date ($/ER)
Tranche 1[1]	Satisfaction of a Board approved definite feasibility study	1 July 2010	31 December 2012	0.29
Tranche 2	Satisfaction of a Board approved mining operation	1 July 2010	30 June 2014	0.29
Tranche 3	Continuous employment	1 July 2010	30 June 2013	0.29
Tranche 4[2]	Full delivery of full permitting condition	1 April 2011	30 June 2013	0.135
Tranche 4[2]	Satisfaction of Board approved mining operation	1 April 2011	31 December 2013	0.135

(1) Tranche 1 share rights vested on 24 June 2011 after the board approved definitive feasibility study.
(2) Tranche 4, the end of the measurement period has been extended for 6 months for accounting purposes.

An equity settled share based payment expense of $178,741 (2011: $978,868) has been recognised in the statement of comprehensive income.

21 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 18.

(c) Key management personnel compensation

Disclosures relating to compensation of the key management personnel compensation comprised:

in dollars	**2012**	**2011**
Short-term employee benefits	1,266,336	1,555,820
Post employment benefits	76,880	84,434
Share-based payments	137,564	783,660
	1,480,780	**2,423,914**

Individual directors and executives compensation disclosures

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

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

Loans to KMP and their related parties

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

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:

2012	Held at 1 July 2011	Received as compensation	Received on exercise of options/ rights	Other changes	Held at 30 June 2012
Directors					
Charlie Lenegan	–	–	–	100,000[1]	100,000
Kevin Wilson	4,485,006	–	–	–	4,485,006
Ronnie Beevor	1,952,149	–	–	–	1,952,149
Lex Graefe	–	–	–	200,000[2]	200,000
Brett Clark	–	–	–	–	–
Maree Arnason	74,000	–	–	–	74,000
Alan Humphris	3,495,254	–	–	3,495,254[2]	–
James McClements	10,532,452	–	–	10,532,452[2]	–
Executives					
Ron Hite	1,000,000	–	1,147,000[3]	(2,147,000)[2]	–
Total	**21,538,861**	**–**	**1,147,000**	**(15,874,706)**	**6,811,155**

(1) On-market purchase
(2) Shares held at date of appointment or resignation.
(3) Exercise of vested Executive Performance Rights

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:

2011	Held at 1 July 2010	Received as compensation	Received on exercise of options	Other changes*	Held at 30 June 2011
Directors					
Charlie Lenegan	–	–	–	–	–
Kevin Wilson	3,485,006	–	1,000,000	–	4,485,006
Ronnie Beevor	–	–	–	1,952,149[1]	1,952,149
Alan Humphris	3,495,254	–	–	–	3,495,254
James McClements	10,532,452	–	–	–	10,532,452
Maree Arnason	–	–	–	74,000[1]	74,000
Julian Ludowici	11,797,773	–	–	(11,797,773)[1]	–
Bruce Preston	6,072,025	–	–	(6,072,025)[1]	–
Bill McIntosh	–	–	–	–	–
Executives					
Ron Hite	–	1,000,000	–	–	1,000,000
Total	**35,382,510**	**1,000,000**	**1,000,000**	**(15,843,649)**	**21,538,861**

(1) Shares held at date of appointment or resignation as KMP.

Option holdings

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

2012	Held at 1 July 2011	Granted as compensation	Exercised	Lapsed	Held at 30 June 2012	Vested and exercisable at 30 June 2012	Unvested and unexercisable at 30 June 2012
Directors							
Kevin Wilson	4,500,000	–	–	(1,500,000)	3,000,000	2,000,000	1,000,000
Total	**4,500,000**	**–**	**–**	**(1,500,000)**	**3,000,000**	**2,000,000**	**1,000,000**

2011	Held at 1 July 2010	Granted as compensation	Exercised	Lapsed	Held at 30 June 2011	Vested and exercisable at 30 June 2011	Unvested and unexercisable at 30 June 2011
Directors							
Kevin Wilson	6,000,000	–	(1,000,000)	(500,000)	4,500,000	3,500,000	1,000,000
Total	**6,000,000**	**–**	**(1,000,000)**	**(500,000)**	**4,500,000**	**3,500,000**	**1,000,000**

No other KMP holds or was issued options during the year.

Share right holdings

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

2012	Held at 1 July 2011	Granted as compensation	Exercised	Other changes	Held at 30 June 2012	Vested and exercisable at 30 June 2012	Unvested and unexercisable at 30 June 2012
Directors							
Charlie Lenegan	–	400,000	–	–	400,000	–	400,000
Kevin Wilson	800,000	–	–	–	800,000	–	800,000
Maree Arnason	–	3,000,000	–	–	3,000,000	–	3,000,000
Ronnie Beevor	150,000	–	–	–	150,000	–	150,000
Alan Humphris	150,000	–	–	150,000[1]	–	–	–
James McClements	150,000	–	–	150,000[1]	–	–	–
Executives							
Ron Hite	2,600,000	–	(1,147,000)	(1,453,000)[1]	–	–	–
Total	**3,850,000**	**3,400,000**	**(1,147,000)**	**(1,753,000)**	**430,000**	**–**	**4,350,000**

(1) Share rights lapsed at date of resignation as KMP.

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

2011	Held at 1 July 2011	Granted as compensation	Exercised	Other changes	Held at 30 June 2011	Vested and exercisable at 30 June 2011	Unvested and unexercisable at 30 June 2011
Directors							
Kevin Wilson	–	800,000	–	–	800,000	–	800,000
Ronnie Beevor	–	150,000	–	–	150,000	–	150,000
Alan Humphris	–	150,000	–	–	150,000	–	150,000
James McClements	–	150,000	–	–	150,000	–	150,000
Executives							
Ron Hite		2,600,000			2,600,000	1,147,000	1,453,000
Total	**–**	**3,820,000**	**–**	**–**	**3,820,000**	**1,147,000**	**2,703,000**

No other KMP holds or was issued share rights during the prior year.

22 FINANCIAL RISK MANAGEMENT

Categories of financial instruments

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

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	**2012**	**2011**
Financial assets		
Cash and cash equivalents	3,790	3,315
Trade and other receivables	967	1,896
Total	**4,757**	**5,211**
Financial liabilities		
At amortised cost	879	2,997
Total	**879**	**2,997**

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:

	2012	**2011**
Neither past due nor impaired	967	1,896
Past due 1-30 days	–	–
Past due 31-90 days	–	–
Past due 90 days+	–	–

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 and foreign currency 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 2012 and 30 June 2011, 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.

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:

2012

In thousands of dollars	Carrying amount	Expected/ contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Trade and other payables	879	879	879	–	–	–	–
	879	**879**	**879**	**–**	**–**	**–**	**–**

2011

In thousands of dollars	Carrying amount	Expected/ contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Trade and other payables	2,713	2,713	2,713	–	–	–	–
Loans and borrowings	41	41	4	4	33	–	–
	2,754	**2,754**	**2,717**	**4**	**33**	**–**	**–**

Currency risk

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

Interest rate risk

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

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

in thousands of dollars	**2012**	**2011**
Variable rate instruments		
Cash and cash equivalents	3,790	3,315
Security deposits	664	737
	4,454	**4,052**

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 $16,700 (2011: $41,000)

Fair values

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

Capital management

Management controls the capital of the Group in order to ensure that it can fund its operations and continue as a going concern.

The Group has no external debt and there are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include share issues. There have been no changes in the strategy adopted by Management to control the capital of the Group since the prior year.

23 OPERATING SEGMENTS

The Group operates in one segment being the mining industry and in one geographical location, being Western Australia. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

24 SUBSEQUENT EVENTS

On the 18 June 2012 the Company announced that it had entered into share subscription agreements to raise up to $13.8 million (before costs) through the issue of up to 115 million shares at an issue price of $0.12 per share to ASF Group Limited (or its nominee).

The first placement comprising 25 million shares was completed on 18 June 2012. The second placement comprising 90 million shares to raise a further $10.8 million was approved at the General Meeting of shareholders held on 6 September 2012 and the funds were subsequently received.

25 AUDITORS REMUNERATION

in dollars	**2012**	**2011**
Audit services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports	89,474	63,748
	89,474	63,748
Other services		
Auditors of the Company		
KPMG Australia:		
Taxation services	17,325	56,250
Independent experts report	11,330	–
	28,655	56,250

26 PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2012 the parent entity of the Group was Rey Resources Limited.

In thousands of dollars	**2012**	**2011**
A. Result of parent entity		
Loss for the year	(8,168)	(6,036)
Total comprehensive loss for the year	(8,168)	(6,036)
B. Financial position of parent entity at year end		
Total current assets	4,008	3,596
Total non-current assets	31,898	26,040
Total assets	**35,906**	**29,636**
Total current liabilities	1,531	1,347
Total non-current liabilities	33	13
Total liabilities	**1,564**	**1,360**
Net assets	34,342	28,276
Total equity of parent entity comprising of:		
Share capital	57,398	43,273
Options reserve	1,931	1,753
Accumulated losses	(24,918)	(16,750)
Total equity	**34,342**	**28,276**

C. Parent entity contingencies

There are no contingent liabilities of the parent entity.

D. Parent entity capital commitments

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

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

There are no guarantees entered into by the parent entity.

DIRECTORS' DECLARATION

The Board of directors of Rey Resources Limited declares that:

(a) The 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 2012 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 required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Charlie Lenegan
Chairman
Perth, Western Australia
10 September 2012

INDEPENDENT AUDIT REPORT

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Rey Resources Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 26 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Rey Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of Group's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a).

Report on the remuneration report

We have audited the Remuneration Report included in section 6 of the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Rey Resources Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

R Gambitta
Partner

Perth

10 September 2012

ASX ADDITIONAL INFORMATION

Additional Shareholder Information

Additional information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this Annual Report is set out below. The information was current as at 11 September 2012.

Top 20 Shareholders

The 20 largest shareholders of the Company are listed below:

	Name	Number of Shares	Percentage Held %
1	ASF CANNING BASIN ENERGY PTY LTD	115,000,000	22.74
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	32,352,450	6.40
3	GUJARAT NRE MINERALS LIMITED	32,032,401	6.33
4	NATIONAL NOMINEES LIMITED	28,278,725	5.59
5	FOCUS ASSET MANAGEMENT PTY LTD <KEY GRAND SUPER FUND A/C>	22,307,380	4.41
6	MR HAITAO GENG	15,000,000	2.97
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,896,405	2.16
8	PYRAMID PEAK INVESTMENTS PTY LTD <MCCLEMENTS FAMILY TRUST>	10,532,452	2.08
9	ESCOR INVESTMENTS PTY LTD	8,000,000	1.58
10	OVERACHIEVE PTY LTD <OVERACHIEVE A/C NO 1>	7,104,523	1.41
11	MR BRUCE CLEMENT PRESTON <SUPER FUND A/C>	5,820,150	1.15
12	BROWNSTONE INTERNATIONAL PTY LTD	5,000,000	0.99
13	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	4,814,246	0.95
14	JAPON PTY LTD <MACLENNAN SUPER FUND A/C>	3,700,000	0.73
15	MR KEVIN JOHN WILSON & MRS JOLA WILSON <LINCOLN SUPERFUND NO 1 A/C>	3,485,006	0.69
16	D B MCKENZIE PTY LTD <SUPERANNUATION FUND A/C>	3,220,000	0.64
17	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	2,594,459	0.51
18	MR DAVID KENNETH ANDERSON & MRS CHARMAYNE ANDERSON <THE CANTERBURY S/FUND A/C>	2,500,000	0.49
19	MS CLAUDIA ESTELA BAHAMONDES	2,500,000	0.49
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	2,445,691	0.48
	TOTAL TOP 20 SHAREHOLDERS	**317,583,888**	**62.80%**

Substantial Shareholders

An extract of the Company's register of substantial shareholders (being those shareholders who held 5% or more of the issued capital on 11 September 2012) is set out below:

Shareholder	Number of shares	Percentage Held
ASF Canning Basin Energy Pty Ltd	115,000,000	22.74
Mathews Capital Partners Pty Ltd	51,919,542	10.26
Gujarat NRE Coking Coal Limited	32,032,401	6.33
Acorn Capital Limited	31,070,210	6.14

Distribution of Equity Securities

There were 795 holders of less than a marketable parcel of ordinary shares (being 7,462 shares on 11 September 2012). 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	323	80,617
1,001 - 5,000	368	1,160,434
5,001 - 10,000	293	2,429,882
10,001 - 100,000	1,126	45,275,264
100,001 and over	363[1]	456,787,676
TOTALS	2,473	505,733,873

1 ASF Canning Basin Energy Pty Ltd holds 115,000,000 shares comprising 22.74% of this class.

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

Unlisted Options exercisable at $0.30 on or before 9 August 2013

Size of Holding	Number of holders	Number of options
1 - 1,000	–	–
1,001 - 5,000	–	–
5,001 - 10,000	–	–
10,001 - 100,000	–	–
100,001 and over	1[1]	1,000,000
TOTALS	**1**	**1,000,000**

1 Mr Kevin Wilson <Lincoln Superfund No 1> holds 1,000,000 options comprising 100% of this class.

Unlisted Options exercisable at $0.50 on or before 9 August 2013

Size of Holding	Number of holders	Number of options
1 - 1,000	–	–
1,001 - 5,000	–	–
5,001 - 10,000	–	–
10,001 - 100,000	–	–
100,001 and over	1	500,000
TOTALS	**1**	**500,000**

1 Mr Kevin Wilson <Lincoln Superfund No 1> holds 500,000 options comprising 100% of this class.

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

Performance Rights

Size of Holding	Number of holders	Number of performance rights
1 - 1,000	–	–
1,001 - 5,000	–	–
5,001 - 10,000	–	–
10,001 - 100,000	–	–
100,001 and over	5	4,797,000
TOTALS	**5**	**4,797,000**

1 Ms Maree Arnason holds 3,000,000 performance rights comprising 62.53% of this class.

Voting Rights

Ordinary Shares

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

Options and Performance Rights

There are no voting rights attached to options and performance rights.

Stock Exchange

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

Mineral Licence Schedule

The mineral licence schedule for the Group is tabulated below:

Licence Type	Licence No.	Location	Grant Date	Expiry Date	Holder	Area (Ha)	Percentage Held
EL	E04/1385	WA, Australia	21/01/2004	20/01/2013	Blackfin Pty Ltd	21700	100%
EL	E04/1386	WA, Australia	21/01/2004	20/01/2013	Blackfin Pty Ltd	21700	100%
EL	E04/1518	WA, Australia	13/09/2007	12/09/2012	Blackfin Pty Ltd	10850	100%
EL	E04/1519	WA, Australia	20/04/2006	19/04/2013	Blackfin Pty Ltd	21700	100%
EL	E04/1219	WA, Australia	18/03/2008	17/03/2013	Blackfin Pty Ltd	21700	100%
EL	E04/1515	WA, Australia	20/04/2006	19/04/2013	Blackfin Pty Ltd	9920	100%
EL	E04/1517	WA, Australia	20/04/2006	19/04/2013	Blackfin Pty Ltd	6510	100%
EL	E04/1719	WA, Australia	10/12/2008	9/12/2013	Blackfin Pty Ltd	27280	100%
EL	E04/1723	WA, Australia	1/12/2008	30/11/2013	Blackfin Pty Ltd	7750	100%
EL	E04/1729	WA, Australia	17/10/2008	16/10/2013	Blackfin Pty Ltd	4960	100%
EL	E04/1381	WA, Australia	21/01/2004	20/01/2013	Blackfin Pty Ltd	21700	100%
EL	E04/1382	WA, Australia	21/01/2004	20/01/2013	Blackfin Pty Ltd	14880	100%
EL	E04/1383	WA, Australia	27/10/2003	26/10/2012	Blackfin Pty Ltd	18910	100%
EL	E04/1516	WA, Australia	20/04/2006	19/04/2013	Blackfin Pty Ltd	21700	100%
EL	E04/1529	WA, Australia	20/04/2006	19/04/2013	Blackfin Pty Ltd	21700	100%
EL	E04/1520	WA, Australia	20/04/2006	19/04/2013	Blackfin Pty Ltd	9300	100%
EL	E04/1521	WA, Australia	20/04/2006	19/04/2013	Blackfin Pty Ltd	10850	100%
EL	E04/1522	WA, Australia	20/04/2006	19/04/2013	Blackfin Pty Ltd	21700	100%
EL	E04/1523	WA, Australia	20/04/2006	19/04/2013	Blackfin Pty Ltd	9300	100%
EL	E04/1524	WA, Australia	20/04/2006	19/04/2013	Blackfin Pty Ltd	7750	100%
EL	E04/1525	WA, Australia	13/09/2007	12/09/2012	Blackfin Pty Ltd	10230	100%
EL	E04/1720	WA, Australia	17/10/2008	16/10/2013	Blackfin Pty Ltd	8370	100%
EL	E04/1728	WA, Australia	17/10/2008	16/10/2013	Blackfin Pty Ltd	16740	100%
EL	E04/1753	WA, Australia	24/02/2009	23/02/2014	Blackfin Pty Ltd	40300	100%
EL	E04/1767	WA, Australia	4/03/2009	3/03/2014	Blackfin Pty Ltd	1240	100%
EL	E04/1768	WA, Australia	4/03/2009	3/03/2014	Blackfin Pty Ltd	5270	100%
EL	E04/1769	WA, Australia	4/03/2009	3/03/2014	Blackfin Pty Ltd	23870	100%
EL	E04/1770	WA, Australia	4/03/2009	3/03/2014	Blackfin Pty Ltd	16740	100%
EL	E04/1785	WA, Australia	4/03/2009	3/03/2014	Blackfin Pty Ltd	62000	100%

Licence Type	Licence No.	Location	Grant Date	Expiry Date	Holder	Area (Ha)	Percentage Held
EL	E04/1833	WA, Australia	15/10/2009	14/10/2014	Blackfin Pty Ltd	16120	100%
EL	E04/1834	WA, Australia	24/07/2009	23/07/2014	Blackfin Pty Ltd	19840	100%
EL	E04/1835	WA, Australia	15/10/2009	14/10/2014	Blackfin Pty Ltd	20460	100%
EL	E04/1842	WA, Australia	15/10/2009	14/10/2014	Blackfin Pty Ltd	8990	100%
EL	E04/1865	WA, Australia	26/10/2009	25/10/2014	Blackfin Pty Ltd	7440	100%
EL	E04/1928	WA, Australia	14/04/2010	13/04/2015	Blackfin Pty Ltd	1240	100%
EL	E04/1943	WA, Australia	14/04/2010	13/04/2015	Blackfin Pty Ltd	8060	100%
EL	E04/1944	WA, Australia	19/05/2010	18/05/2015	Blackfin Pty Ltd	620	100%
EL	E04/1971	WA, Australia	6/07/2010	5/07/2015	Blackfin Pty Ltd	1860	100%
EL	E04/2061	WA, Australia	6/07/2011	5/07/2016	Blackfin Pty Ltd	2480	100%
EL	E04/2062	WA, Australia	6/07/2011	5/07/2016	Blackfin Pty Ltd	34410	100%
EL	E04/2089	WA, Australia	20/10/2011	19/10/2016	Blackfin Pty Ltd	1961	100%
ELA	E04/2138	WA, Australia	Pending		Blackfin Pty Ltd	2942	100%
ELA	E04/2139	WA, Australia	Pending		Blackfin Pty Ltd	6211	100%
MA	M04/453	WA, Australia	Pending		Blackfin Pty Ltd	12964	100%
LA	L04/58	WA, Australia	Pending		Blackfin Pty Ltd	3138	100%
EP	EP457	WA, Australia	24/10/2007	23/10/2014	Gujarat	503780	10%
EP	EP458	WA, Australia	24/10/2007	23/10/2014	Gujarat	576022	10%

EL: Exploration Licence
ELA: Exploration Licence Application
MA: Mining Lease Application
LA: Miscellaneous Licence Application
EP: Exploration Permit Petroleum

CORPORATE DIRECTORY

Directors

Mr Charlie Lenegan - Non-Executive Chairman

Mr Kevin Wilson - Managing Director

Ms Maree Arnason - Executive Director - Strategy

Mr Ronnie Beevor - Non-Executive Director

Mr Brett Clark - Non-Executive Director

Mr Lex Graefe - Non-Executive Director

Ms Min Yang - Non-Executive Director

Mr Geoff Baker - Non-Executive Director

Company Secretary

Ms Shannon Coates

Registered Office

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ACN 108 003 890

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West Perth WA 6872

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Fax: +61 8 9485 1094

Auditors

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Perth WA 6000 Australia

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Fax: +61 8 9263 7129

Share Registry

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Sydney, NSW, 2000

GPO Box 3993
Sydney NSW 2001

Tel: 1300 737 760 (within Australia)
Fax: 1300 653 459 (within Australia)
Tel: +61 2 9290 9600 (outside Australia)
Fax: +61 2 9279 0664 (outside Australia)

Stock Exchange

Australian Securities Exchange (ASX)
ASX Code: REY

Website

www.reyresources.com

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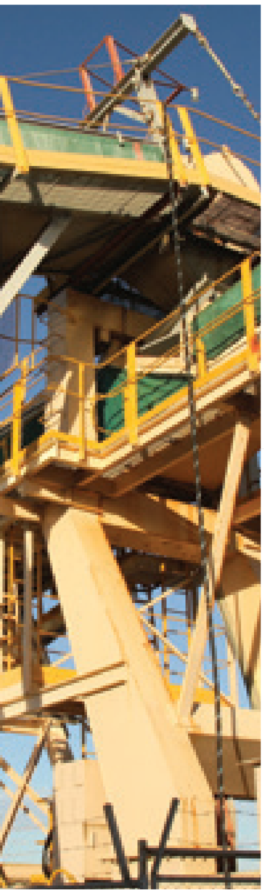



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