

Chairman's Letter

The recent financial year produced many challenges and this was certainly the case for Rey Resources. I would like to take this opportunity to thank our shareholders for their solid support and our board and management for the substantial effort they contributed to Rey's continuing success, moving the company from the exploration to development planning stage. Kevin Wilson, Rey's Managing Director, and the rest of the management team has worked hard putting the Canning Basin Project together and it is rewarding to see his efforts reflected in a higher share price and new confidence in the Company.

Strong Shareholder Support

The global financial crisis impacted all companies, however smaller companies without sustainable cash flow were even more affected. These global events saw Rey's share price fall to new lows, from which it has since recovered, nevertheless the company was still able twice to raise funds and maintain momentum in its drilling and development evaluation programs. Shareholders and investors supported our need for capital, as they understood that long term demand growth in energy was only temporarily slowed by the crisis. The funds raised allowed completion of a 26,000 metre drilling program and calculation of a maiden thermal coal resource*. The most recent fundraising monies are being applied to the completion of the pre-feasibility study on the Duchess Paradise resource*.

The announcement of a resource* was a milestone for the company and demonstrates the geological potential of the Canning Basin. The location of the deposit close to Asia's areas of rapid energy demand growth, highlights the opportunity for shareholders to benefit from new resource developments in this under-explored region. While Western Australia's position in the energy market with respect to oil and gas has been well documented, this awareness does not yet extend to coal in this region. Rey's resource* and the location's advantages should help bolster appreciation of this energy source.

Opportunistic Takeover Bid Unsuccessful

A low share price and a good insight into the strong long term position of thermal coal saw Gujarat NRE Minerals Limited, a substantial shareholder of the company, made an opportunistic bid for the company. The Chairman of Gujarat NRE Minerals Limited was a Rey board member until the bid was launched. The bid has not succeeded as Rey shareholders and investors understood that it significantly undervalued the company and the vast majority did not accept the offer. The takeover offer did raise awareness of the company with a wider range of investors and stakeholders which has resulted in several new shareholders entering the share register. A broader appreciation of thermal coal's importance in satisfying Asia's energy demand should help support the company's efforts to complete the development process.

As I write this, the takeover bid has been extended twice but is priced at well below the current share price. Another party Crosby Capital (Holdings) Limited has recently announced an intention to launch a bid for the company. The board has not yet given a formal recommendation and awaits receipt of the formal offer. Shareholders however can be certain that the board and management will continue to deliver value for all shareholders as we grow Rey Resources and deliver on this exciting project in the Canning Basin.

We expect that Rey Resources will be responding to the Crosby Capital (Holdings) Limited bid in the next month and we will continue to provide you with the latest updates as they arise. This is the reason we have kept the Annual Report to shareholders brief. Contained at the back of this report is a list of announcements made to the Australian Stock Exchange since July 2008.



Julian Ludowici

Chairman

***Resource Statement**

Duchess- Paradise JORC Resources by category as at June 2009.

Seam	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
P1 (Upper)	18.3	101.9	160.5	280.8
P2 (Lower)	16.9	41.7	171.0	229.6
TOTAL	35.2	143.6	331.5	510.5

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Bruce C Preston who is a member of The Australian Institute of Geoscientists ("AIG"). Dr Preston has sufficient experience to qualify as a Competent Person for the purposes of the 2005 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Preston is the Technical Director of Rey Resources Limited and he consents to the inclusion in the report of the matters based on their information in the form and context in which they appear. Dr Preston has a beneficial interest in 6,072,025 shares or 3.3% of the issued capital of Rey Resources Limited.

The estimation of the Duchess-Paradise Coal Resources has been provided by Mr Richard Campbell, who is a Member of The Australasian Institute of Mining and Metallurgy ("AusIMM") and is a full time employee of Blackrock Mining Solutions Pty Ltd which was contracted to provide the JORC estimate. Mr Campbell 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 "Australian Code for Reporting of Mineral Resources and Ore Reserves" (The JORC Code). Mr Campbell has over 10 years of coal specific experience including coal exploration, resource modelling, estimation and assessment, and geotechnical assessment and modelling. Mr Campbell consents to the inclusion in the report of the matters based on their information in the form and context in which they appear.