

Rey Resources Limited and Controlled Entities

CORPORATE GOVERNANCE STATEMENT

In August 2007 the ASX Corporate Governance Council released a document entitled Corporate Governance Principles and Recommendations (2nd Edition). Rey Resources Limited has ensured adoption of those recommendations where possible. The table below summarises those recommendations and the Company's current practices, including explanations in the instances where the Company does not comply.

| | Complied | Note |
|---|------------------|-----------------|
| 1.1 Establish the functions reserved to the board and those delegated to senior executives and disclose those functions. | √ | |
| 1.2 Disclose the process for evaluating the performance of senior executives. | √ | |
| 1.3 Provide for the information indicated in the Guide for reporting Principle 1. | √ | |
| 2.1 A majority of the board should be independent directors. | x | 1 |
| 2.2 The chair should be an independent director. | x | 1 |
| 2.3 The roles of chair and chief executive officer should not be exercised by the same individual. | √ | |
| 2.4 Establish a nomination committee. | x | 1 |
| 2.4 Disclose the process for evaluating the performance of the board, its committees and individual directors. | √ | |
| 2.6 Provide the information indicated in the Guide to reporting on Principle 2. | √ | |
| 3.1 Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> ▪ the practices necessary to maintain confidence in the company's integrity ▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | √ | |
| 3.2 Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy. | √ | |
| 3.3 Provide the information indicated in the Guide to reporting on Principle 3. | √ | |
| 4.1 Establish an audit committee | √ | |
| 4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> ▪ 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 ▪ has at least three members. | x x √ x | 2 2 2 |
| 4.3 The audit committee should have a formal charter. | √ | |
| 4.4 Provide the information indicated in the Guide to reporting on Principle 4. | √ | |
| 5.1 Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. | √ | |
| 5.2 Provide the information indicated in the Guide to reporting on Principle 5. | √ | |
| 6.1 Design a communications policy promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | √ | |
| 6.2 Provide the information indicated in the Guide to reporting on Principle 6. | √ | |

Key Resources Limited and Controlled Entities

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| 7.1 | Establish policies for the oversight and management of material business risks and disclose a summary of those policies. | √ | |
| 7.2 | Require management to design and implement the risk management and internal control system 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. | √ | 3 |
| 7.3 | Disclose whether it has received assurance from the managing director 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. | √ | 3 |
| 7.4 | Provide the information indicated in the Guide to reporting on Principle 7. | √ | |
| 8.1 | Establish a remuneration committee. | √ | 4 |
| 8.2 | Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | √ | |
| 8.3 | Provide the information indicated in the Guide to reporting on Principle 8. | √ | |

Notes

1. The Board currently has one Independent Director, Mr. Alan Humphris. The Board believes that the experience and skills of the Directors are sufficient to discharge the Board's duties effectively. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the expense of appointing additional Independent Directors.

The Chairman, Mr. Julian Ludowici is not an Independent Director. The Board believes that the Chairman brings quality and independent judgement to all relevant issues falling within the scope of the role of Chairman.

The Board considers the Company is not currently of a size to justify the formation of a Nomination Committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required by new Directors and has a Nomination Policy.

2. The Audit Committee comprises one independent non- executive Director who is the Chairman of the Committee and one Executive Director who is not the Managing Director and is not responsible for the financial affairs of the Company. There is currently only one Independent Director of the Company. The Board believes that Mr. Humphris and Mr. Preston have the experience and skills to discharge the Audit Committee's duties effectively.

3. The Board has received from management an assurance that internal risk management and internal control system is effective; and assurance from the Managing Director 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 which is operating effectively in respect to financial reporting risks.

4. The non executive Directors and the Chairman meet as a Remuneration Committee. The details of these Directors are given elsewhere in the Directors' Report. The Remuneration Committee charter is available on the Company website. There are no schemes for retirement benefits other than statutory superannuation for Non-Executive Directors.