

## Rey Resources Limited and Controlled Entities

### DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2009.

#### Directors

The names of Directors in office at any time during or since the end of the year are:

##### **Mr. Julian Kinnear Ludowici** – Chairman, non-executive

Qualifications - B. Com

Age 54

Appointed a Director on 16 February 2004

Experience:

Mr. Ludowici was previously the Managing Director and Chairman of Customers Limited an Australian listed company, resigning in June 2005. He is a Director and member of the Audit Committee of the ASX listed Ludowici Limited, a mid size Australian business that supplies capital equipment and industrial consumables to the Australian mining industry. He was also responsible for the establishment of BeMax Resources.

During the past 3 years Mr. Ludowici has held the following other ASX listed Company directorships:

<u>Company</u>	<u>Date Appointed</u>	<u>Date Resigned</u>
Ludowici Limited	12 September 1988	Continuing

##### **Mr. Kevin John Wilson** – Managing Director, executive

Qualifications – BSc (Hons), ARSM, MBA

Age 52

Appointed a Director on 9 August 2007

Experience:

Mr. Wilson has over 25 years experience in the minerals and finance industries. He was previously 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 8 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.

During the past 3 years Mr. Wilson has held the following other ASX listed Company directorships:

<u>Company</u>	<u>Date Appointed</u>	<u>Date Resigned</u>
Leviathan Resources Limited	21 December 2004	20 December 2006

##### **Dr. Bruce Clement Preston** – Technical Director, executive

Qualifications – BSc (Hons) PhD

Age 59

Appointed a Director on 27 July 2004

Experience:

Dr. Preston is a geophysicist with over 10 years experience in mineral exploration and evaluation in Australia and the Asia Pacific, followed by 14 years as a mining research analyst/advisor in stockbroking and funds management. He has extensive knowledge of the mining sector and commodity markets.

Special Responsibilities: Audit Committee

Dr. Preston has held no other ASX listed Company directorship in the past 3 years.

## Rey Resources Limited and Controlled Entities

**Mr. Alan John Humphris** - non-executive, independent

Qualifications – BSc BEc MA (Laws) Dist.(UK) FCPA

Age 68

Appointed a Director on 27 July 2004

Experience:

Mr. Humphris is a merchant banker with more than 25 years experience in Australia and offshore markets specializing 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 J P Morgan Australia Limited.

Mr. Humphris has had significant experience in the resources sector in both advisory and prior non-executive director roles.

Special Responsibilities: Chairman of Audit Committee.

During the past 3 years Mr. Humphris has held the following other ASX listed Company directorships:

<u>Company</u>	<u>Date Appointed</u>	<u>Date Resigned</u>
ASF Group Limited	5 September 2007	Continuing

**Sri Arun Jagatramka** - non-executive

Qualifications – Chartered Accountant

Age 47

Appointed a Director on 5 June 2006. Resigned on 3 June 2009

Experience:

Mr. Jagatramka is a qualified Chartered Accountant with All India 1st rank. He has more than 15 years of experience in Tax Consultancy and Merchant Banking. He has been managing the affairs of Gujarat NRE Coke Limited. since March 1997. Under his leadership, the production capacity of Gujarat NRE Coke Limited has been expanded to make it the largest non-captive low ash metallurgical coke manufacturer in India. He is also the Chairman of the ASX listed Gujarat NRE Minerals Limited and a Director of ASX listed Pluton Resources Limited and Pike River Coal Limited.

During the past 3 years Mr. Jagatramka has held the following other ASX listed Company directorships:

<u>Company</u>	<u>Date Appointed</u>	<u>Date Resigned</u>
Gujarat NRE Minerals Limited (formerly India NRE Minerals Limited)	12 October 2004	Continuing
Gujarat NRE Resources NL	16 September 2005	Delisted 31 March 2008
Pike River Coal Limited	19 July 2007	Continuing
Pluton Resources Limited	31 October 2005	21 October 2008

**Mr. James Timothy McClements** - non-executive

Qualifications - B Econ (Hons)

Age 46

Appointed a Director on 29 August 2007

Mr McClements co-founded Resource Capital Funds (RCF) in 1998 and oversees all aspects of fund management, including leading 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.

During the past 3 years Mr McClements has held the following other ASX listed Company directorships

<u>Company</u>	<u>Date Appointed</u>	<u>Date Resigned</u>
Murchison Metals Limited	2 May 2007	Continuing
Bannerman Resources Limited	17 December 2008	Continuing

## Rey Resources Limited and Controlled Entities

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Company Secretary

On 30 January 2009 Mr. Neil Stack resigned as Company Secretary of Rey Resources Limited and Mr. Julian Ludowici and Mr. Rolando Tinoco were appointed as Joint Company Secretaries with effect from that date. Mr. Tinoco is an associate member of CPA with more than 18 years experience as a financial and management accountant including senior line management roles with South American and European companies. Mr. Ludowici and Mr. Tinoco held the positions of Joint Company Secretaries at the end of the financial year.

### Principal Activities

The principal activities of the consolidated group during the financial year were:  
Mineral resource exploration and mineral project evaluation.

### Operating Results

The consolidated loss of the consolidated group for the financial year after providing for income tax amounted to \$2,695,082. This loss was impacted by the write-off of expenditures amounting to \$670,254 associated with the Company's investment in South America.

### Dividend Paid or Recommended

No dividend has been declared or paid during the financial year.

### Financial Position

The net assets of the consolidated group decreased by \$7,614,789 from 30 June 2008 to \$7,137,317 as at 30 June 2009.

### Significant Changes in State of Affairs

Significant changes in the state of affairs of the consolidated group that occurred during the year ended 30 June 2009 were as follows:

- completion of a placement during the year raising \$1.6 Million and issuing 16 million shares;
- first drilling programme completed at Duchess-Paradise;
- established maiden JORC resources at Duchess-Paradise of 511 Mt of thermal coal;
- pre feasibility study on coal export project commenced;
- Takeover offer for the Company was proposed by Gujarat NRE Minerals Limited.

### After Balance Date Events

- completion of Non Renounceable Rights Issue raising \$2.7 million (before share issue expenses) and issuing 30.6 million shares on 23 July 2009;
- Bidder's Statement received from Gujarat NRE Minerals Limited on 20 July 2009;
- Target Statement sent to Rey' shareholders on 4 August 2009.
- The intention to make a cash offer for Rey Resources Limited by Crosby Capital (Holdings) Limited was announced to the ASX on 4<sup>th</sup> September 2009.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

## Rey Resources Limited and Controlled Entities

### Future Development, Prospects and Business Strategies

Likely developments in the operations of the consolidated group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the economic entity.

### Environmental Issues

The consolidated group's operations are regulated by the Mineral Resource Development Legislation in the Jurisdictions in which operates. The Company always seeks to comply with the letter and spirit of all relevant environmental legislation.

### Remuneration Report

This report details the nature and amount of remuneration for each director of Rey Resources Limited and for the executives receiving the highest remuneration.

### Remuneration Policy

The remuneration policy of Rey Resources Limited has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The board of Rey Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the consolidated group, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration of key management for the group is as follows:

- the remuneration policy, setting the terms and conditions for key management, was developed by the Remuneration Committee and approved by the Board;
- all executives receive a base salary (which is based on factors such as length of service and experience) and superannuation; and
- the Remuneration Committee reviews executive packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

### 2009 Key Management and Directors

	Short Term Benefits	Post Employment Benefits	Share-based Payments	Total
	Cash Salary, fees and other	Superannuation Contribution	Options/Shares (1)	
	\$	\$	\$	\$
Julian Ludowici	100,000	9,000	-	109,000
Kevin Wilson	200,000	18,000	642,454	860,454
Bruce Preston	150,000	13,500	-	163,500
Alan Humphris	25,000	2,250	2,560	29,810
Arun Jagatramka *	23,082	2,077	1,291	26,450
James McClements	25,000	2,250	-	27,250
	<u>523,082</u>	<u>47,077</u>	<u>646,305</u>	<u>1,216,464</u>

\*Resigned as a Director on 3 June 2009

## Rey Resources Limited and Controlled Entities

### 2008 Key Management and Directors

	Short Term Benefits	Post Employment Benefits	Share-based Payments	Total
	Cash Salary fees and other	Superannuation Contribution	Options/Shares (1)	
	\$	\$	\$	\$
Julian Ludowici	100,000	9,000	4,972	113,972
Kevin Wilson	333,333	16,500	45,158	394,991
Bruce Preston	150,000	13,500	4,972	168,472
Alan Humphris	28,100	2,250	3,516	33,866
Arun Jagatramka	25,000	2,250	2,688	29,938
James McClements	-	-	-	-
	636,433	43,500	61,306	741,239

(1) The fair value of the options is calculated at the grant date using the Black-Scholes model. Options are issued to Directors as part of the Company's Directors and Employees Option Plan.

#### Employment contracts of directors and senior executives

The employment conditions of the Chairman, Mr. Julian Ludowici, the Managing Director, Mr. Kevin Wilson and the Technical Director, Dr. Bruce Preston are formalised in contracts of employment.

#### Meetings of Directors

During the financial year 10 Directors' meetings were held.

Attendance at Directors' meetings by each director during the year were as follows:

	No. of meetings eligible to attend	No. of meetings attended
Julian Ludowici	10	10
Kevin Wilson	10	10
Bruce Preston	10	9
Alan Humphris	10	10
Arun Jagatramka	8	3
James McClements	10	8
Jose Bahamondes (alt. to Alan Humphris)	2	0
Mihir Dave ( alt. to Arun Jagatramka)	8	0

There were also two Audit Committee meeting held during the 2009 financial year.

## Rey Resources Limited and Controlled Entities

Attendances at the Audit Committee's meetings by each director during the year were as follows:

	No. of meetings eligible to attend	No. of meetings attended
Alan Humphris	2	2
Bruce Preston	2	2

### Indemnifying Officers or Auditors

During or since the end of the financial year the Company has given an indemnity as follows:

the Company has entered into an agreement to indemnify Directors, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the Company to pay all damages and costs which may be awarded against the Directors; and

the Company has agreed that Directors' liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company will be indemnified by the Company.

### Options

At the date of this report, the unissued ordinary shares of Rey Resources Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
29/05/06	31/12/09	\$0.20	2,000,000
29/11/06	31/12/09	\$0.20	500,000
20/11/07	31/12/09	\$0.20	500,000
21/01/08	31/03/10	\$0.30	5,000,000
27/03/08	31/03/10	\$0.30	24,636,819
24/06/08	09/08/10	\$0.10	1,000,000
24/06/08	09/08/11	\$0.15	1,000,000
24/06/08	09/08/12	\$0.20	1,000,000
24/06/08	09/08/13	\$0.30	1,000,000
24/06/08	09/08/10	\$0.30	50,000
24/06/08	09/08/11	\$0.45	50,000
24/06/08	09/08/12	\$0.60	50,000
26/11/08	09/08/10	\$0.30	500,000
26/11/08	09/08/11	\$0.35	500,000
26/11/08	09/08/12	\$0.40	500,000
26/11/08	09/08/13	\$0.50	500,000
			38,786,819

## Rey Resources Limited and Controlled Entities

During the year ended 30 June 2009, there were no shares issued on the exercise of options.  
No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

### Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### Non-audit Services

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2009:

	\$	
Taxation services	4,300	
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	4,300	
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### Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 12 of the Directors' report.

Signed in accordance with a resolution of the Board of Directors.



**Julian Ludowici**  
**Chairman**

Dated this 4 September 2009