

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Rey Resources Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Rey Resources Limited as an individual parent entity ('Parent Entity').

#### **Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### *Going Concern Basis*

The financial report has been prepared on a going concern basis notwithstanding the consolidated loss reported for the year amounting to \$2,695,082. The Directors are of the opinion that the consolidated entity will be able to access sufficient funds to continue to operate as a going concern for a period not less than twelve months from the date of this financial report.

The Company, being a mineral explorer and without a current significant revenue stream, will be required to raise additional equity and/or debt to finance its future activities. No assurance is given that the Company will be able to raise future funding on acceptable terms or in a timely manner. In this event, the Company may not be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. Directors continue to manage the Company's activities with due respect to and understanding of the Company's current and future funding requirements.

#### **Accounting Policies**

##### **a. Principles of Consolidation**

A controlled entity is any entity over which Rey Resources Limited has the power to govern the financial and operating policies of so as to obtain benefits from its activities. In accessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 11 to the financial statements. All controlled entities have a June financial year-end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

parent entity.

##### b. **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

##### c. **Plant and equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

#### d. Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and equipment	20 – 40 %
Furniture & Fittings	10 – 30 %

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### e. Exploration and Development Expenditure

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

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### f. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

##### g. **Financial Instruments**

###### **Recognition and initial measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

###### **Classification and Subsequent Measurement**

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. The amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective method and
- d. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

#### **Available-for-sale financial assets**

a. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost

b. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments

#### **Fair Value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing model.

#### **Impairment**

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

h. **Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### i. **Intangible Assets**

###### **Goodwill**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gain and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

###### **Computer Software**

The cost of computer software is stated at cost less accumulated amortisation and impairment losses.

##### j. **Foreign Currency Transactions and Balances**

###### **Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

###### **Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity otherwise the exchange difference is recognised in the income statement.

###### **Group companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

k. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance 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.

**Equity-settled compensation**

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

l. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of *three* months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

m. **Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

n. **Goods and Services Tax (GST)**

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

o. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### (i) Key Judgments- Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at reporting date at \$ 6,423,912.

#### **New Accounting Standards for Application in Future Periods**

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:
  - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
  - contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
  - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
  - there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
  - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
  - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
  - where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134,

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result.

- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 2: REVENUE

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Operating activities				
— interest received	130,973	147,976	129,026	147,967
— other revenue	9,294	277,456	3,140	262,977
<b>Total Revenue</b>	<b>140,267</b>	<b>425,432</b>	<b>132,166</b>	<b>410,944</b>

#### NOTE 3: LOSS FOR THE YEAR

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>a. Expenses</b>				
Depreciation of non-current assets	(13,003)	(11,217)	(12,561)	(9,100)
Foreign exchange gain/ loss	25,876	(270,936)	45,463	(278,702)
Rental expense on operating leases	(79,800)	(62,160)	(74,990)	(51,830)
Mining tenements expenditure	(191,784)	(257,403)	(121,566)	(113,834)
Exploration cost expensed	-	(1,323,974)	-	-
Impairment loss	-	-	(187,692)	(2,273,630)
Impairment other financial assets	(670,254)	-	(670,254)	-

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 4: INCOME TAX EXPENSE

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
a. The components of income tax expense (benefit) comprise:				
- current tax	-	-	-	-
- deferred tax	(619,071)	(705,869)	(618,253)	(1,080,905)
- deferred tax asset not recognised (losses)	2,156,510	588,535	1,991,948	277,683
- deferred tax asset/liability not recognised (temporary)	(1,537,439)	117,334	(1,373,695)	803,222
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
b. The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2008: 30%)	(808,526)	(958,808)	(812,201)	(1,101,284)
Add:				
Tax effect of:				
- Share based payment	193,948	20,379	193,948	20,379
Less:				
Tax effect of:				
- Overseas income subject to tax at different rates	(4,493)	232,560	-	-
- Deferred tax assets not recognised (losses)	2,156,510	588,535	1,991,948	277,683
- Deferred tax asset not recognised (temporary)	(1,537,439)	117,334	(1,373,695)	803,222
Income tax expense/ (benefit)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

a. Name and position held of economic and parent entity key management personnel in office at any time during or since the end of the financial year are:

- i) Chairman – Non – Executive  
Julian Ludowici
- ii) Executive Directors  
Kevin Wilson – Managing Director  
Bruce Preston – Technical Director
- iii) Non-Executive Directors  
Alan Humphris  
Arun Jagatramka (1 July 2008 to 3 June 2009)  
James McClements

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

b. **Shareholdings**

The number of shares in the Company held during the financial year by each key management personnel of Rey Resources Limited, including their personally related parties are set out below.

2009	Balance as at 1 July 2008	Received as Compensation	Net Change	Balance as at 30 June 2009
Julian Ludowici – Direct	1,030,000	-	(1,030,000)	0
Julian Ludowici – Indirect	9,013,753	-	1,096,153	10,109,906
Kevin Wilson – Indirect	1,753,847	-	1,000,000	2,753,847
Bruce Preston – Direct	251,875	-	-	251,875
Bruce Preston – Indirect	4,986,500	-	300,000	5,286,500
Alan Humphris – Direct	75,000	-	-	75,000
Alan Humphris – Indirect	3,031,045	-	-	3,031,045
Arun Jagatramka – Indirect *	20,461,539	-	5,000,000	25,461,539
James McClements – Indirect	<u>9,074,956</u>	-	<u>500,000</u>	<u>9,574,956</u>
Total	49,678,515	-	6,866,153	56,544,658

\*Arun Jagatramka resigned as a Director on 3 June 2009.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### c. Option holdings

Number of options held by Key Management personnel

2009	Balance as at 1 July 2008	Granted as Compensation	Options Exercised	Options Cancelled	Net Change
Julian Ludowici – Direct	237,693	-	-	-	-
Julian Ludowici – Indirect	2,021,271	-	-	-	-
Kevin Wilson – Indirect	4,276,924	2,000,000	-	-	-
Bruce Preston – Indirect	1,425,000	-	-	-	-
Alan Humphris – Direct	500,000	-	-	-	-
Alan Humphris – Indirect	227,273	-	-	-	-
Arun Jagatramka – Direct *	500,000	-	-	(500,000)	-
Arun Jagatramka – Indirect *	3,230,770	-	-	-	-
James McClements - Direct	500,000	-	-	-	-
James McClements – Indirect	1,432,888	-	-	-	-
<b>Total</b>	<b>14,351,819</b>	<b>2,000,000</b>	<b>-</b>	<b>(500,000)</b>	<b>2,000,000</b>

2009	Balance as at 30 June 2009	Total Vested 30 June 2009	Total Exercisable 30 June 2009	Total Unexercisable 30 June 2009
Julian Ludowici – Direct	237,693	-	237,693	-
Julian Ludowici – Indirect	2,021,271	-	2,021,271	-
Kevin Wilson – Indirect	6,276,924	-	2,276,924	4,000,000
Bruce Preston – Indirect	1,425,000	-	1,425,000	-
Alan Humphris – Direct	500,000	-	500,000	-
Alan Humphris – Indirect	227,273	-	227,273	-
Arun Jagatramka – Direct*	-	-	-	-
Arun Jagatramka – Indirect*	3,230,770	-	3,230,770	-
James McClements – Direct	500,000	-	500,000	-
James McClements – Indirect	1,432,888	-	1,432,888	-
<b>Total</b>	<b>15,851,819</b>	<b>-</b>	<b>11,851,819</b>	<b>4,000,000</b>

\*Arun Jagatramka resigned as a Director on 3 June 2009.

Options are issued to Directors as part of their share purchase plan.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 6: AUDITOR'S REMUNERATION

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	36,500	33,000	36,500	33,000
— taxation services	4,300	4,800	4,300	4,800
Remuneration of other auditor of the subsidiaries for:				
- auditing or reviewing the financial report of subsidiaries	-	16,090	-	-

#### NOTE 7: EARNINGS PER SHARE

	Consolidated Group	
	2009	2008
	\$	\$
a. Reconciliation of earnings to profit or loss (Loss)	<b>(2,695,082)</b>	(3,196,027)
Earnings used to calculate basic and diluted EPS	<b>(2,695,082)</b>	(3,196,027)
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<b>147,339,597</b>	97,249,000
Weighted average number of options outstanding	<b>38,433,394</b>	11,646,633
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<b>185,772,992</b>	108,895,633
c. Basic earnings per share (cents per share)	<b>(1.83)</b>	(3.29)
Diluted earnings per share (cents per share)	<b>(1.45)</b>	(2.93)

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash at bank and in hand	528,023	5,210,616	518,735	5,204,818
	<b>528,023</b>	5,210,616	<b>518,735</b>	5,204,818

#### Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	528,023	5,210,616	518,735	5,204,818
	<b>528,023</b>	5,210,616	<b>518,735</b>	5,204,818

#### NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>CURRENT</b>				
Other receivables	342,788	238,862	114,813	39,309
Amounts receivable from:				
Wholly-owned subsidiaries	-	-	1,502,919	3,462,980
Less impairment loss	-	-	(187,692)	(2,273,630)
	<b>342,788</b>	238,862	<b>1,430,040</b>	1,228,659

#### Impairment loss

At 30 June 2009, the Directors assessed the recoverability of receivables in controlled entities. The South American controlled entities are not expected to generate economic benefits in the foreseeable future and as result the full carrying value of these receivables has been impaired in the Parent's financial statements.

#### Credit Risk – 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 and the parent entity are not exposed to any significant credit risk as there were no trading operations during the year.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 10: FINANCIAL ASSETS

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Available-for-sale financial assets	10a	20,264	19,557	20,278	689,824
Less non current portion		-	-	14	670,267
Current portion		20,264	19,557	20,264	19,557

a. **Available-for-sale Financial Assets Comprise**

Unlisted investments, at cost

- Shares in controlled entities		-	-	670,268	670,267
- units in unit trusts	10b	20,264	19,557	20,264	19,557
- Less Impairment		-	-	(670,254)	-

Total available-for-sale financial assets

20,264	19,557	20,278	689,824
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Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

b. **Units in Unit Trusts**

Certain controlled entities hold interests in the following unit trusts:

**BT Financial Group**

The trust's principal activities are the cash management and distribute into unit holders in Australia

Investment at cost

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Investment at cost	20,264	19,557	20,264	19,557
	20,264	19,557	20,264	19,557

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 11: CONTROLLED ENTITIES

a. **Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned %*	
		2009	2008
<b>Parent Entity:</b>			
Rey Resources Limited	Australia	<b>100%</b>	100%
<b>Subsidiaries of Rey Resources Limited :</b>			
Blackfin Pty Limited	Australia	<b>100%</b>	100%
Rey Kimberley Pty Limited	Australia	<b>100%</b>	100%
Humitos Pty Ltd	Australia	<b>100%</b>	-
Rey Investments Chile Limitada	Chile	<b>100%**</b>	100%
Rey Resources Peru S.A.	Peru	<b>100%**</b>	100%

\* Percentage of voting power is in proportion to ownership

\*\* Dr Bruce Preston holds 1% of the capital of these Companies in trust for Rey Resources Ltd in accordance with relevant Company legislation

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 12: PLANT AND EQUIPMENT

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Furniture and Equipment</b>				
At cost	<b>38,932</b>	32,403	<b>38,932</b>	32,403
Accumulated depreciation	<b>(5,180)</b>	(3,210)	<b>(5,180)</b>	(3,210)
	<b>33,752</b>	29,193	<b>33,752</b>	29,193
<b>Plant and equipment:</b>				
At cost	<b>53,864</b>	85,018	<b>52,324</b>	76,740
Accumulated depreciation	<b>(25,457)</b>	(18,140)	<b>(23,917)</b>	(13,761)
	<b>28,407</b>	66,878	<b>28,407</b>	62,979
Total Plant and Equipment	<b>62,159</b>	96,071	<b>62,159</b>	92,172

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

a. **Movements in Carrying Amounts**

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year

	<b>Furniture and equipment</b>	<b>Plant and Equipment</b>	<b>Total</b>
	\$	\$	\$
<b>Consolidated Group:</b>			
Balance at 1 July 2007	30,391	19,772	50,163
Additions	600	56,075	56,675
Disposals	-	-	-
Depreciation expense	(1,798)	(8,969)	(10,767)
Balance at 30 June 2008	29,193	66,878	96,071
Additions	6,529	8,191	14,720
Disposals	-	(36,047)	(36,047)
Depreciation expense	(1,970)	(10,615)	(12,585)
Balance at 30 June 2009	<b>33,752</b>	<b>28,407</b>	<b>62,159</b>
<b>Parent Entity:</b>			
Balance at 1 July 2007	30,391	13,798	44,189
Additions	600	56,034	56,634
Disposal	-	-	-
Depreciation expense	(1,798)	(6,853)	(8,651)
Balance at 30 June 2008	29,193	62,979	92,172
Additions	6,529	8,191	14,720
Disposal	-	(32,607)	(32,607)
Depreciation expense	(1,970)	(10,156)	(12,126)
Balance at 30 June 2009	<b>33,752</b>	<b>28,407</b>	<b>62,159</b>

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 13: EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Exploration expenditure capitalised</b>				
Opening balance	2,872,826	2,587,667	1,249,307	127,313
Net current year expenditure	4,221,340	1,609,133	4,128,259	1,121,994
Write off of exploration costs	(670,254)	(1,323,974)	-	-
	<b>6,423,912</b>	<b>2,872,826</b>	<b>5,377,566</b>	<b>1,249,307</b>

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.

#### NOTE 14: INTANGIBLE ASSETS

	Consolidated Group		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Computer Software - at cost	14,725	13,715	14,725	13,715
Accumulated amortisation	(7,077)	(3,568)	(7,077)	(3,568)
Total Intangible assets	<b>7,648</b>	<b>10,147</b>	<b>7,648</b>	<b>10,147</b>

#### Consolidated Group

	Computer Software \$
<b>Year ended 30 June 2008</b>	
Balance at the beginning of year	5,319
Additions	6,750
Disposals	-
Depreciation expense	(1,922)
Impairment losses	-
As at 30 June 2008	<b>10,147</b>
<b>Year ended 30 June 2009</b>	
Balance at the beginning of year	<b>10,147</b>
Additions	<b>1,615</b>
Disposals	<b>(606)</b>
Depreciation expense	<b>(3,508)</b>
Impairment losses	-
As at 30 June 2009	<b>7,648</b>

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 14: INTANGIBLE ASSETS (CONT'D.)

##### Parent Entity

	<b>Computer Software \$</b>
<b>Year ended 30 June 2008</b>	
Balance at the beginning of year	5,319
Additions	6,750
Disposals	-
Depreciation expense	(1,922)
Impairment losses	-
As at 30 June 2008	<u>10,147</u>
<b>Year ended 30 June 2009</b>	
Balance at the beginning of year	<b>10,147</b>
Additions	<b>1,615</b>
Disposals	<b>(606)</b>
Depreciation expense	<b>(3,508)</b>
Impairment losses	-
As at 30 June 2009	<u><b>7,648</b></u>

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 15: TRADE AND OTHER PAYABLES

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>				
Unsecured liabilities				
Trade payables	<b>67,847</b>	83,566	<b>65,977</b>	55,487
Sundry payables and accrued expenses	<b>154,764</b>	741,207	<b>154,764</b>	741,208
	<b>222,611</b>	824,773	<b>220,741</b>	796,695

NOTE 16: PROVISIONS

	<b>Short term Employee Benefits</b>	<b>Total</b>
	<b>Consolidated Group</b>	
Opening balance at 1 July 2008	8,517	8,517
Additional provisions	24,866	24,866
Amounts used	(8,517)	(8,517)
Unused amounts reversed	0	0
Balance at 30 June 2009	24,866	24,866
<b>Parent Entity</b>		
Opening balance at 1 July 2008	4,882	4,882
Additional provisions	24,866	24,866
Amounts used	(4,882)	(4,882)
Unused amounts reversed	0	0
Balance at 30 June 2009	24,866	24,866

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 16: PROVISIONS (CONT'D)

**Analysis of Total Provisions**

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Current	24,866	4,882	24,866	4,882
Non-current	-	-	-	-
<b>Total</b>	<b>24866</b>	<b>4,882</b>	<b>24,866</b>	<b>4,882</b>

NOTE 17: TAX

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note (1) occur	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
- Tax losses	<b>3,438,053</b>	1,281,543	<b>2,962,639</b>	970,691
- Temporary differences	<b>(1,776,307)</b>	(238,868)	<b>(605,475)</b>	768,220
	<b>1,661,746</b>	1,042,675	<b>2,357,164</b>	1,738,911

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 18: ISSUED CAPITAL

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
153,032,748 (2008: 137,032,748) fully paid ordinary shares	<b>14,996,362</b>	13,438,062	<b>14,996,362</b>	13,438,062
	<b>14,996,362</b>	13,438,062	<b>14,996,362</b>	13,438,062

The company does not have a limited amount of authorised capital and issued shares do not have a par value.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	No.	No.	No.	No.
<b>a. Ordinary shares</b>				
At the beginning of reporting period	<b>137,032,748</b>	73,178,748	<b>137,032,748</b>	73,178,748
Shares issued during the year:				
·31 August 2007	-	8,750,000	-	8,750,000
·20 November 2007	-	1,750,000	-	1,750,000
·3 January 2008	-	80,500	-	80,500
·21 January 2008	-	10,000,000	-	10,000,000
·27 March 2008	-	43,273,500	-	43,273,500
23 October 2008	<b>9,200,000</b>	-	<b>9,200,000</b>	
27 November 2008	<b>6,800,000</b>	-	<b>6,800,000</b>	
At reporting date	<b>153,032,748</b>	137,032,748	<b>153,032,748</b>	137,032,748

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the numbers of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

#### b. Options

For information relating to the Rey Resources Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 27 Share-based Payment.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

- c. Capital Management
- Management controls the capital of the consolidated entity in order to ensure that the consolidated entity can fund its operations and continue as a going concern.
- Its capital includes ordinary share capital; traded options; and financial liabilities, supported by financial assets.
- The Consolidated entity has no external debt and there are no externally imposed capital requirements.
- Management effectively manages the Consolidated Entity'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 shares issues. There have been no changes in the strategy adopted by Management to control the capital of the consolidated entity since prior year.

#### NOTE 19: RESERVES

- a. Foreign Currency Translation Reserve
- The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.
- b. Option Reserve
- The option reserve records items recognised as expenses on valuation of employee share options.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 20: COMMITMENTS

##### a. Lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Payable- minimum lease payments				
Not later than one year	64,759	60,148	64,759	60,148
Later than one year but not later than five years	<u>15,205</u>	<u>65,167</u>	<u>15,205</u>	<u>65,167</u>
Minimum lease payment	<b>79,964</b>	125,315	<b>79,964</b>	125,315

##### b. Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company 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:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Not later than one year	2,907,000	1,465,500	2,907,000	1,465,500
Later than one year but not later than five years	<u>5,111,118</u>	<u>2,202,751</u>	<u>5,111,118</u>	<u>1,465,500</u>
Total	<b>8,018,118</b>	3,668,251	<b>8,018,118</b>	3,668,251

#### NOTE 21: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at the end of the financial year.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 22: SEGMENT REPORTING

Primary Reporting	Australia		South America		Eliminations		Consolidated Group	
	2009	2008	2009	2008	2009	2008	2009	2008
Geographical Segments								
Revenue	134,112	410,953	30,903	14,479	(24,748)		140,267	425,432
Other Income								
Total Revenue	134,112	410,953	30,903	14,479	(24,748)		140,267	425,432
Segment Result	(2,354,264)	(1,407,100)	(153,126)	(1,788,927)	(187,692)		(2,695,082)	(3,196,027)
Loss from ordinary activities after income tax expenses	(2,354,264)	(1,407,100)	(153,126)	(1,788,927)	(187,692)		(2,695,082)	(3,196,027)

The economic entity's business segments each operate in the business of mineral exploration.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 22: SEGMENT REPORTING

	Australia		South America		Eliminations		Consolidated Group	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>ASSETS</b>								
Segment assets	8,466,570	9,427,715	206,056	182,316	(1,287,832)	(1,161,952)	7,384,794	8,448,079
Total Assets							<u>7,384,794</u>	<u>8,448,079</u>
<b>LIABILITIES</b>								
Segment liabilities	1,560,834	1,997,125	2,859,109	2,299,145	(4,172,466)	(3,462,980)	247,477	833,290
Total Liabilities							<u>247,477</u>	<u>833,290</u>
<b>OTHER</b>								
Acquisitions of non-current segment assets	16,334	63,383	-	41			16,334	63,424
Depreciation and amortisation of segment assets	12,580	9,486	423	1,731			13,003	11,217

#### Secondary reporting – Business segments

**Accounting Policies :** Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivable, intangibles and plant and equipment, net allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable and accrued expenses. Segment assets and liabilities do not include deferred income taxes.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 23: CASH FLOW INFORMATION

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>a. Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>				
Loss after income tax	<b>(2,695,082)</b>	(3,196,027)	<b>(2,707,337)</b>	(3,670,948)
Non-cash flows in loss				
Depreciation	<b>13,004</b>	11,217	<b>12,561</b>	9,101
Net loss on disposal property, plant and equipment	-	-	-	-
Impairment loss	-	-	<b>670,255</b>	2,273,631
Write off capitalised expenditure	<b>670,255</b>	927,751	-	-
Share options expensed	<b>646,492</b>	67,929	<b>646,492</b>	67,929
Foreign exchange	<b>(16,992)</b>	271,222	<b>(36,874)</b>	278,701
Net cash expended on Operating activities before changes in assets and liabilities	<b>(1,382,323)</b>	(1,917,908)	<b>(1,414,903)</b>	(1,041,586)
Increase/(decrease) in other debtors	<b>(130,509)</b>	(298,259)	<b>(389,780)</b>	(931,609)
Increase/(decrease) in trade and other creditors	<b>(45,617)</b>	354,677	<b>159,100</b>	144,143
Increase/(decrease) in short term provisions	<b>24,866</b>	8,517	<b>24,866</b>	4,882
Cash flow from operations	<b>(1,533,583)</b>	(1,852,973)	<b>(1,620,717)</b>	(1,824,170)

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 24: EVENTS AFTER THE BALANCE SHEET DATE

- Completion of Non Renounceable Rights Issue raising \$2.7 million (before share issue expenses) and issuing 30.6 million shares. Shares were allotted on 23 July 2009.
- Bidder's Statement received from Gujarat NRE Minerals Limited. The offering is 9 cents cash for one Rey share or 1 Gujarat share for every 5 Rey shares.
- Target's Statement sent to Rey's shareholders on 4 August 2009.
- 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 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

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 25: RELATED PARTY TRANSACTIONS

	Consolidated Group 2009 \$	Consolidated Group 2008 \$	Parent Entity 2009 \$	Parent Entity 2008 \$
<b>Mr. Julian Ludowici</b>				
Paid in cash	99,316	109,000	99,316	109,000
Accrued fees and payable	9,683	-	9,683	-
Share based payment	-	4,972	-	4,972
<b>Mr. Kevin Wilson</b>				
Paid in cash	348,633	199,833	348,633	199,833
Accrued salary and payable	19,366	150,000	19,366	150,000
Share based payment	642,454	45,158	645,454	45,158
<b>Mr. Bruce Preston</b>				
Paid in cash	148,975	163,500	148,975	163,500
Accrued salary and payable	14,525	-	14,525	-
Share based payment	-	4,972	-	4,972
<b>Mr. Alan Humphris</b>				
Paid in cash	24,829	30,350	24,829	30,350
Accrued fees and payable	8,220	-	8,220	-
Share based payment	2,560	3,516	2,560	3,516
<b>Mr. Arun Jagatramka</b>				
Paid in cash	-	27,250	-	27,250
Accrued fees and payable	25,159	-	25,159	-
Share based payment	1,291	2,688	1,291	2,688
<b>Mr. JamesMcClements</b>				
Paid in cash	22,916	-	22,916	-
Accrued fees and payable	4,334	-	4,334	-
Share based payment	-	-	-	-
<b>Mr. Jose Agustin Bahamondes</b>				
Paid in cash	15,917	80,198	-	-
Accrued fees and payable	-	-	-	-
Share based payment	-	4,972	-	4,972

The above transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 26: FINANCIAL RISK MANAGEMENT

##### a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to subsidiaries.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

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:

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
<b>Financial Assets</b>					
Cash and Cash equivalent	8	<b>528,023</b>	5,210,616	<b>518,735</b>	5,204,818
Trade and other receivables	9	<b>342,788</b>	238,862	<b>1,430,040</b>	1,228,659
Financial assets	10	<b>20,264</b>	19,557	<b>20,264</b>	19,557
Total		<b>891,075</b>	5,469,035	<b>1,969,039</b>	6,453,034
<b>Financial Liabilities</b>					
Trade and other payables	15	<b>222,611</b>	828,408	<b>220,741</b>	796,695
Total		<b>222,611</b>	828,408	<b>220,607</b>	796,695

##### i. Treasury Risk Management

The Board is responsible for managing the consolidated entity's currency and interest rate exposure and for evaluating treasury management strategies in the context of the most recent economic conditions and forecasts.

No hedging instruments were entered into during, or since the end of the financial year.

##### ii. Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

###### a) Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate deposits. At 30 June 2009 the group has no debt.

###### b) Foreign currency risk

As a result of exploration activities in Chile, the Group's balance sheet can be affected by movements in the US\$/ Pesos / AUD exchange rates. Refer to Note 26.b. iii for further details.

###### c) Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate uncommitted funding is available and maintained.

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## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### b) Financial Instruments

##### i. Financial instrument composition and maturity analysis

The Group's financial instruments exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

#### Consolidated Group

	Weighted Average Interest Rate	Floating Interest Rate \$	1 year or less \$	1 to 5 years \$	More than 5 years \$	Non- interest bearing \$	TOTAL \$
<b>2009</b>							
<b>Financial Assets</b>							
Cash and cash equivalent	5.19%	528,023	-	-	-	-	528,023
Trade & Other Receivables		-	-	-	-	342,788	342,788
Financial assets	5.19%	20,264	-	-	-	-	20,264
		<b>548,287</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>342,788</b>	<b>891,075</b>
<b>Financial liabilities</b>							
Trade & Other Payables		-	-	-	-	222,611	222,611
		-	-	-	-	222,611	222,611
<b>2008</b>							
<b>Financial Assets</b>							
Cash and cash equivalent	6.51%	5,210,616	-	-	-	-	5,210,616
Trade & Other Receivables		-	-	-	-	238,862	238,862
Financial assets	6.51%	19,557	-	-	-	-	19,557
		<b>5,230,173</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>238,862</b>	<b>5,469,035</b>
<b>Financial liabilities</b>							
Trade & Other Payables		-	-	-	-	828,408	828,408
		-	-	-	-	828,408	828,408

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### Parent Entity

	Weighted Average Interest Rate	Floating Interest Rate \$	1 year or less \$	1 to 5 years \$	More than 5 years \$	Non- interest bearing \$	TOTAL \$
<b>2009</b>							
<b>Financial Assets</b>							
Cash and cash equivalent	5.19%	518,735	-	-	-	-	518,735
Trade & Other Receivables		-	-	-	-	1,430,040	1,430,040
Financial assets	5.19%	20,264	-	-	-	-	20,264
		<b>538,999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,430,040</b>	<b>1,969,039</b>
<b>Financial liabilities</b>							
Trade & Other Payables		-	-	-	-	220,741	220,741
		-	-	-	-	220,741	220,741
<b>2008</b>							
<b>Financial Assets</b>							
Cash and cash equivalent	6.51%	5,204,818	-	-	-	-	5,204,818
Trade & Other Receivables		-	-	-	-	1,228,659	1,228,659
Financial assets	6.51%	19,557	-	-	-	-	19,557
		<b>5,224,375</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,228,659</b>	<b>6,453,034</b>
<b>Financial liabilities</b>							
Trade & Other Payables		-	-	-	-	796,695	796,695
		-	-	-	-	796,695	796,695

ii. Net Fair value of financial assets and liabilities

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date approximate their carrying amounts.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### iii. Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the value of the Australian Dollar to other foreign currency, with all other variables remaining constant is as follow:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Change in Profit</b>				
Improvement in AUD to US\$ by 2%	<b>(3002)</b>	(35,077)	-	-
Decline in AUD to US\$ by 2%	<b>3,125</b>	36,509	-	-
<b>Change in Equity</b>				
Improvement in AUD to US\$ by 2%	<b>(52,020)</b>	3,075	-	-
Decline in AUD to US\$ by 2%	<b>54,144</b>	(3,199)	-	-

#### NOTE 27: INTEREST IN JOINT VENTURE

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.

The Exploration Permits were granted as EP 457 and 458 and the joint venture was registered in January 2008. Gujarat paid \$275,000 to Rey Resources Limited and must spend \$4.85 million over 5 years to earn a 90% interest in the two Exploration Permits. Rey Resources Limited will retain a 10% free carried interest in the permits until the grant of a petroleum production licence, after which the parties will contribute according to their interest.

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

#### NOTE 28: SHARE-BASED PAYMENT

On 26 November 2008, 2,000,000 options were granted to executive Director Mr. Kevin Wilson under the Company's Employee Share Option Plan at an exercise price of \$0.30 (0.5 million options), \$0.35 (0.5 millions options), \$0.40 (0.5 millions options) and \$0.50 (0.5 million options). The options are exercisable on or before 9 August 2010, 9 August 2011, 9 August 2012 and 9 August 2013 respectively.

All options granted to key management personnel and consultants are over ordinary shares in Rey Resources Limited, which confer a right of one ordinary share for every share option held.

Consolidated Group	2009		2008	
	Number of Options	Weighted Average Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)
Outstanding at the beginning of the year	5,650,000	0.20	11,550,000	0.20
Granted	2,000,000	0.39	8,650,000	0.19
Cancelled	(500,000)	0.20	(4,000,000)	0.19
Exercised	-	-	-	-
Expired	-	-	(10,550,000)	0.20
Outstanding at year-end	<b>7,150,000</b>	<b>0.25</b>	5,650,000	0.20
Exercisable at year-end	<b>7,150,000</b>	<b>0.25</b>	5,650,000	0.20

## Rey Resources Limited and Controlled Entities

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Parent entity	2009		2008	
	Number of Options	Weighted Average Exercise Price(\$)	Number of Options	Weighted Average Exercise Price (\$)
Outstanding at the beginning of the year	5,650,000	0.20	11,550,000	0.20
Granted	2,000,000	0.39	8,650,000	0.19
Cancelled	(500,000)	0.20	(4,000,000)	0.19
Exercised	-	-	-	-
Expired	-	-	(10,550,000)	0.20
Outstanding at year-end	<b>7,150,000</b>	<b>0.25</b>	5,650,000	0.20
Exercisable at year-end	<b>7,150,000</b>	<b>0.25</b>	5,650,000	0.20

The weighted average fair value of the options granted during the year was \$0.00 per option. This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise option	\$0.39
Weighted average life of option	3.22 years
Underlying share price	\$0.070
Expected share price volatility	10%
Risk free interest rate	3.68%

## **Rey Resources Limited and Controlled Entities**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

#### NOTE 29: COMPANY DETAILS

The registered office of the company and principal place of business of the company is:

Rey Resources Limited

Suite 802, Level 8, 50 Clarence Street

Sydney NSW 2000