

ASX Release
18th December 2009

Canning Basin Coal Project Update

Highlights

- **Drilling recommenced at Canning Basin coal project**
- **Issue of 75M at 20c per share completed**
- **Pre-feasibility study continuing and to be finalised in January 2010**
- **Crosby/Fusedale bid extended – Directors continue to recommend REJECT**
- **Gujarat bid extended - Directors continue to recommend REJECT**

About Rey:

Rey Resources (REY) is focusing on the development of its thermal coal properties. It owns coal, oil and gas tenements in the Canning Basin region near Derby in Western Australia that have excellent potential for medium to large scale development. The company aims to create shareholder value through the development of its coal properties and the divestment or joint venturing of its other properties. Rey Resources was listed on the Australian Stock Exchange in June 2006.

Drilling at Canning Basin Project

Using funds raised in the November capital raising, the company recommenced drilling at its Canning Basin project with a short program undertaken before the onset of the wet season in December. The program comprised four open holes with downhole geophysical logging and was successful in locating coal in a new near surface position approximately 25 kms to the south of the Duchess deposit but north of the Fitzroy River. The interpreted sub-crop extension of this coal will be investigated in the 2010 exploration program.

Plans are being developed for two drilling programs:

(i) assuming the pre-feasibility outcome is positive, drilling at Duchess Paradise will occur as part of the full feasibility study. This will include reserve definition, hydrological and engineering drilling; and

(ii) additional exploration drilling is being designed with the objective of expanding the JORC resource base beyond the existing 511 million tonnes.

Pre-feasibility Study

Rey is nearing completion of the pre-feasibility study. The results of the study together with the company's strategy for the next several years is expected to be announced in the third week of January following the end of year break and review of the pre-feasibility study by the Rey board. The study is looking at the concept of a two million tonne per year thermal coal export operation to be exported through the port of Derby.

Update on Corporate Activity

Rey board notes that Crosby / Fusedale Australia Pty Ltd and Gujarat NRE Ltd. have extended their takeover offers for Rey shares to 7 pm on 15 January 2010 and Thursday 21 January at 7 pm respectively. The Rey board continues to advise shareholders to REJECT both offers.

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 2004 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 2.35% 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 an employee of Blackrock Mining Solutions Pty Ltd who were 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.

For more information contact:	
Rey Resources Limited	Pesel & Carr
Kevin Wilson – Managing Director	Glenister Lamont – 0417 541 305
Tel: +61 2 9299 9357	Barbara Pesel – 0418 548 808