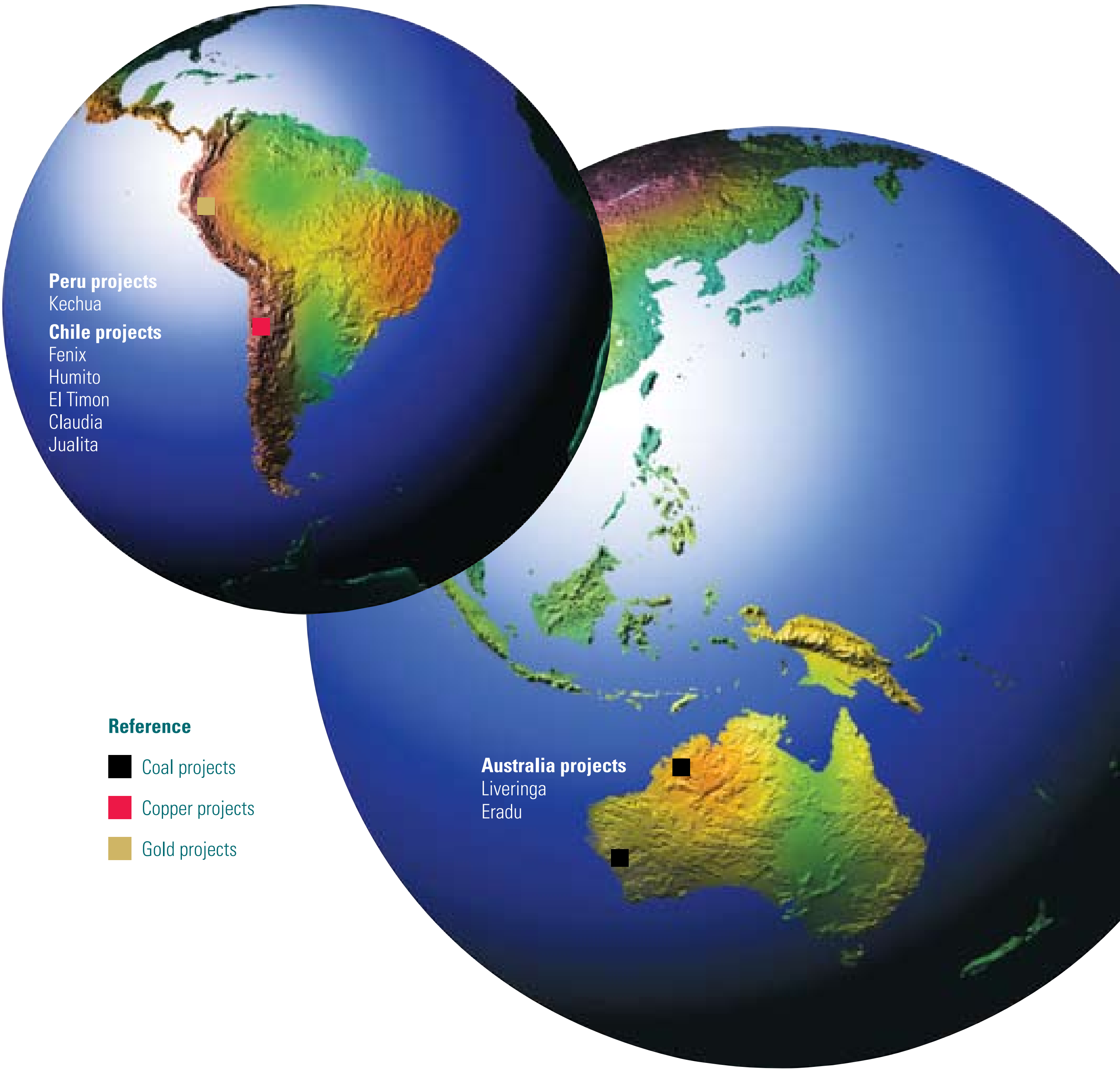
annual report 2007

REY RESOURCES LIMITED

Contents

Rey Resources' project areas



Australia

– Rey's main project in Australia is the Liveringa coal project in the Canning Basin, WA. We also have a smaller project at Eradu, near Geraldton.

Chile

– Rey has exploration projects near the mining centre of Copiapo in Chile: Humito, El Timon, Fenix.

Peru

– Rey has two gold exploration properties in Peru: Kechua and San Francisco.


Drilling at Fenix


El Timon


Fenix


Derby Wharf, Canning Basin

"Proximity to Asian markets is one of the drivers behind Rey's strategy – Australia."

Chairman's letter to shareholders 2007

The year ending 30 June 2007 year has been one of consolidation for Rey Resources (Rey). We have made significant progress in Chile and have nearly arrived at a decision point for the Fenix project. The Humito prospect looks to have potential for the discovery of a major copper porphyry ore body. Codelco, the Chilean Government owned copper company and the largest copper producer in the world has a new discovery on the northern boundary of the Humito tenements where 400M tonnes grading 0.6% copper and copper equivalent has been reported. We are very optimistic for the future of the Humito project.

The Canning Basin is now receiving due exploration attention as one of the last major under-explored mineral and oil provinces in Australia. Rey was an early mover in this region which is now evidenced by 100% ownership of over 6,500 sq.km of prospective ground. Proximity to Asian markets is one of the drivers behind Rey's strategy and any resources discovered here would have a readily accessible market.

At Liveringa, Rey's coal project, exploration has been delayed by negotiations with the Native Title Tribunal and the Kimberley Lands Council and are now waiting on final Heritage Clearance, and we missed the 2006 drilling season. These issues have been extremely frustrating, complicated by State Government imposed tenement management problems through inability to comply with work requirements. As outlined in the Managing Director's report on operations, further research has uncovered results from drilling undertaken by other companies which increases the likelihood of the discovery of mineable resources of coal.

The discovery by CRA in the 1970s of uranium mineralisation on our tenements has enabled the development of a theory as to the uranium deposition. As a result of this theory the Company applied for a further eight leases.

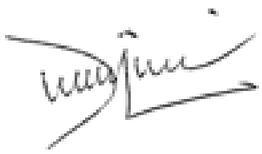
Since the end of June 2007 there have been several changes to the board and management of your Company.

Mr Kevin Wilson has been appointed Managing Director of the Company. Kevin, a geologist, is highly experienced in the management and operation of smaller mining companies and has had extensive experience as an analyst and in capital markets.

Mr James McClements has been appointed as a non-executive Director. James is very experienced in the selection of investments in the mining industry with an emphasis on coal. He is a founder and senior partner of US based Resource Capital Funds.

The Company's operations are detailed in the Managing Director's report. The current strategy adopted by the Board is focussed on the coal project located in the Canning Basin. The Board believes there is the possibility of discovering large resources of export quality coal as the Liveringa project contains extensive coal measures.

In South America the mining boom continues unabated. The possibility of separating the Chilean and Peruvian assets from Rey and transferring them to a separate listed company which will better reflect their worth is something the Directors will consider as part of the development strategy in Chile this year.



Julian Ludowici
Chairman

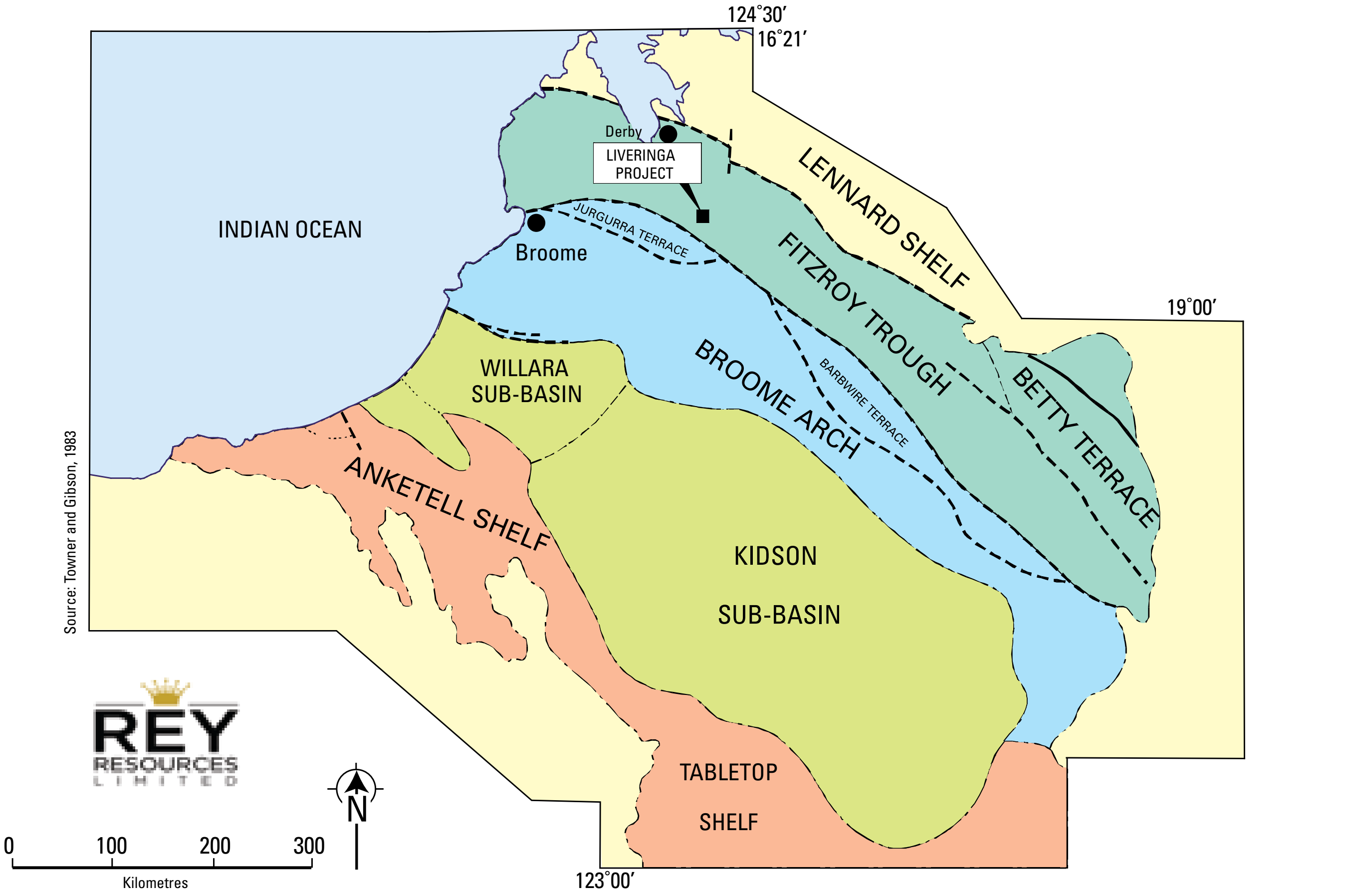


Figure 1 Location of Rey's Liveringa coal project within the Fitzroy Trough and other major structural subdivisions of the Canning Basin, WA

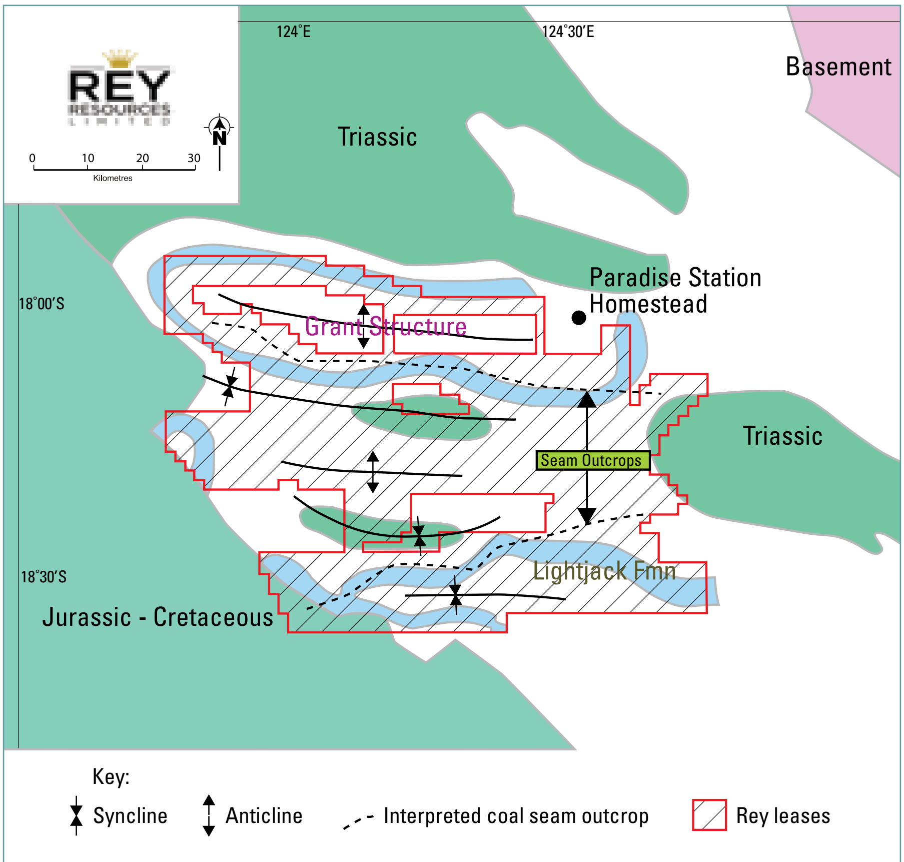


Figure 2 Simplified geology of the western Fitzroy Trough with Rey's coal leases

Managing director's report

Liveringa Coal Project (Rey 100%)

The company has 25 leases covering approximately 6,500 sq km in the Canning Basin of Western Australia, approximately 150km to the south of the port of Derby and approximately 35km to the south of the Great Northern Highway. Coal is found in the Permian Lightjack Formation in the Fitzroy Trough and is known to occur extensively throughout the tenement package. (Figure 1)

During the year the Company undertook prolonged negotiations over tenure and access on the project leases. These issues were resolved with the signing of a Native Title and Heritage Protection Agreement between Rey Resources and the Kimberley Land Council in August 2007. No field activities were undertaken during the year whilst the outstanding access issues were being negotiated. When these issues have been resolved, the Company's field program can continue.

A review of the coal deposits in the Canning Basin has indicated that there is good potential for the existence of sufficient shallow coal of suitable quality to support an export thermal coal operation. Pursuing this model of development will be a key focus of the Company in the coming year. Scoping studies are currently in progress.

Subject to approval of work plans and heritage survey clearance, we will now proceed with the next stage of investigation of the large coal deposits in the lease area. This will initially comprise a drill program designed to delineate a coal resource in the shallowest part of the basin, where the coal beds are believed to subcrop beneath superficial cover estimated to be less than 30m thick. This drilling program is expected to continue into the calendar 2008 field season. (Figure 2)

The coal beds are also believed to be suitable for Underground Coal Gas (UCG) which is currently being trialled elsewhere in Australia. We will continue to study this concept in the current year.

Myroodah Uranium Project

A uranium anomaly was discovered by CRA in the 1980s at Myroodah. This comprises roll front deposits of uranium in sandstone overlying Blina shales. A review of the property suggested that there was potential for further uranium occurrences in similar geological occurrences to the north of the Company's existng lease packages and so a further eight Exploration Leases were applied for.

It is management's intent to seek partners to explore this prospect.

Coal drilling at Myroodah Station

"Humito and El Timon have the potential to host major copper porphyry deposits."

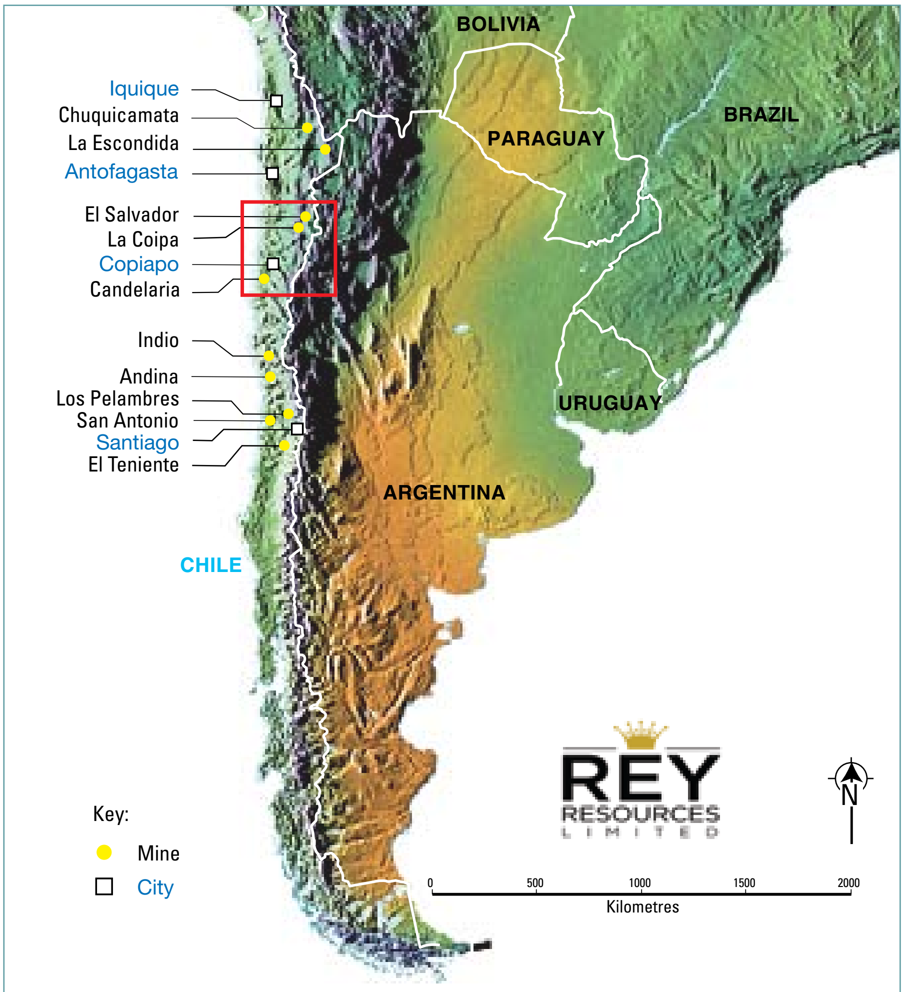


Figure 3 Major mines of Chile and Rey's area of interest around Copiapo

Managing director's report

continued

Canning Basin Gas Project (Rey 100%, farm-out to 10%)

Rey Resources has two petroleum Exploration Permits applications (EP 10/04-5 and EP11/04-5) that overlap its coal leases. Rey Resources has entered into a farm-out arrangement with Gujurat NRE Mineral Resources Limited, a significant shareholder of Rey Resources. A Native Title and Heritage Protection Agreement for the Permits was signed in July 2007.

Gujurat will pay $250,000 to Rey Resources and will have the right to earn a 90% interest through the expenditure of $4.85 million over five years. The Company has retained the rights to all non-petroleum minerals and coal bed methane from the leases.

Copper in Chile

Rey Resources has five projects in northern Chile, all located within 80km of the mining centre of Copiapo, which is 700km north of Santiago. (Figure 3)

Fenix

In February 2007 Rey Resources reported the assay results from 40 surface samples taken from the Copper Hill prospect and its extension to the northeast. The stratiform "mantos" area containing mineralisation in copper oxides and chalcocite extends over a length of 2km, dipping at 10°-15° to the southwest and appears to vary in thickness from 15 to 30 metres. It is cut by a series of north-south trending dykes. Assays returned up to 4.95% copper in oxides and chalcocite, with an average grade of 1.3%. The geophysics IP profiles completed clearly mark contact zones between mineralised and non-mineralised rock and moderate chargeability anomalies broadly coincide with mineralised outcrop.

During the June Quarter 2007, considerable effort was spent re-interpreting all available survey data collected at Fenix over the past 18 months, to optimise the final drill site selection. Experienced local geologists re-evaluated all mapping, sampling, geophysical data, Stage 1 drilling results and structural geology in order to prepare the Stage 2 drilling program, which commenced in July and was completed in August 2007. In total, 24 holes were drilled for 3,244 metres of RC, with the main aim being to test the extent and continuity of the vein and "mantos" mineralisation.

One deep diamond hole drilled to 374 metres depth (RCD 20) encountered an intrusive body bearing visible native copper (assays are not yet available) which may be related to sulphide mineralisation in the Punta del Cobre Formation. This is the productive horizon for copper-molybdenum mineralisation at the large Candelaria mine, 40km to the north.

Final results from the Stage 2 drilling are expected in late October 2007.

Humito

The Humito project is located approximately 10km to the south of the town of Inca de Oro. Humito is a large porphyry copper target that had some initial exploration work undertaken by Kennecott in the 1980s. Data from this initial program has been acquired and is being assessed.

There is a very large and intense alteration system at Humito, measuring about 8km by 4km. Ghost copper mineralisation has been recognised from previous shallow drilling undertaken by Kennecott. The property lies about 10km to the south of the recent discovery by Codelco at Inca de Oro which comprises a reported 400Mt grading 0.6% copper and copper equivalents. Rey Resources management hold the belief that Humito is prospective for similar style deposits.

Preliminary field visits were undertaken during the year. This will be followed by further mapping with geochemical and geophysical surveys during the current year with a view to determining drill targets.

El Timon

El Timon is also a porphyry copper prospect and is located 70km southeast of Copiapo. An intense alteration zone has been recognised during preliminary field visits. Further mapping will be undertaken in the current financial year, along with geochemical and geophysical surveys with a view to determing drill targets.

Kevin Wilson
Managing director

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 practice, 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.	✘	1
2.1	A majority of the Board should be independent directors.	✘	2
2.2	The chair should be an independent director.	✘	2
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✔	
2.4	Establish a Nomination Committee.	✘	2
2.5	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
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:		
	• 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:		
	• consists only of non executive directors	✘	4
	• consists of a majority of independent directors	✘	4
	• is chaired by an independent chair, who is not chair of the Board	✔	
	• has at least three members.	✘	4
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.	✔	
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.	✔	5

		Complied	Note
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.	✔	5
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	✔	
8.1	Establish a Remuneration Committee.	✔	6
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. There was no performance evaluation for senior executives undertaken during the year. In August 2007 a new managing director was appointed. There is a performance evaluation scheduled for July 2008.
2. 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 or attributes required to new Directors and has a Nomination Policy.
3. An annual performance of the Board and all Board Members was not conducted in the financial year ended 30 June 2007. A policy has been approved to undertake this review on an annual basis from the current financial year. This process will be facilitated by the Chairman.
4. 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 activities 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.
5. 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.
6. The Board as a whole meets as a Remuneration Committee. The Board members details 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.

Directors' report

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2007.

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: 52

Appointed a Director on 16 February 2004.

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 in the ASX listed Ludowici Limited, a mid size Australian business that supplies capital equipment and industrial consumables to the Australian mining industry.

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

Company	Date Appointed	Date Resigned
Ludowici Ltd	12 September 1988	Continuing
Customers Ltd	17 October 1999	30 June 2005

Mr. Kevin Wilson – Managing Director, executive

Qualifications – BSc (Hons), ARSM, MBA

Age: 50

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 Fist Boston and Merrill Lynch in Australia and New York.

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

Company	Date Appointed	Date Resigned
Leviathan Resources Ltd	21 December 2004	20 December 2006

Mr. Bruce Clement Preston – Technical Director, executive

Qualifications – BSc (Hons) PhD

Age: 57

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 listed company Directorships in the past 3 years.

Mr. Alan Humphris – non-executive, independent
Qualifications – BSc BEc MA (Laws) Hons (UK) FCPA

Age: 66

Appointed a Director on 27 July 2004.

Experience: Alan Humphris is an investment banker with more than 25 years experience in Australia and offshore markets specializing in corporate finance and advisory services. He is a Director of ASF Group Limited. 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.

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

Special Responsibilities: Audit Committee

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

Company	Date Appointed	Date Resigned
ASF Ltd	5 September 2007	Continuing

Sri Arun Jagatramka – non-executive
Qualifications – Chartered Accountant

Age: 45

Appointed a Director on 5 June 2006.

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 activity. 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 Resources NL.

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

Company	Date Appointed	Date Resigned
Gujarat NRE Resources NL	16 September 2005	Continuing
India NRE Minerals Ltd	12 October 2004	Continuing
Pike River Coal Limited	19 July 2007	Continuing
Pluton Resources Limited	31 October 2005	Continuing

Dr. Peter Gower – non-executive, independent
Qualifications – PH.D FGS

Age: 59

Appointed a Director on 5th June 2006. Resigned on 19 February 2007.

Experience: Peter Gower is a geologist with over 30 years experience in geology and corporate management, and holds a PhD in geology from the University of Liverpool. His subsequent career in the mining industry includes senior exploration positions in Australia, USA and Africa, working for various subsidiaries of Billiton (most recently Billiton International Services Limited) and the Royal Dutch / Shell Group of Companies where he was director responsible for marketing the Group's nickel production to customers around the world. Dr Gower is also a non-executive director of Mithril Resources Limited and Minotaur Resources Limited.

During the past 3 years Dr. Gower has held the following ASX listed Company directorships:

Company	Date Appointed	Date Resigned
Mithril Resources NL	18 November 2002	Continuing
Minotaur Resources Ltd	17 February 2005	Continuing
Minotaur Exploration Ltd	17 February 2005	Continuing

Mr. James Timothy McClements – non-executive
Qualifications – B Econ

Age: 44

Appointed a Director on 29 August 2007.

Mr. McClements is a senior partner and co-founder of Resources Capital Funds (RCF), a resources investment group. He has led the organisation since inception and is chiefly responsible for the implementation of the Fund's investment strategy. He has extensive experience in the industry, particularly in the field of resource financing and investment in junior mining companies globally. Prior to the launch of RCF 1 in 1998, he was, for a period of four years, Senior Vice President and Director of N.M. Rothschild & Sons (Denver), and was responsible for the North American Resources banking. Mr McClements worked in Rothschild Australia Limited in Sydney for four years, specializing in the financing junior mining companies. His background also includes work with Standard Chartered Bank Australia Limited as a resources credit analyst and with the Broken Hill Proprietary mining company in Mt. Newman.

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

Company	Date Appointed	Date Resigned
Murchison Metals Ltd	2 May 2007	Continuing

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 2007 Julian Ludowici resigned as company secretary to Rey Resources Limited and Neil Stack has been appointed to this position. He is an Associate Chartered Accountant with more than 25 years experience in senior financial positions. Neil Stack held the position of company secretary at the end of the financial year.

Directors' report
continued

Principal Activities

The principal activities of the consolidated group during the financial year were: Resources 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 $1,151,344.

No significant changes in the economic entity's state of affairs occurred during the financial year.

Dividend Paid or Recommended

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

Financial Position

The net assets of the consolidated group decreased by $919,244 from 30 June 2006 to $3,632,622 in 2007.

Significant Changes in State of Affairs

No significant changes in the state of affairs of the consolidated group occurred during the financial year.

After Balance Date Events

- On 10 July 2007 Rey Kimberley Pty Ltd was incorporated as a 100% Rey Resources Limited owned subsidiary company. Rey Kimberley Pty Limited will be the applicant for new tenements in the Myroodah area in Western Australia.
- On 19 July 2007 Blackfin Pty Limited, a 100% subsidiary of Rey Resources Limited and the Noonkanbah People signed an Aboriginal Consent and Site Clearance Agreement and Protocol to ensure that any Exploration carried out by Blackfin Pty Limited within the Agreement area complies with the Aboriginal Heritage Act 1972.
- On 24 July 2007 the Company, the Kimberley Land Council Aboriginal Corporation and Gujarat NRE Oil Pty Limited signed an Heritage and Native Title Protection Agreement (Petroleum exploration).
- On 9 August 2007 Bruce Preston resigned as Managing Director and assumed the position of Technical Director and on that date the Company appointed Kevin Wilson as Managing Director.
- On 9 August 2007 the Company and Gujarat NRE Oil Pty Limited and Gujarat NRE Mineral Resources Limited signed a Participation Agreement and a Joint Ventures Operating Agreement to explore the Company's oil tenements as detailed in the Managing Director's report.
- On 22 August 2007 the Board of Directors resolved to make a placement of shares and issue a maximum of 10.5 million shares at 10 cents each to raise $1.05 million. The funds raised will be applied to working capital and to commence second stage drilling at the Company's Liveringa coal prospect in Western Australia.
- On 29 August 2007 James McClements was appointed as a Director of the Company.
- On 31 August 2007 the placement was completed and the Company issued 8,750,000 ordinary shares. There was a shortfall of 1,750,000 from the targeted placement amount of shares. Three of the Directors of the Company offered to subscribe under the placement for the shares representing the shortfall. The issue of these shares is subject to shareholder approval.

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 an 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.

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 seeks always 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 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.

2007 Key Management Person

	Short Term Benefits	Post Employment Benefits	Share-based Payments	
	Cash Salary, fees and others $	Superannuation Contribution $	Options/Shares (1) $	Total $
Julian Ludowici	113,333	7,200	20,697	146,230
Bruce Preston	150,000	13,500	20,697	184,197
Alan Humphris	30,991	2,250	4,944	38,185
Arun Jagatramka	25,000	–	1,494	26,494
Peter Gower	15,763	1,419	–	17,182
Jose Bahamondes*	91,577	–	20,697	112,274
	426,664	24,369	68,529	519,562

2006 Key Management Person

	Short Term Benefits	Post Employment Benefits	Share-based Payments	
	Cash Salary, fees and others $	Superannuation Contribution $	Options/Shares (1) $	Total $
Julian Ludowici	118,121	–	–	118,121
Bruce Preston	125,455	–	–	125,455
Alan Humphris	69,318	–	–	69,318
Arun Jagatramka	2,083	–	–	2,083
Peter Gower	2,083	–	–	2,083
Jose Bahamondes*	62,593	–	–	62,593
	379,653	–	–	379,653

* Alternate Director to Alan Humphris

(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 their shares purchases plan.

Employment contracts of directors and senior executives

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

Directors' report
continued

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
Bruce Preston	10	10
Alan Humphris	10	10
Peter Gower	7	6
Arun Jagatramka	10	8
Jose Bahamondes (alt. to Alan Humphris)	10	2

There was also 1 Audit Committee meeting held during the 2007 financial year.

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	1	1
Peter Gower	1	0
Bruce Preston	0	0

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 and the Directors for the supply of allegedly defective goods. The agreement provides for the Company to pay all damages and costs which may be awarded against the Directors.

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 conducting 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
25/05/05	31/12/07	0.20 c	10,000,000
29/05/06	31/12/07	0.20 c	1,325,000
29/05/06	31/12/07	0.20 c	4,000,000
29/05/06	31/12/09	0.20 c	4,000,000
29/05/06	31/12/07	0.20 c	19,686,823
17/08/06	31/12/07	0.20 c	550,000
29/11/06	31/12/09	0.20 c	1,000,000
29/11/06	31/12/07	0.20 c	4,830,658
09/08/07	09/08/10	0.10 c	1,000,000
09/08/07	09/08/11	0.15 c	1,000,000
09/08/07	09/08/12	0.20 c	1,000,000
09/08/07	09/08/13	0.30 c	1,000,000
			49,392,481

During the year ended 30 June 2007, there were no shares issued on the exercise of options.

No person entitled to exercise the 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 2007:

	$
Taxation services	4,750
Due diligence investigations	3,500
	8,250

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 16 of the Directors' report.

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

Julian Ludowici
Chairman
Dated this 28th day of September 2007

Auditor's independence declaration

under Section 307c of the Corporations Act 2001

Hall Chadwick
Chartered Accountants & Business Advisers

Sydney
Level 29
St Martins Tower
31 Market Street
Sydney 2000
New South Wales

GPO Box 3555
SYDNEY NSW 2001
or
DX 1451 Sydney

Telephone: (02) 9263 2600
Facsimile: (02) 9263 2800
Email: sydney@hallchadwick.com.au

Penrith
Telephone: (02) 4721 8144
Facsimile: (02) 4721 8155

Partners
Robert Elliott
Geoffrey McDonald
Drew Townsend
David Kenney
Richard Albarran
Gino Malacco
Paul Leroy
Steven Gladman

Associates
Blair Pleash
Graham Webb
Lyle Vallance
Bill Petrovski

National Association
Hall Chadwick

Other Independent firms in:
Melbourne
Brisbane
Adelaide
Gold Coast
Perth

www.hallchadwick.com.au

A Member of AGN International Ltd, a worldwide association of separate and independent accounting and consulting Firms.

To the Directors of Rey Resources Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick

Level 29, 31 Market Street

Sydney NSW 2000

Robert Elliott

Partner

Dated: 28 September 2007

Income statement

for year ended 30 June 2007

	Note	Consolidated Group 2007 $	Consolidated Group 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
Revenue	2	**150,215**	40,598	**150,209**	40,597
Office supplies and expenses		**(134,583)**	(169,378)	**(87,980)**	(157,820)
Mining tenements expenditure		**(142,656)**	(137,293)	**(49,192)**	(76,999)
Professional and consulting fees		**(234,948)**	(377,904)	**(157,441)**	(282,031)
Employee benefits expense		**(486,610)**	(256,533)	**(395,033)**	(175,080)
Depreciation and amortisation expense		**(8,830)**	(3,790)	**(6,916)**	(3,625)
Foreign exchange (loss) / gain		**(162,354)**	(14,239)	**(185,880)**	738
Other expenses from ordinary activities		**(131,578)**	(75,352)	**(103,274)**	(67,893)
(Loss) from ordinary activities before income tax expense	3	**(1,151,344)**	(993,891)	**(835,507)**	(722,113)
Income tax expense relating to ordinary activities	4	**–**	–	**–**	–
(Loss) from ordinary activities after related income tax expense		**(1,151,344)**	(993,891)	**(835,507)**	(722,113)
		–	–	**–**	–
Net (loss) attributable to members of the parent company		**(1,151,344)**	(993,891)	**(835,507)**	(722,113)
Basic earnings per share (cents per share)	7	**(1.58)**	(1.84)	**(1.15)**	(1.34)
Diluted earnings per share (cents per share)	7	**(0.98)**	(1.35)	**(0.71)**	(0.98)

The accompanying notes form part of these financial statements.

Balance sheet

as at 30 June 2007

	Note	Consolidated Group 2007 $	Consolidated Group 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	**887,422**	3,009,693	**761,316**	2,991,402
Trade and other receivables	9	**212,114**	66,009	**2,850,221**	1,665,799
Financial assets	10	**18,719**	32,622	**18,719**	32,622
TOTAL CURRENT ASSETS		**1,118,255**	3,108,324	**3,630,256**	4,689,823
NON-CURRENT ASSETS					
Property, plant and equipment	12	**50,163**	16,687	**44,189**	13,364
Other non-current assets	13	**2,587,667**	1,813,256	**127,313**	–
Financial assets	10	**–**	–	**670,265**	670,265
Intangible assets	14	**5,319**	890	**5,319**	890
TOTAL NON-CURRENT ASSETS		**2,643,149**	1,830,833	**847,086**	684,519
TOTAL ASSETS		**3,761,404**	4,939,157	**4,477,342**	5,374,342
CURRENT LIABILITIES					
Trade and other payables	15	**128,782**	387,291	**127,538**	384,469
TOTAL CURRENT LIABILITIES		**128,782**	387,291	**127,538**	384,469
TOTAL LIABILITIES		**128,782**	387,291	**127,538**	384,469
NET ASSETS		**3,632,622**	4,551,866	**4,349,804**	4,989,873
EQUITY					
Issued capital	17	**6,561,497**	6,439,023	**6,561,497**	6,439,023
Reserves	18	**131,437**	21,811	**72,964**	–
Accumulated losses		**(3,060,312)**	(1,908,968)	**(2,284,657)**	(1,449,150)
TOTAL EQUITY		**3,632,622**	4,551,866	**4,349,804**	4,989,873

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2007

Consolidated Group Share Capital	Share Capital Ordinary $	Accumulated Losses $	Foreign Currency Exchange Translation Reserve $	Options Reserve $	Total $
Balance at 1 July 2005	2,185,751	(915,077)			1,270,674
Shares issued during the year	4,457,709				4,457,709
Less: Transaction Costs	(204,437)				(204,437)
Adjustments from translation of foreign controlled entity			21,811		21,811
Loss attributable to members of parent company		(993,891)			(993,891)
Balance at 30 June 2006	**6,439,023**	**(1,908,968)**	**21,811**	**0**	**4,551,866**
Shares issued during the year	146,849				146,849
Less: Transaction Costs	(24,375)				(24,375)
Adjustments from translation of foreign controlled entity			36,662		36,662
Recognition of share option expense				72,964	72,964
Loss attributable to members of parent company		(1,151,344)			(1,151,344)
Balance at 30 June 2007	**6,561,497**	**(3,060,312)**	**58,473**	**72,964**	**3,632,622**

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2007

Parent Entity Share Capital	Share Capital Ordinary $	Accumulated Losses $	Foreign Currency Exchange Translation Reserve $	Options Reserve $	Total $
Balance at 1 July 2005	2,183,931	(727,037)			1,456,894
Shares issued during the year	4,457,709				4,457,709
Less: Transaction Costs	(202,617)				(202,617)
Loss attributable to members of parent company		(722,113)			(722,113)
Balance at 30 June 2006	**6,439,023**	**(1,449,150)**	**0**	**0**	**4,989,873**
Shares issued during the year	146,849				146,849
Less: Transaction Costs	(24,375)				(24,375)
Recognition of share option expense				72,964	72,964
Loss attributable to members of parent company		(835,507)			(835,507)
Balance at 30 June 2007	**6,561,497**	**(2,284,657)**	**0**	**72,964**	**(4,349,804)**

The accompanying notes form part of these financial statements.

Cash flow statement

for the year ended 30 June 2007

	Note	Consolidated Group 2007 $	Consolidated Group 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**20,948**	-	**20,948**	-
Payments to suppliers and employees		**(1,460,748)**	(1,137,120)	**(1,109,830)**	(818,340)
Interest received		**129,267**	40,598	**129,262**	40,597
Net cash provided by (used in) operating activities	20(a)	**(1,310,533)**	(1,096,522)	**(959,620)**	(777,743)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(51,228)**	(9,174)	**(46,778)**	(6,641)
Payments for mining tenements		**(142,695)**	(132,405)	**(118,330)**	(36,364)
Payments for exploration expenditure		**(617,815)**	(417,731)	**(1,105,358)**	(852,057)
Net cash provided by (used in) investing activities		**(811,738)**	(559,310)	**(1,270,466)**	(895,062)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		**-**	4,200,093	**-**	4,200,093
Net cash provided by (used in) financing activities		**-**	4,200,093	**-**	4,200,093
Net increase in cash held		**(2,122,271)**	2,544,261	**(2,230,086)**	2,527,288
Cash at beginning of financial year		**3,009,693**	465,432	**2,991,402**	464,114
Cash at end of financial year	8	**887,422**	3,009,693	**761,316**	2,991,402

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2007

Note 1: Statement of significant accounting policies

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

The financial report covers the consolidated group of Rey Resources Limited and controlled entities, and Rey Resources Limited as an individual parent entity. Rey Resources Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Rey Resources Limited and controlled entities, and Rey Resources Limited as an individual parent entity comply with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern Basis

The Directors have prepared the accounts on a going concern basis not withstanding the loss reported for the year. The Directors are of the opinion that the consolidated entity has sufficient funds and potential projects to continue to operate as a going concern.

The Company, being a base mineral explorer and without a current significant revenue stream, will require to raise additional equity and/or debt to finance its future activities. No assurance is give that the Company will be able to raise future funding on acceptable terms or in a timely manner. 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 Rey Resources Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

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

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 consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/ excluded from the date control was obtained or until the date control ceased.

b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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 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:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20 – 40%
Furniture & Fitting	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.

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.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Notes to the financial statements

for the year ended 30 June 2007

Note 1: Statement of significant accounting policies continued

g. Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the financial assets at fair value through profit and loss, loans and receivables and held to maturity investments.

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

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 assess 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.

i. Intangible Assets

Goodwill

Goodwil an goodwill on consolidation are initially recorder at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Computer Software

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

i. 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.

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-costs. 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.

Where shares or options are issued to employees as remuneration, the difference between fair value or bonus element of the shares or options issued and the consideration received, if any, from the employee is expensed over the vesting period. The fair value of the shares or options issued is recorded in contributed equity.

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

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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 the 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.

Key Estimates – Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Notes to the financial statements

for the year ended 30 June 2007

Note 2: Revenue

	Consolidated Group 2007 $	Consolidated Group 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
Operating activities				
– interest received	**129,267**	40,958	**129,262**	40,597
– other revenue	**20,948**	–	**20,947**	–
Total revenue	**150,215**	40,598	**150,209**	40,597

Note 3: Loss for the year

	Consolidated Group 2007 $	Consolidated Group 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
a. Expenses				
Depreciation of non-current assets	**(8,830)**	(3,790)	**(6,916)**	(3,625)
Foreign currency translation gain (losses)	**(162,354)**	(14,339)	**(185,880)**	738
Rental expense on operating leases	**(54,159)**	(32,735)	**(43,825)**	(37,735)
Exploration expenditure	**(142,656)**	(137,293)	**(49,192)**	(76,999)

Note 4: Income tax expense

	Consolidated Group 2007 $	Consolidated Group 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
a. The components of income tax expense (benefit) comprise:				
– current tax	**(313,003)**	298,167	**(263,766)**	(216,135)
– deferred tax	**27,645**	27,095	**35,744**	27,095
– deferred tax assest not brought to account	**285,358**	271,072	**228,022**	189,040
	–	–	**–**	–
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows: Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)				
– consolidated group	**(345,403)**	(198,167)	**–**	–
– parent entity	**–**	–	**(250,652)**	(216,135)
Add:				
Tax effect of:				
– non deductible items	**741**	27,095	**741**	27,095
– adjustment due to different corporate tax rate	**37,415**	–	**–**	–
Less				
– tax effect of:				
– share-based payment	**21,889**	–	**21,889**	–
– Deferred tax assets not previously recognised	**285,358**	–	**228,022**	–
– Current year deferred tax asset not recognised	**–**	171,072	**–**	189,040
Income tax expense/ (benefit)	**–**	–	**–**	–

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 Director
Bruce Preston – Managing Director

iii) Non-Executive Directors
Alan Humphris
Arun Jagatramka
Peter Gower (1 July 2006 to 19 February 2007)

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:

2007	Balance as at 01/07/06	Received as Compensation	Net Change Other	Balance as at 30/06/07
Julian Ludowici – Direct	**1,030,000**	–	**480,000**	**1,510,000**
Julian Ludowici – Indirect	**3,157,858**	–	**1,577,970**	**4,735,828**
Bruce Preston – Direct	–	–	**261,875**	**261,875**
Bruce Preston – Indirect	**3,786,500**	–	**50,000**	**3,836,500**
Alan Humphris – Direct	**25,000**	–	**50,000**	**75,000**
Alan Humpris – Indirect	**2,316,500**	–	**80,000**	**2,396,500**
Arun Jagatramka – Indirect	**14,000,000**	–	–	**14,000,000**
Jose Bahamondes* – Direct	**5,020,000**	–	**74,874**	**5,094,874**
Jose Bahamondes* – Indirect	**5,000,000**	–	–	**5,000,000**
Total	**34,335,858**	–	**2,574,719**	**36,910,577**

* Jose Bahamondes is alternate director to Alan Humphris

c. Option holdings

2007	Balance as at 01/07/06	Granted as Compensation	Options Exercised	Net Change Other
Julian Ludowici – Direct	**3,000,000**	–	–	–
Julian Ludowici – Indirect	**4,000,000**	–	–	–
Bruce Preston – Indirect	**7,025,000**	–	–	–
Alan Humpris – Indirect	**500,000**	**500,000**	–	–
Arun Jagatramka – Direct	–	**500,000**	–	–
Arun Jagatramka – Indirect	**3,180,000**	**4,830,658**	–	–
Peter Gower	**1,000,000**	–	–	**(1,000,000)**
Jose Bahamondes – Direct**	**3,000,000**	–	–	–
Total	**21,705,000**	**5,830,658**	–	**(1,000,000)**

** Jose Bahamondes is alternate director to Alan Humphris.

Notes to the financial statements

for the year ended 30 June 2007

Note 5: Key management personnel compensation continued

2007	Balance as at 30/06/07	Total Vested 30/06/07	Total Exercisable 30/06/07	Total Unexercisable 30/06/07
Julian Ludowici – Direct	3,000,000	–	3,000,000	–
Julian Ludowici – Indirect	4,000,000	–	4,000,000	–
Bruce Preston – Indirect	7,025,000	–	7,025,000	–
Alan Humpris – Indirect	1,000,000	–	1,000,000	–
Arun Jagatramka – Direct	500,000	–	500,000	–
Arun Jagatramka – Indirect	8,010,658	–	8,010,658	–
Peter Gower	–	–	–	–
Jose Bahamondes – Direct**	3,000,000	–	3,000,000	–
Total	26,535,658	–	26,535,658	–

Arun Jagatramka is a director and a major shareholder of Gujarat NRE Coke Limited, which company holds 14,000,000 shares and 8,010,658 options in Rey Resources Limited.

* On 5 June 2006 Rey Resources listed on the stock exchange.

** Jose Bahamondes is alternate director to Alan Humphris.

Options are issued to directors as part of their shares purchases plan.

Note 6: Auditors' Remuneration

	Consolidated Group 2007 $	Consolidated Group 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
Remuneration of the auditor of the parent entity for:				
– auditing or reviewing the financial report	**26,000**	18,000	**20,000**	18,000
– taxation services	**4,750**	10,000	**4,750**	10,000
– due diligence services	**3,500**	6,000	**3,500**	6,000

Note 7: Earnings per share

		Consolidated Group 2007 $	Consolidated Group 2006 $
a.	Reconciliation of earnings to profit or loss Profit/ (Loss)	**(1,151,344)**	(993,891)
	Earnings used to calculate basic and diluted EPS	**(1,151,344)**	(993,891)
		No.	No.
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**72,695,718**	53,884,370
	Weighted average number of options outstanding	**44,823,554**	19,543,552
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**117,519,272**	73,427,922

Note 8: Cash and Cash Equivalents

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
Cash at bank and in hand	**887,422**	3,009,693	**761,316**	2,991,402
	887,422	3,009,693	**761,316**	2,991,402

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	**887,422**	3,009,693	**761,316**	2,991,402
	887,422	3,009,693	**761,316**	2,991,402

Note 9: Trade and Other Receivables

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
CURRENT				
Other receivables	**212,114**	66,009	**80,747**	7,699
Amounts receivable from:				
– Wholly-owned subsidiaries	**–**	–	**2,769,474**	1,658,100
	212,114	66,009	**2,850,221**	1,665,799

Note 10: Other Financial Assets

	Note	Consolidated Group		Parent Entity	
		2007 $	2006 $	2007 $	2006 $
Available-for-sale financial assets	10a	**18,719**	32,622	**688,984**	702,887
Less non-current portion		**–**	–	**670,265**	670,265
Current portion		**18,719**	32,622	**18,719**	32,622
a. **Available-for-sale Financial Assets Comprise**					
Listed investment at cost		**–**	15,000	**–**	15,000
Unlisted investments, at cost					
– shares in controlled entities		**–**	–	**670,265**	670,265
– units in unit trusts	10b	**18,719**	17,622	**18,719**	17,622
Total available-for-sale financial assets		**18,719**	32,622	**688,984**	702,887

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.

Notes to the financial statements

for the year ended 30 June 2007

Note 10: Other Financial Assets continued

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
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	**18,719**	17,622	**18,719**	17,622
	18,719	17,622	**18,719**	17,622

Note 11: Controlled Entities

	Country of Incorporation	Percentage Owned %*	
		2007	2006
a. **Controlled Entities Consolidated**			
Parent Entity:			
Rey Resources Limited	Australia	**100%**	100%
Subsidiaries of Rey Resources Limited :			
Blackfin Pty Limited	Australia	**100%**	100%
Rey Investments Chile Limitada	Chile	**100%**	100%
Rey Resources Peru S.A.	Peru	**100%**	100%

*Percentage of voting power is in proportion to ownership

Note 12: Plant and Equipment

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
PLANT AND EQUIPMENT				
Furniture and equipment				
At cost	**31,803**	6,020	**31,803**	6,020
Accumulated depreciation	**(1,412)**	(715)	**(1,412)**	(715)
	30,391	5,305	**30,391**	5,305
Plant and equipment:				
At cost	**29,229**	15,581	**20,705**	11,508
Accumulated depreciation	**(9,457)**	(4,199)	**(6,907)**	(3,449)
	19,772	11,382	**13,798**	8,059
Total plant and equipment	**50,163**	16,687	**44,189**	13,364

Note 12: Plant and Equipment continued

a. **Movements in carrying amounts**

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

	Furniture and equipment $	Plant and equipment $	Total $
Consolidated Group:			
Balance at 1 July 2005	9,104	3,089	12,193
Additions	–	11,443	11,443
Disposals	(3,456)	–	(3,456)
Depreciation expense	(343)	(3,150)	(3,493)
Balance at 30 June 2006	5,305	11,382	16,687
Additions	29,456	16,108	45,564
Disposals	(3,133)	(1,474)	(4,607)
Depreciation expense	(1,237)	(6,244)	(7,481)
Balance at 30 June 2007	30,391	19,772	50,163
Parent entity:			
Balance at 1 July 2005	9,104	2,134	11,238
Additions	–	8,910	8,910
Disposal	(3,456)	–	(3,456)
Depreciation expense	(343)	(2,985)	(3,328)
Balance at 30 June 2006	5,305	8,059	13,364
Additions	29,456	11,543	40,999
Disposal	(3,133)	(1,474)	(4,607)
Depreciation expense	(1,237)	(4,330)	(5,567)
Balance at 30 June 2007	30,391	13,798	44,189

Note 13: Other non current assets

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
NON-CURRENT				
Exploration – expenditure capitalised phase	**1,395,547**	663,254	**127,313**	–
Mining tenement – at cost	**1,192,120**	1,150,002	**–**	–
	2,587,667	1,813,256	**127,313**	–

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.

Notes to the financial statements

for the year ended 30 June 2007

Note 14: Intangible assets

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
Computer Software – at cost	**6,965**	1,187	**6,965**	1,187
Accumulated amortisation	**(1,646)**	(297)	**(1,646)**	(297)
Total Intangible assets	**5,319**	890	**5,319**	890

Consolidated Group	Computer Software $
Year ended 30 June 2006	
Balance at the beginning of year	–
Additions	1,187
Disposals	–
Depreciation expense	(297)
Impairment losses	–
As at 30 June 2006	890
Year ended 30 June 2007	
Balance at the beginning of year	890
Additions	6,075
Disposals	–
Depreciation expense	(1,646)
Impairment losses	–
As at 30 June 2007	5,319

Note 15: Trade and other payables

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
CURRENT				
Unsecured liabilities				
Trade payables	**6,704**	95,344	**5,460**	92,522
Sundry payables and accrued expenses	**122,078**	291,947	**122,078**	291,947
	128,782	387,291	**127,538**	384,469

Note 16: Tax

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
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				
– Tax losses:	**693,008**	558,302	**693,008**	434,744
	693,008	558,302	**693,008**	434,744

Note 17: Issued capital

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
73,178,748 (2006: 72,344,499) fully paid ordinary shares	**6,561,497**	6,439,023	**6,561,497**	6,439,023
	6,561,497	6,439,023	**6,561,497**	6,439,023

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

	Consolidated Group		Parent Entity	
	2007 No.	2006 No.	2007 No.	2006 No.
a. **Ordinary shares**				
At the beginning of reporting period	**72,344,499**	45,280,954	**72,344,499**	45,280,954
Shares issued during the year				
– 27 October 2005		10,000,000		10,000,000
– 27 October 2005		550,000		550,000
– 28 May 2006		16,513,545		16,513,545
– 29 November 2006	**584,249**		**584,249**	
– 15 June 2007	**250,000**		**250,000**	
At reporting date	**73,178,748**	72,344,499	**73,178,748**	72,344,499

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 26 Share-based payment.
For information relating to share options issued to key management personnel during the financial year, refer to Note 26 Share-based Payments.

Note 18: 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.

Note 19: Lease commitments

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
Non-cancellable operating leases contracted for but not capitalised in the financial statements. Payable – minimum lease payments.				
– Not later than one year	**45,310**	–	**45,310**	–
– Later than one year but not later than five years	**97,530**	–	**97,530**	–
– Minimum lease payment	**142,840**	_	**142,840**	_

Note 20: Contingent liabilities and contingent assets

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

Note 21: Segment reporting

Primary reporting	Australia 2007	Australia 2006	South America 2007	South America 2006	Eliminations 2007	Eliminations 2006	Consolidated Group 2007	Consolidated Group 2006
Geographical segments								
Revenue								
Other income	**150,215**	40,598	**–**	–			**150,215**	40,598
Total sales revenue	**150,215**	40,598	**–**	–			**150,215**	40,598
Total revenue								
RESULT								
Segment result	**(863,538)**	(787,383)	**(287,806)**	(206,508)			**(1,151,344)**	(993,891)
Loss from ordinary activities after income tax expenses	**(863,538)**	(787,383)	**(287,806)**	(206,508)			**(1,151,344)**	(993,891)

The economic entity's business segments are within one business segment, which is mining exploration.

	Australia 2007	Australia 2006	South America 2007	South America 2006	Eliminations 2007	Eliminations 2006	Consolidated Group 2007	Consolidated Group 2006
ASSETS								
Segment assets	**5,315,663**	6,120,403	**1,187,817**	449,454	**(2,742.076)**	(1,630,700)	**3,761,404**	4,939,157
Total assets							**3,761,404**	4,39,157
LIABILITIES								
Segment liabilities	**1,198,837**	1,335,477	**1,699,419**	706,472	**(2,769,474)**	(1,654,658)	**128,782**	387,291
Total liabilities							**128,782**	387,291
OTHER								
Acquisitions of non-current segment assets	**46,777**	6,641	**9,659**	2,533			**56,436**	9,174
Depreciation and amortisation of segment assets	**7,301**	3,790	**1,529**				**8,830**	3,790

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, inventories, intangibles and property, 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.

Note 22: Cash flow information

		Consolidated Group		Parent Entity	
		2007 $	2006 $	2007 $	2006 $
a.	**Reconciliation of cash flow from operations with loss after income tax**				
	Loss after income tax	**(1,151,344)**	(993,891)	**(835,507)**	(722,113)
	Non-cash flows in loss				
	– Depreciation	**8,830**	3,790	**6,916**	3,625
	– Net loss on disposal property, plant and equipment	**4,607**		**4,607**	
	– Provision for employees entitlements	**3,500**		**3,500**	
	– Consulting expenses		55,000		55,000
	– Share options expensed	**72,964**		**72,964**	
	– Foreign exchange	**(162,468)**	(1,821)	**(185,880)**	
	Net cash expended on operating activities before changes in assets and liabilities	**(1,223,911)**	(936,922)	**(933,400)**	(663,488)
	Add/less effect of change in operating assets and liabilities:				
	– Increase/decrease in other debtors	**16,250**	(115,793)	**111,737**	(60,057)
	– Increase/decrease in trade and other creditors	**(102,872)**	(43,807)	**(137,957)**	(54,198)
	– Cash flow from operations	**(1,310,533)**	(1,096,522)	**(959,620)**	777,743

b. **Non-cash Financing and Investing Activities**

Share issue

On 29 November 2006 shares were issued to the value of $116,849 to directors Julian Ludowici, Bruce Preston, Alan Humphris, alternate director Jose Bahamondes and former director Timothy Cooper pursuant to a Loan agreement dated 18 August 2006. The interest free loans have arisen as a result of fees payable by the Company to these persons for services during the year ended 30 June 2005.

On 15 June 2007 shares were issued to the value of $30,000 In settlement for consulting services rendered by an unrelated party.

Note 23: Events after the balance sheet date

- On 10 July 2007 Rey Kimberley Pty Limited was incorporated as a 100% Rey Resources Limited owned subsidiary company. Rey Kimberley Pty Limited will be the applicant for new tenements in the Myroodah area in Western Australia.
- On 19 July 2007 Blackfin Pty Ltd, a 100% subsidiary of Rey Resources Limited and the Noonkanbah People signed an Aboriginal Consent and Site Clearance Agreement and Protocol to ensure that any Exploration carried out by Blackfin Pty Limited within the Agreement area complies with the Aboriginal Heritage Act 1972
- On 24 July 2007 the Company, the Kimberley Land Council Aboriginal Corporation and Gujarat NRE Oil Pty Limited signed an Heritage and Native Title Protection Agreement (Petroleum exploration).
- On 9 August 2007 Bruce Preston resigned as managing director and assumed the position of technical director and on that date the Company appointed Kevin Wilson as managing director.
- On 9 August 2007 the Company and Gujarat NRE Oil Pty Limited and Gujarat NRE Mineral Resources Limited signed a Participation Agreement and a Joint Ventures Operating Agreement to explore the Company's oil tenements as detailed in the managing director's report.
- On 22 August 2007 the Board of directors resolved to make a placement of shares and issue a maximum of 10.5 million shares at 10 cents each to raise $1.05 million. The funds raised will be applied to working capital and to commence second stage drilling at the Company's Liveringa coal prospect in Western Australia.
- On 29 August 2007 James McClements was appointed as a director of the Company.
- On 31 August 2007 the placement was completed and the Company issued 8,750,000 ordinary shares. There was a shortfall of 1,750,000 from the targeted placement amount of shares. Three of the directors of the Company offered to subscribe under the placement for the shares representing the shortfall. The issue of these shares is subject to shareholder approval.

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 an 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.

Notes to the financial statements

for the year ended 30 June 2007

Note 24: Related party transactions

	Consolidated Group		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
Mr. Julian Kinnear Ludowici, a director provided services during the year and was paid superannuation under normal commercial terms and conditions				
Paid in cash	**150,833**	118,121	**150,833**	118,121
Paid as securities	**37,500**	–	**37,500**	–
Accrued	**–**	–	**–**	–
A consulting firm, Preston Consulting, controlled by Mr. Bruce Preston, a director, provided consulting services during the year under normal commercial terms and conditions				
Paid in cash	**204,375**	125,455	**204,375**	125,455
Paid as securities	**54,375**	–	**54,375**	–
Accrued	**–**	–	**–**	–
A consulting firm, Balmoral Capital Pty.Ltd. controlled by Mr. Allan Humphris, a director, provided consulting services during the year under normal commercial terms and conditions				
Paid in cash	**39,741**	65,568	**37,741**	65,568
Paid as securities	**5,000**	–	**5,000**	–
Accrued	**–**	–	**–**	–
Mr. Tim Cooper a former director, provided consulting services during the year under normal commercial terms and conditions				
Paid in cash	**–**	–	**–**	–
Paid as securities	**5,000**	–	**5,000**	–
Accrued	**–**	–	**–**	–
Mr. Jose Agustin Bahamondes, a Chilean based director, provided consulting services during the year under normal commercial terms and conditions				
Paid in cash	**91,577**	62,593	**–**	62,593
Paid as securities	**14,974**	–	**14,974**	–
Accrued	**–**	–	**–**	–

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.

Note 25: Financial instruments

a) Interest rate risk

The consolidated entity'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:

	Weighted Average Interest Rate	Floating Interest Rate $	1 year or less $	1 to 5 years $	More than 5 years $	Non-interest bearings $	TOTAL $
2007							
Financial assets							
Cash assets	6.17%	887,422	–	–	–	–	887,422
Trade & other receivables		–	–	–	–	212,114	212,114
Financial asset	6.17%	18,719	–	–	–	–	18,719
		906,141	**–**	**–**	**–**	**212,114**	**1,118,255**
Financial liabilities							
Trade & other payables		–	–	–	–	128,782	128,782
						128,782	128,782
2006							
Financial assets							
Cash assets	5.45%	3,009,693	–	–	–	–	3,009,693
Trade & other receivables		–	–	–	–	66,009	66,009
Financial asset	5.45%	32,622	–	–	–	–	32,622
		3,042,315	**–**	**–**	**–**	**66,009**	**3,108,324**
Financial liabilities							
Trade & other payables		–	–	–	–	387,291	387,291
						387,291	387,291

b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

c) 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.

Notes to the financial statements

for the year ended 30 June 2007

Note 26: Share-based payment

On 25 May 2005, a total of 10,000,000 options were granted to Directors Julian Ludowici, Bruce Preston, Alan Humphris, Jose Bahamondes and promoters at an exercise price of $0.20 each. The options are exercisable on or before 31 December 2007.

On 17 August 2006, 550,000 options were granted to consultants under the Company's Employee Share Option Plan at an exercise price of $0.20 each. The options are exercisable on or before 31 December 2007

On 29 November 2007, 500,000 options were granted to non–executive Directors Mr. Alan Humphris under the Company's Employee Share Option Plan at an exercise price of $0.20 each. The options are exercisable on or before 31 December 2009.

On 29 November 2007, 500,000 options were granted to non–executive Directors Mr. Arun Jagatramka under the Company's Employee Share Option Plan at an exercise price of $0.20 each. The options are exercisable on or before 31 December 2009.

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

	2007		2006	
Consolidated Group	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	10,000,000	0.20	10,000,000	0.20
Granted	1,550,000	0.20	–	–
Exercised	–	–	–	–
Expired	–	–	–	–
Outstanding at year-end	11,550,000	0.20	10,000,000	0.20
Exercisable at year-end	11,550,000	0.20	10,000,000	0.20

	2007		2006	
Parent Entity	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	10,000,000	0.20	10,000,000	0.20
Granted	1,550,000	0.20	–	–
Exercised	–	–	–	–
Expired	–	–	–	–
Outstanding at year-end	11,550,000	0.20	10,000,000	0.20
Exercisable at year-end	11,550,000	0.20	10,000,000	0.20

The weighted average fair value of the options granted during the year was $0.0089 per option. This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise option	$0.20
Weighted average life of option	1.5 years
Underlying share price	$0.17
Expected share price volatility	10%
Risk free interest rate	5.16%

Note 27: Adoption and revised accounting standards

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of amendment	Application Date of Standard	Application Date for Group
AASB 2005-10 Amendments to Australian Accounting Standards	AASB 1: First time adoption of AIFRS AASB4: Insurance Contracts AASB 101: Preparation of Financial Statements AASB 114: Segment Reporting AASB 117: Leases AASB 133: Earning per Share AASB 1023: General Insurance Contracts AASB 1038: Life Insurance Contracts AASB 139: Financial Instruments: Recognition and Measurement	The disclosure requirement of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosure in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.	1 Jan 2007	1 July 2007
AASB 7: Financial Instruments: Disclosures	AASB 132: Financial Instruments: Disclosure and Presentation	As above	1 Jan 2007	1 July 2007

Note 28: 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

Directors' declaration

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 17 to 39, are in accordance with the *Corporations Act 2001* and:
    a. comply with Accounting Standards and the Corporations Regulations 2001; and
    b. give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the company and consolidated group;
2. the Managing Director and Accountant have each declared that:
    a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
    b. the financial statements and notes for the financial year comply with the Accounting Standards; and
    c. the financial statements and notes for the financial year give a true and fair view;
3. in the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of directors.

Mr. Julian Kinnear Ludowici
Chairman
Dated this 28 day of September 2007

Independent audit report

to the Members of Rey Resources Limited – listed pubic company

Hall Chadwick
Chartered Accountants & Business Advisers

Sydney
Level 29
St Martins Tower
31 Market Street
Sydney 2000
New South Wales

GPO Box 3555
SYDNEY NSW 2001
or
DX 1451 Sydney

Telephone: (02) 9263 2600
Facsimile: (02) 9263 2800
Email: sydney@hallchadwick.com.au

Penrith
Telephone: (02) 4721 8144
Facsimile: (02) 4721 8155

Partners
Robert Elliott
Geoffrey McDonald
Drew Townsend
David Kenney
Richard Albarran
Gino Malacco
Paul Leroy
Steven Gladman

Associates
Blair Pleash
Graham Webb
Lyle Vallance
Bill Petrovski

National Association
Hall Chadwick

Other Independent firms in:
Melbourne
Brisbane
Adelaide
Gold Coast
Perth

www.hallchadwick.com.au

A Member of AGN International Ltd, a worldwide association of separate and Independent accounting and consulting Firms.

Report on the Financial Report

We have audited the accompanying financial report of Rey Resources Limited (the company) and Rey Resources Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporation Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Audit Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risk of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with independence requirements Corporations Act 2001. We confirm that the independence declaration required by the Corporation Act 2001, provided by the directors of Rey Resources Limited on 28 September 2007 would be in the same terms if provided to the directors as at the date of this auditor's report.

Independent audit report continued

to the Members of Rey Resources Limited – listed pubic company

Audit Opinion

In our opinion:

a. the financial report of Rey Resources Limited and Rey Resources Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

   ii. complying with Accounting Standards in Australia (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Hall Chadwick
Level 29, 31 Market Street
Sydney NSW 2000

Robert Elliott

Date 28 September 2007

Shareholder information

Additional information required by the Australian Securities exchange and not shown elsewhere in this report as follows. The information is current as at 12 September 2007.

a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share were:

	Ordinary Shares	
	Number of Holders	Number of Shares
1 – 1,000	248	96,917
1,001 – 5,000	377	1,166,681
5,001 – 10,000	204	1,698,717
10,001– 100,000	331	12,210,332
100,001 and over	88	66,756,101
Total	1,248	81,928,748
The number of shares holding less than a marketable parcel of shares are:	604	1,146,098

b) Twenty largest shareholders

The names of the twenty largest holders of shares are:

	Ordinary Shares	
	Number of Shares	Percentage of ordinary shares
1. Gujarat NRE Coke Limited	14,000,000	17.09
2. Jose Agustin Bahamondes	5,094,874	6.21
3. Boongol No2 Pty Ltd	4,500,000	5.49
4. Bruce Clement Preston <Super Fund A/C>	3,836,500	4.68
5. Claudia Bahamondes	2,500,000	3.05
6. John Paul Bahamondes	2,500,000	3.05
7. Alan Humphris + Elizabeth Ann Humphris <Alan J Humphris PSF A/C>	2,266,500	2.77
8. JBBM Pty Ltd <Julian Ludowici S/F A/C>	2,090,000	2.55
9. National Nominees Limited	2,001,000	2.44
10. James McClements	1,709,180	2.09
11. JBBM Pty Ltd <Julian Ludowici S/F A/C>	1,425,500	1.74
12. Unaval Nominees Pty Ltd	1,166,500	1.42
13. Julian Kinnear Ludowici	1,030,000	1.26
14. Bettina Margarete Ludowici	830,000	1.01
15. Unaval Nominees Pty Ltd <Unaval Retirement Fund A/C>	825,000	1.01
16. Mr. Donal Broadley Wright + Mrs Roby Ruth Wright <Wright Super Fund A/C>	800,000	0.98
17. Ryan Bennett	644,750	0.79
18. Brian T Dolan	644,750	0.79
19. JBBM Pty Ltd	620,328	0.76
20. Mrs Politimi Efremidis	600,000	0.73
	49,084,882	59.91

Shareholder information
continued

c) Twenty largest options holders

The names of the twenty largest holders of options are:

		Options	
		Number of Options	Percentage of total options
1.	Gujarat NRE Coke Ltd	8,010,658	16.22
2.	Bruce Clement Preston <Super Fund A/C>	7,025,000	14.22
3.	JBBM Pty Ltd <Julian Ludowici S/F A/C>	4,000,000	8.10
4.	Mr. Kevin John Wilson <Lincoln Superfun No 1 A/C>	4,000,000	8.10
5.	Jose Agustin Bahamondes	3,000,000	6.07
6.	Julian Kinnear Ludowici	3,000,000	6.07
7.	James McClements	1,709,180	3.46
8.	Unaval Nominees Pty Ltd <Unaval Retirement A/C>	800,000	1.62
9.	Ying Wang	750,000	1.52
10.	Ryan T Bennett	644,750	1.31
11.	Bryan T Dolan	644,750	1.31
12.	Jacobs Corporation Pty Ltd <Jacobs Acquisitions A/C>	524,500	1.06
13.	Finhide Pty Limited	500,000	1.01
14.	Gowrie Investments Pty Ltd	500,000	1.01
15.	Alan John Humphris + Elizabeth Ann Humphris <Alan J Humphris PSF A/C>	500,000	1.01
16.	Alan John Humphris	500,000	1.01
17.	Arun Jagatramka	500,000	1.01
18.	Jojeto Pty Ltd	500,000	1.01
19.	Berne No 132 Nominees Pty Ltd <323731 A/C>	400,000	0.81
20.	Invia Custodian Pty Limited <Purcell Super Fund A/C>	400,000	0.81
		37,908,838	76,75

d) Substantial share holding pursuant to Section 671.B of the Corporations Act notified to the Company:

Name of Substantial Shareholders	Relevant	% of Issued Capital
Gujarat NRE Coke Limited	14,000,000	17.09
Jose Agustin Bahamondes	10,094,874	12.32
Julian Ludowici	6,305,828	7.69
James McClements	6,209,180	7.58
Bruce Preston	4,098,375	5.00

e) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

f) Tenement Information

Current interests and applications in tenements held by Rey Resources Limited and its subsidiaries as at 31 August 2007 are listed below :

Location/Country	Project	Holder	Tenement	Area	Percent
WA / Australia	Liveringa	Blackfin	E04/1219	210 sq.kms	100.0%*
WA / Australia	Liveringa	Blackfin	E04/1381	210 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1382	210 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1383	183 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1385	210 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1386	210 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1515	210 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1516	210 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1517	207 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1518	210 sq.kms	100.0%*
WA / Australia	Liveringa	Blackfin	E04/1519	210 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1520	210 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1521	210 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1522	210 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1523	210 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1524	147 sq.kms	100.0%
WA / Australia	Liveringa	Blackfin	E04/1525	198 sq.kms	100.0%*
WA / Australia	Liveringa	Blackfin	E04/1529	210 sq.kms	100.0%
WA / Australia	Liveringa	Rey	EP10/04-5	4650 sq.kms	100.0%*
WA / Australia	Liveringa	Rey	EP11/04-5	5325 sq.kms	100.0%*
				13650 sq.kms	
WA / Australia	Eradu	Blackfin	E70/2392	24 sq.kms	100%*
				24 sq.kms	
WA / Australia	Myroodah	Blackfin	E04/1718	36 sq.kms	100.0%*
WA / Australia	Myroodah	Blackfin	E04/1719	264 sq.kms	100.0%*
WA / Australia	Myroodah	Blackfin	E04/1720	81 sq.kms	100.0%*
WA / Australia	Myroodah	Blackfin	E04/1721	531 sq.kms	100.0%*
WA / Australia	Myroodah	Blackfin	E04/1722	96 sq.kms	100.0%*
WA / Australia	Myroodah	Blackfin	E04/1723	75 sq.kms	100.0%*
WA / Australia	Myroodah	Rey Kimb	E04/1728	162 sq.kms	100.0%*
WA / Australia	Myroodah	Rey Kimb	E04/1729	48 sq.kms	100.0%*
				1293 sq.kms	
Copiapo/ Chile	Humito	Rey Chile	H1	300 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H2	300 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H3	300 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H4	300 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H5	300 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H6	300 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H7	300 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H8	300 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H9	300 ha	100%

Shareholder information
continued

Location/Country	Project	Holder	Tenement	Area	Percent
Copiapo/ Chile	Humito	Rey Chile	H10	300 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H11	100 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H12	300 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H13	300 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H14	200 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H15	300 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H16	200 ha	100%
Copiapo/ Chile	Humito	Rey Chile	H17	100 ha	100%
				4500 ha	
Copiapo/ Chile	Fenix	Rey Chile	F1	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F2	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F3	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F4	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F5	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F6	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F7	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F8	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F9	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F10	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F11	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F12	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F13	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F14	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F15	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F16	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F17	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F18	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F19	50 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F20	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F21	200 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F22	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F23	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F24	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F25	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F26	200 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F27	200 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F28	200 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F29	300 ha	100%
Copiapo/ Chile	Fenix	Rey Chile	F30	200 ha	100%
				8250 ha	

Location/Country	Project	Holder	Tenement	Area	Percent
Copiapo/ Chile	Timon	Rey Chile	T1	300 ha	100%
Copiapo/ Chile	Timon	Rey Chile	T2	300 ha	100%
Copiapo/ Chile	Timon	Rey Chile	T3	300 ha	100%
Copiapo/ Chile	Timon	Rey Chile	T4	100 ha	100%
Copiapo/ Chile	Timon	Rey Chile	T5	200 ha	100%
Copiapo/ Chile	Timon	Rey Chile	T6	200 ha	100%
Copiapo/ Chile	Timon	Rey Chile	T7	300 ha	100%
Copiapo/ Chile	Timon	Rey Chile	T8	200 ha	100%
Copiapo/ Chile	Timon	Rey Chile	T9	300 ha	100%
Copiapo/ Chile	Timon	Rey Chile	T10	300 ha	100%
Copiapo/ Chile	Timon	Rey Chile	T11	300 ha	100%
Copiapo/ Chile	Timon	Rey Chile	T12	300 ha	100%
Copiapo/ Chile	Timon	Rey Chile	T13	200 ha	100%
				3300 ha	
Copiapo/ Chile	Claudia	Rey Chile	C1	200 ha	100%
Copiapo/ Chile	Claudia	Rey Chile	C2	300 ha	100%
Copiapo/ Chile	Claudia	Rey Chile	C3	300 ha	100%
Copiapo/ Chile	Claudia	Rey Chile	C4	300 ha	100%
Copiapo/ Chile	Claudia	Rey Chile	C5	200 ha	100%
Copiapo/ Chile	Claudia	Rey Chile	C6	70 ha	50%
				1370 ha	
Copiapo/ Chile	Julita	Rey Chile	J1	200 ha	100%
Copiapo/ Chile	Julita	Rey Chile	J2	200 ha	100%
Copiapo/ Chile	Julita	Rey Chile	J3	91 ha	100%
				491 ha	
La Libertad/ Peru	Kechua	Rey Peru	K1	400 ha	100%
La Libertad/ Peru	Kechua	Rey Peru	K2	100 ha	100%
				500 ha	
Cajamarca/ Peru	San Francisco	Rey Peru	SF1	100 ha	100%
				100 ha	

Full names for abbreviated names of tenement holders area as follow:

Blackfin = Blackfin Pty Ltd
Rey = Rey Resources Limited
Rey Kimb = Rey Kimberley Pty Ltd
Rey Chile = Rey Investement Chile Limitada
Rey Peru = Rey Resources Peru S.A.

E = Exploration License (for minerals)
EPA = Application for exploration Permit (for petroleum)

*Rey Resources tenement applications

Corporate directory

Directors
Julian Ludowici – Chairman
Kevin Wilson – Managing Director
Bruce Preston – Technical Director
Alan Humphris
Arun Jagatramka
James McClements
Jose Bahamondes (Alt. to AJ Humphris)
Mihir Dave (Alt. to A Jagatramka)

Company Secretary
Neil Stack

Registered Office
Level 8, 50 Clarence St
Sydney NSW 2000
Tel +61 2 9262 1151
Fax +61 2 9262 1403

Solicitors
Middletons
Level 26, 52 Martin Place
Sydney NSW 2000

Auditors
Hall Chadwick
Chartered Accountants
Level 29 St Martins Tower
31 Market Street
Sydney NSW 2000

Internet
www.reyresources.com
info@reyresources.com

Share Register
Link Market Services Limited
Level 22, 300 Queen Street
Brisbane QLD 4000
Tel +61 7 3228 42092

Companies in the economic entity

Rey Resources Limited	ACN 108 003 890
Blackfin Pty Limited	ACN 094 938 708
Rey Investment Chile Limitada	RUT 77.937.970-1
Rey Resources Peru SA	RUC 20507005773
Rey Kimberley Pty Limited	ACN 126 469 387

Stock Exchange
Australian Securities Exchange (Sydney)
ASX Code: REY