

ASX Release
23 October 2009

Rey Resources to raise \$15 million to progress coal projects

Highlights

- **Rey Resources Limited secures next stage of its development with capital raising of \$15 million comprising:**
 - (a) **\$10 million institutional placement; and**
 - (b) **\$5 million underwritten share purchase plan**
- **Issue price of 20 cents is at premium to takeover offers by Crosby and Gujarat**
- **Shareholder vote to approve Share Issue to be conducted at Rey Resources Annual General Meeting on 27 November 2009**
- **Funds will enable Rey to undertake an extensive resource and exploration drilling program in 2010 and assuming a positive outcome to the pre feasibility study to commence a full feasibility study of the Canning Basin Coal Project**

About Rey:

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

Introduction

Rey Resources Limited (Rey) today announced that it has entered into definitive arrangements to undertake a \$15 million capital raising, subject to shareholder approval at the Rey annual general meeting on 27 November 2009 (the Share Issue).

BBY Limited (BBY) is the Lead Manager to the \$10 million institutional placement and Underwriter to the \$5 million share purchase plan.

A total of 75 million shares will be issued under the Share Issue, representing 29% of Rey's enlarged share base of 258.6 million ordinary shares.

The issue price of 20 cents is higher than the Crosby and Gujarat takeover offers, and compares to a last closing price for Rey shares of 25 cents. It exceeds the Gujarat cash offer by over 120% and the current implied value of the Gujarat share offer by around 60%. The issue price is 2.6% higher than the Crosby conditional cash takeover offer of 19.5 cents per share.

Rey Chairman, Julian Ludowici, said today:

“This capital raising is a landmark transaction for Rey. As a junior company we have been working for a number of years to have the potential of the Canning Basin recognised. The recent corporate interest in the company and emerging thermal coal supply deficits in key Asian markets have contributed to increased awareness of Rey's potential value.

“This substantial capital raising will enable Rey to unlock value for the benefit of all its stakeholders and, assuming positive results from the pre feasibility study due for completion in December 2009, to commence a full feasibility study.”

Details of the Share Issue

- Conditional Placement Agreements have been entered into with a number of institutions for the issue of 50 million shares in Rey at a price of 20 cents per share to raise \$10 million before fees and other costs.
- The Conditional Placement Agreements are subject only to the approval of Rey shareholders at Rey's AGM on 27 November. The participating institutions do not have any termination rights prior to the shareholder vote.

- Rey will also make available to existing Rey Resources shareholders¹ a share purchase plan (SPP) to acquire up to \$10,000 of additional Rey shares at an issue price of 20 cents. The record date to participate in the SPP is 26 October 2009.
- The amount of funds raised under the SPP will be capped at \$5 million. If subscription applications exceeding \$5 million are received then the SPP will be subject to scale-back.
- Applications for the SPP will be sought prior to the Rey AGM but the issue of shares for the SPP will also be subject to the approval of Rey shareholders at the AGM.
- BBY has entered into an underwriting agreement for any SPP shortfall, ensuring that Rey will receive proceeds of \$5 million before fees and other costs from the SPP, subject to the terms of the underwriting agreement.
- BBY may terminate its obligations under the SPP underwriting agreement in certain circumstances including if either of the S&P/ASX 200 Index or the S&P Materials Index is for 3 consecutive days 15% or more below its level at the close of trading on 22 October 2009 or if the closing price of Rey shares for 3 consecutive days is less than 20 cents.
- BBY has entered into sub-underwriting arrangements to ensure that it will not hold 5% or more of Rey shares as a result of the SPP underwriting arrangements.
- There will be no new substantial shareholders in Rey (ie, holding greater than 5% of Rey shares on a post issue basis) as a result of the conditional placement or sub-underwriting arrangements. No existing substantial shareholder in Rey will increase their percentage shareholding in Rey as a result of participating in the conditional placement or SPP sub-underwriting.
- The Company has agreed to pay BBY management, arranging and underwriting fees totalling 5% of the total Share Issue, plus its reasonable out of pocket expenses. BBY is to pay all handling fees, sub-underwriting commissions, brokerage and stamping fees in connection with the Share Issue.
- No prospectus is required in relation to any component of the Share Issue. The participating institutions are a range of institutional and sophisticated investors.
- The directors of Rey are not participating in the conditional placement or sub-underwriting the SPP.

¹ Only Australian and New Zealand shareholders will be able to participate in the SPP

Use of Funds

The net proceeds of the Share Issue will be used to finance a feasibility study on the Canning Basin Coal Project (subject to a positive outcome on the current pre-feasibility study) and further exploration drilling on Rey's exploration leases in the Canning Basin as well as general working capital.

The feasibility study on the Canning Basin Coal Project will focus on a planned export thermal coal project supported by the Duchess Paradise coal resource, and use of export infrastructure at the Derby Port over which Rey holds a sub-lease as announced to the ASX on 8 October 2009.

The drilling program to be undertaken by Rey in 2010 will seek to materially increase its resource and to further confirm the exploration targets across its lease package. In addition, Rey anticipates undertaking further in-fill drilling on the Duchess Paradise resource for resource definition purposes, as part of the feasibility study for the first stage of its export coal project.

Takeover Offers

The Share Issue is conditional on Rey shareholder approval at Rey's annual general meeting as Rey is subject to a conditional takeover offer from Fusedale Australia Pty Ltd (Crosby) of 19.5 cents per share cash. Rey is also the subject of an unconditional takeover offer by Gujarat Minerals NRE Limited (Gujarat) of 9 cents per share cash or 1 Gujarat share for every 5 Rey shares.

As announced on 19 October 2009, the Rey directors intend to unanimously recommend rejection of the Crosby conditional takeover offer. The Rey directors continue to recommend that shareholders reject the Gujarat takeover offer.

Shareholders should be aware that, if the Share Issue proceeds, this will breach a condition of the Crosby takeover offer and may result in that takeover offer not proceeding to a conclusion. The Share Issue may also result in Gujarat not extending its takeover offer beyond the current closing date of 30 October 2009.

Since announcement of the Gujarat takeover offer, Rey has provided access to a data room to a number of parties including Crosby. Discussions with certain parties remain ongoing but there is no certainty that any formal proposals will result. The directors consider that the Share Issue will position Rey for future discussions with parties regarding a range of potential transactions.

The Rey directors have carefully considered the implications of the Share Issue for the takeover offers and these other discussions and believe the Share Issue is in the best interests of Rey shareholders and will not reduce Rey's corporate appeal into the future.

Shareholder Approval

Rey shareholders will vote on the Share Issue at the Rey annual general meeting in Sydney on 27 November 2009. Rey will despatch the Notice of Meeting to Rey shareholders shortly which will include an explanatory memorandum regarding the shareholder resolutions.

The Rey board of directors unanimously endorses the Share Issue and recommends that Rey shareholders vote in favour of the resolutions to approve the Share Issue at the AGM. The Rey directors intend to vote all shares that they own or control in favour of the resolutions associated with the Share Issue.

Commenting further, Julian Ludowici said:

"We are very pleased to be able to issue shares at a premium to the takeover offers for the Company. This further demonstrates the lack of attractiveness of those takeover offers.

"We are issuing these shares at an attractive price having regard to the size of the capital raising and recent trading prices of Rey shares, and shareholders will retain exposure to the substantial future upside potential of Rey. The institutions which are participating in the Share Issue are of high quality and are expected to be long term supporters of the Company.

"The Board of Rey is confident that the funds raised from the Share Issue will enable the generation of additional long term value for Rey shareholders through progression of the Canning Basin Coal Project. This represents a superior outcome for Rey shareholders and an opportunity to take the company forward into the next stage of its development with the flexibility to pursue a range of corporate initiatives into the future."

Indicative Timetable *(subject to change)*

Event	Date
Announcement date of Share Issue	23 October 2009
Record Date for SPP	26 October 2009
Notice of Meeting sent to shareholders	27 October 2009
SPP documentation sent to shareholders	30 October 2009
Closing date for SPP applications	25 November 2009
AGM to approve Share Issue	27 November 2009
Allotment of Shares	2 December 2009
Quotation and trading of new shares	3 December 2009

The Company requests that the trading halt on its shares be lifted with immediate effect.

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The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Bruce C Preston who is a member of The Australian Institute of Geoscientists ("AIG"). Dr Preston has sufficient experience to qualify as a Competent Person for the purposes of the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Preston is the Technical Director of Rey Resources Limited and he consents to the inclusion in the report of the matters based on their information in the form and context in which they appear. Dr Preston has a beneficial interest in 6,072,025 shares or 3.3% of the issued capital of Rey Resources Limited.

The estimation of the Duchess-Paradise Coal Resources has been provided by Mr Richard Campbell, who is a Member of The Australasian Institute of Mining and Metallurgy ("AusIMM") and is an employee of Blackrock Mining Solutions Pty Ltd who were contracted to provide the JORC estimate. Mr Campbell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves" (The JORC Code). Mr Campbell has over 10 years of coal specific experience including coal exploration, resource modelling, estimation and assessment, and geotechnical assessment and modelling. Mr Campbell consents to the inclusion in the report of the matters based on their information in the form and context in which they appear.