

# Appendix 4D

## **Half Year Report** **Period ending 31 December 2008** **(Previous Corresponding Period ending 31 December 2007)**

Introduced 01/01/2003.

Name of entity

REY RESOURCES LIMITED

A.B.N. 84 108 003 890

### **For announcement to the market**

2.1 Revenues from ordinary activities	Up	315.91%	To	119,864
2.2 Profit (loss) from ordinary activities after tax attributable to members	Down	102.49%	To	(1,917,558)
2.3 Net profit (loss) for the period attributable to members	Down	102.49%	To	(1,917,558)
2.4 Dividends (distributions)	Amount per security	Franked amount per security		
Final dividend ( <i>Half year report only</i> )	Nil	Nil		
Previous corresponding period ( <i>Half year report</i> )	Nil	Nil		
2.5 Record date for determining entitlements to the dividend.	Not applicable.			

2.6. A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

Please refer to the half yearly report attached for the period ended 31 December 2008 for further explanations where applicable.

3.0 Net tangible assets per security

	31 December 2008	31 December 2007
Net tangible assets	6,872,579	3,217,400
Total number of shares	153,032,748	83,678,748
Net tangible assets per security	4.5c	3.8c

**REY RESOURCES LIMITED**

**AND ITS CONTROLLED ENTITIES**

**ABN 84 108 003 890**

**HALF YEARLY REPORT**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 DECEMBER 2008**

## Corporate Directory

### Directors:

Mr. Julian Kinnear Ludowici – Chairman  
Mr. Kevin John Wilson – Managing Director  
Dr. Bruce Clement Preston – Technical Director  
Mr. Alan John Humphris  
Mr. Arun Kumar Jagatramka  
Mr. James Timothy McClements

### Share Registry:

Registries Limited  
Level 7, 207 Kent Street  
Sydney, NSW 2000  
PO Box 3993  
Sydney, NSW 2001  
Phone 02 9290 96000 / Fax 02 9279 0664

### Company Secretaries:

Mr. Julian Kinnear Ludowici (appointed on 30/01/09)  
Mr. Rolando Tinoco (appointed on 30/01/09)  
Mr. Neil Stack (resigned on 30/01/09)

### COMPANIES IN THE ECONOMIC ENTITY

Rey Resources Limited	ACN 108 003 890
Blackfin Pty Limited	ACN 094 938 708
Rey Kimberley Pty Limited	ACN 126 469 387
Rey Investment Chile Limitada	RUT 77 937 970-1
Rey Resources Peru SA	RUC 20507005773

### Administration and Registered Office:

Level 8, 50 Clarence St  
Sydney NSW 2000  
Tel +61 2 9299 9357 / Fax +61 2 9262 1403  
[www.rey.resources.com](http://www.rey.resources.com)  
info@reyresources.com

### Stock Exchange

Australian Stock Exchange (Sydney)  
ASX Code: REY

### 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

**REY RESOURCES LIMITED  
AND CONTROLLED ENTITIES ABN 84 108 003 890**

**Interim Financial Report**

**DIRECTORS' REPORT**

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2008.

**Directors**

The names of directors who held office during or since the end of the half-year:

Mr. Julian Kinnear Ludowici – Chairman  
Mr. Kevin John Wilson - Managing Director  
Mr. Bruce Clement Preston – Technical Director  
Mr. Alan John Humphris – Non- Executive Director  
Sri Arun Jagatramka – Non- Executive Director  
Mr. James Timothy McClements - Non-Executive Director

***Review of Operations***

**Liveringa Coal Project (Rey 100%).**

The Company has coal leases (Exploration Licences plus Applications) covering approximately 7,000km<sup>2</sup> in the Canning Basin of Western Australia, approximately 150km to the south of the port of Derby. The presence of thermal coal has been confirmed in the leases and the Company seeks to demonstrate that commercially available quantities of coal are present. The Company commenced drilling in May 2008 and withdrew in late November 2008 at the start of the wet season.

At Duchess the drill program comprised 14 drill lines along the strike of the coal, approximately one kilometre apart, and broadly perpendicular to the estimated coal subcrop. Open holes were drilled approximately 200 metres apart on each line. A total of 103 open holes were drilled at an average depth of approximately 110 metres for a total meterage of approximately 11,000m; and a total of 22 cored holes were drilled for a total drilled meterage of approximately 2,700m. Geophysical and geological logs were completed on all holes and cored samples were submitted for analysis. As previously reported, and anticipated from earlier drilling undertaken by Premier in 1971, two coal seams have been identified: An Upper coal seam, which averages 2-2.5 metres thick and a Lower banded coal seam which comprises banded coal measures and averages six to seven metres thick. The seams dip shallowly to the south at between six and eight degrees and are separated by approximately seven to eight metres of silty sandstone. Both seams are persistent across approximately 12 kilometres of strike and are continuous down dip.

Initial laboratory results have supported the analysis carried out by others in the 1960s and 1970s throughout the basin. This analysis indicates that a thermal coal product with an energy content of approximately 5,500- 6,000kcal/kg, 10-15% ash (air dried basis) and 9% moisture (air dried basis) can be generated at commercial yields at Duchess.

The Paradise project is the extension of the Duchess project to the northeast. A total of seven drill lines perpendicular to an estimated eight kilometres of strike were drilled at Paradise. Lines were located approximately one kilometre apart with open holes located approximately 200 metres along each line. A total of 93 open holes and nine cored holes for a total of 9,800 metres were drilled at Paradise. The cored samples were submitted for analysis.

The Upper seam averages 2-2.5 metres thick and is seen to be continuous along seven to eight kilometres of strike to the north. The Lower seam is banded and more variable but averages one to two metres thick. The seams dip at approximately six degrees to the east in the Paradise project.

The Company is on track to complete a JORC resource calculation on the Duchess/ Paradise Project in the first quarter of 2009.

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**REY RESOURCES LIMITED  
AND CONTROLLED ENTITIES ABN 84 108 003 890**

**Interim Financial Report**

**DIRECTORS' REPORT**

At Liveringa, which occurs along strike from the Duchess Project, approximately 60 kilometres to the west, eight open holes and one cored hole were drilled. Geophysical and visual logging of five holes confirmed the presence of a coal seam at median thickness of 3.3 metres. In addition, a thick, banded coal seam of up to 30 metres was identified in geophysical logs below, and apparently joined to, the Upper seam. The seams dip to the south at approximately 25 degrees. The Lower seam was identified in the cored hole but coring did not penetrate the entire seam due to mechanical difficulties. The cored sample has been submitted for full laboratory analysis to determine if an economically mineable section is available.

In 2005 Rey Resources confirmed the presence of a 15 metre thickness of banded coal at depths of approximately 200 metres at Myroodah. The coal is located on a buried east-west trending anticlinal structure.

Coal at this depth may be suitable for underground coal gasification. Three open holes were completed at Myroodah before the end of the field season. Of these, two intercepted a coal seam which has been interpreted from downhole geophysical logs as 15 and 16 metres thick from depths of 298 and 302 metres respectively. These holes were drilled approximately 2 kilometres east and 4 kilometres west respectively, from the original core drilling at Myroodah in 2005 indicating the coal occurs extensively in this locality.

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

In January 2008, Gujarat NRE Oil Pty Ltd paid \$275,000 to Rey and must spend \$4.85 million over 5 years to earn a 90% interest in the two Exploration Permits. Rey will retain a 10% free carried interest in the permits until the grant of a petroleum production licence. During the quarter, Gujarat as operator continued to compile and analyse geophysical data on the leases.

**Copper in Chile**

No field work was undertaken on the South American exploration properties during the reporting period. The Company continues to look at divestment options for these leases.

**Corporate**

In October 2008, the Company undertook a placement of to professional investors and directors of 16 million ordinary shares to raise \$1.6 million before issue costs. The issue of shares to directors was approved by shareholders at the Company's AGM on November 26th.

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REY RESOURCES LIMITED  
AND CONTROLLED ENTITIES ABN 84 108 003 890

Interim Financial Report

**Auditor's Declaration**

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 5 for the half-year ended 31 December 2008.

This report is signed in accordance with a resolution of the Board of Directors.



Director: Kevin Wilson

Dated: 24<sup>th</sup> February 2009

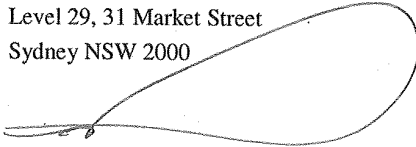
**REY RESOURCES LIMITED**  
**ABN 84 108 003 890**  
**AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION**  
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**  
**TO THE DIRECTORS OF REY RESOURCES LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2008 there have been:

- a. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

Hall Chadwick  
Level 29, 31 Market Street  
Sydney NSW 2000



**Robert Elliott**

Partner

Dated: 24 February 2009

**Sydney**  
Level 29  
St Martins Tower  
31 Market Street  
Sydney NSW 2000

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Sydney NSW 2001  
or  
DX 1451 Sydney

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**Penrith**

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**Melbourne**

Telephone: (03) 9670 0969  
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**Partners**

Robert Elliott  
Drew Townsend  
David Kenney  
Richard Albarran  
Gino Malacco  
Paul Leroy  
Steven Gladman  
Brent Kijurino  
Blair Pleash

**Associates**

Graham Webb  
Lyle Vallance  
Bill Petrovski  
David Ross

National Association  
Hall Chadwick

**Other Independent firms in:**

Brisbane  
Adelaide  
Gold Coast  
Perth



**Chartered Accountants**

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**REY RESOURCES LIMITED  
AND CONTROLLED ENTITIES ABN 84 108 003 890**

**Interim Financial Report**

**CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>31.12.2008</b>	<b>31.12.2007</b>
		<b>\$</b>	<b>\$</b>
Revenue		119,864	28,820
Office Supplies and Expenses		(107,483)	(179,523)
Mining Tenements Expenditure		(82,474)	(137,844)
Professional and Consulting Fees		(168,800)	(161,085)
Employee benefits expense		(874,058)	(302,167)
Depreciation and amortisation expenses		(6,870)	(5,460)
Unrealised foreign exchange loss		(3,188)	(51,263)
Travelling and accommodation		(65,436)	(92,947)
Impairment Loss		(670,254)	-
Other expenses from ordinary activities		(58,859)	(45,535)
Loss before income tax		(1,917,558)	(947,004)
Income tax expense		-	-
Loss attributable to members of the parent entity	2	<u>(1,917,558)</u>	<u>(947,004)</u>
 <b>Overall Operations</b>			
Basic earnings per share (cents per share)		(1.3755)	(1.2430)
Diluted earnings per share (cents per share)		(1.0853)	(1.2421)

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**REY RESOURCES LIMITED  
AND CONTROLLED ENTITIES ABN 84 108 003 890**

**Interim Financial Report**

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008**

	Note	Consolidated Group	
		31.12.2008	30.06.2008
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,076,151	5,210,616
Trade and other receivables		290,931	238,862
Financial assets		19,834	19,557
<b>TOTAL CURRENT ASSETS</b>		<b>2,386,916</b>	<b>5,469,035</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		86,024	96,071
Intangible assets		9,645	10,147
Other non-current assets		5,857,740	2,872,826
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,953,409</b>	<b>2,979,044</b>
<b>TOTAL ASSETS</b>		<b>8,340,325</b>	<b>8,448,079</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		548,575	833,290
<b>TOTAL CURRENT LIABILITIES</b>		<b>548,575</b>	<b>833,290</b>
<b>TOTAL LIABILITIES</b>		<b>548,575</b>	<b>833,290</b>
<b>NET ASSETS</b>		<b>7,791,750</b>	<b>7,614,789</b>
<b>EQUITY</b>			
Issued capital		14,996,362	13,438,062
Reserves		969,285	433,066
Accumulated Losses		(8,173,897)	(6,256,339)
<b>TOTAL EQUITY</b>		<b>7,791,750</b>	<b>7,614,789</b>

**REY RESOURCES LIMITED  
AND CONTROLLED ENTITIES ABN 84 108 003 890**

**Interim Financial Report**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	\$	\$	\$	\$	\$
			Foreign Exchange		
Note	Issued Capital Ordinary	Accumulated Losses	Translation Reserve	Options Reserve	Total
<b>Balance at 1.7.2007</b>	6,561,497	(3,060,312)	58,473	72,964	3,632,622
Shares issued during the year	1,050,000	-	-	-	1,050,000
Less: Transaction Costs	(5,000)	-	-	-	(5,000)
Loss attributable to members of parent entity	-	(947,004)	-	-	(947,004)
Adjustment from translation of foreign controlled entity	-	-	16,883	-	16,883
Recognition of share option expense	-	-	-	19,832	19,832
<b>Balance at 31.12.2007</b>	<u>7,606,497</u>	<u>(4,007,316)</u>	<u>75,356</u>	<u>92,796</u>	<u>3,767,333</u>
<b>Balance at 1.7.2008</b>	13,438,062	(6,256,339)	242,173	190,893	7,614,789
Shares issued during the year	1,600,000	-	-	-	1,600,000
Less: Transaction Costs	(41,700)	-	-	-	(41,700)
Loss attributable to members of parent entity	-	(1,917,558)	-	-	(1,917,558)
Adjustment from translation of foreign controlled entity	-	-	37,088	-	37,088
Recognition of share option expense	-	-	-	499,131	499,131
<b>Balance at 31.12.2008</b>	<u>14,996,362</u>	<u>(8,173,897)</u>	<u>279,261</u>	<u>690,024</u>	<u>7,791,750</u>

**REY RESOURCES LIMITED  
AND CONTROLLED ENTITIES ABN 84 108 003 890**

**Interim Financial Report**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31  
DECEMBER 2008**

	<b>Consolidated Group</b>	
	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(1,697,490)	(918,000)
Interest received	106,488	23,138
Other income	11,941	5,682
Net cash provided by operating activities	<u>(1,579,061)</u>	<u>(889,180)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(4,909)	-
Payments for mining tenements	(170,437)	(174,511)
Payments for exploration expenditure	(2,938,359)	(463,516)
Net cash provided by investing activities	<u>(3,113,705)</u>	<u>(638,027)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	1,558,300	1,050,000
Net cash provided by financing activities	<u>1,558,300</u>	<u>1,050,000</u>
Net decrease in cash held	(3,134,466)	(477,207)
Cash at beginning of period	<u>5,210,617</u>	<u>887,423</u>
Cash at end of period	<u><u>2,076,151</u></u>	<u><u>410,216</u></u>

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**REY RESOURCES LIMITED  
AND CONTROLLED ENTITIES ABN 84 108 003 890**

**Interim Financial Report**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**NOTE 1: BASIS OF PREPARATION**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Rey Resources Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2008 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

*Reporting Basis and Conventions*

The half-year 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 notwithstanding the consolidated loss reported for the period amounting to \$1,917,558. The Directors are of the opinion that the Consolidated Entity will be able to access sufficient funds and potential projects to continue to operate as a going concern, for a period not less than twelve months from the date of this report.

The Company, being a 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 given that the Company will be able to raise future funding on acceptable terms or in a timely manner. In this event, the Company may not be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. Directors continue to manage the Company's activities with due respect to and understanding of the Company's current and future funding requirements.

**NOTE 2: LOSS FOR THE PERIOD**

All significant revenue and expenses items for the period are disclosed on the face of the income statement.

**NOTE 3: DIVIDENDS**

No dividends were proposed or paid during the period.

**NOTE 4: ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND RESTRUCTURING**

There were no additions or disposals during the period.

**REY RESOURCES LIMITED  
AND CONTROLLED ENTITIES ABN 84 108 003 890**

**Interim Financial Report**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**NOTE 5: SEGMENT INFORMATION**

**Primary reporting — Geographical Segments**

	Australia		South America		Eliminations		Consolidated Group	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Other Income	113,979	25,713	5,885	3,107	-	-	119,864	28,820
Total Revenue	113,979	25,713	5,885	3,107	-	-	119,864	28,820

**Result**

Segment Result	(1,730,051)	(673,504)	(187,507)	(273,500)	-	-	(1,917,558)	(947,004)
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**NOTE 6: CONTINGENT LIABILITIES**

There has been no change in contingent liabilities since the last annual reporting date.

**NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE**

No matters of significance have occurred after reporting date.

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**REY RESOURCES LIMITED  
AND CONTROLLED ENTITIES ABN 84 108 003 890**

**Interim Financial Report**

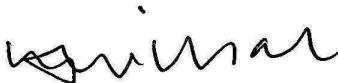
**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 11:
  - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
2. In the directors' 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.

Director



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Kevin Wilson

Dated: 24 February 2009

**REY RESOURCES  
ABN 84 108 003 890 AND CONTROLLED ENTITIES  
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF  
REY RESOURCES LIMITED**

**Report on the Half-year Financial Report**

We have reviewed the accompanying half-year financial report of Rey Resources Limited and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Rey Resources Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Rey Resources Limited and Controlled Entities on 24 February 2009 would be in the same terms if provided to the directors as at the date of this auditor's review report

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Rey Resources Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- A. giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- B. complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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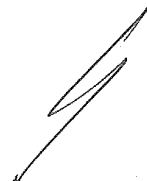
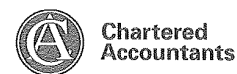
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Steven Gladman  
Brent Kijurina  
Blair Pleash

Associates  
Graham Webb  
Lyle Vallance  
Bill Petrovski  
David Ross

National Association  
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Perth



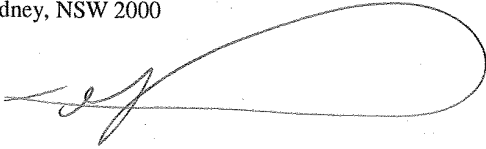
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**REY RESOURCES  
ABN 84 108 003 890 AND CONTROLLED ENTITIES  
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF  
REY RESOURCES LIMITED**

***Material Uncertainty Regarding Continuation as a Going Concern***

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of \$1,917,558 during the period ended 31 December 2008. This condition along with other matters as set forth in Note 1 indicates the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern.

Hall Chadwick  
Level 29, 31 Market Street  
Sydney, NSW 2000



**Robert Elliott**  
Partner  
Dated: 24 February 2009

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