Larger, longer life project with strong cashflows confirmed

- Completed Definitive Feasibility Study for the Duchess Paradise Project confirms economically robust thermal coal export project

- DFS highlights:
  - Coal reserves based on highwall mining
  - Larger exports of 2.0 to 2.5 Mtpa of bituminous 5,500 kcal/kg thermal coal
  - Initial operation has longer mine life of at least 10 years, ungeared NPV, 10% A$176 million (after taxes and MRRT), IRR 27%, payback 3.4 years\(^{(1)}\)
  - Production costs at A$70 per tonne and capital expenditure reflect larger project and industry cost increases

- Mining lease application submitted, timing of operation dependent on Government approvals, production in 2013 targeted

- Drilling continues for expansion of reserves to support extended life highwall operation

- Drilling planned to define potential underground reserves for large underground operation

\(^{(1)}\) NPV and IRR information should be considered in the light of the information and assumptions described in this announcement and the attached investor presentation dated 24 June 2011. NPV key assumptions include a 10% discount rate (13% nominal), exchange rate of A$/US$: $1.05 falling to 85c in 2015. All costs are in 2011 dollars.
Rey Resources Limited (ASX: REY; “Rey Resources”) is pleased to announce the completion of the Definitive Feasibility Study (DFS), which commenced in early 2010, into the development of the company’s wholly owned Duchess Paradise Project. The study proposes a highwall mining operation producing 2.0 to 2.5 million tonnes of thermal coal per year to be exported via the company’s existing port infrastructure at Derby.

The Duchess Paradise project has a freight advantage compared to non-Indonesian suppliers to south Asia, in particular India. The project offers security of supply advantages against Indonesian suppliers and is believed to be cost competitive against non-Indonesian suppliers into the region.

The result confirms an economically robust and technically viable operation:

- Net present value (NPV) of A$176 million in uninflated terms (no inflation and a discount rate of 10%) ungeared, after tax (including the proposed Mineral Resource Rent Tax) and assuming exchange rates of A$/US$: $1.05 falling to 85c in 2015. The related internal rate of return (IRR) is 27 per cent and the payback is 3.4 years;

- NPV of A$112 million in nominal terms (applying inflation and a discount rate of 13%) ungeared, after tax (including the proposed Mineral Resource Rent Tax) and assuming exchange rates of A$/US$: $1.05 falling to 85c in 2015. The related IRR is 25 per cent and payback is 3.6 years.

The study was undertaken by international leading experts, Marshall Miller & Associates Inc., a multi-discipline consultancy, providing professional services to the natural resource extractive industries including the global coal mining sector, which coordinated the required studies. The economic modelling has been independently audited and assessed.

Rey Resources Managing Director, Kevin Wilson said: “This is a great result. The economic viability of the Duchess Paradise Project has been confirmed by our world class consultants and their extensive analysis. We now have the prospect of a longer life project with increased economic and employment opportunities for the area.”

DFS Highlights:

- Established JORC Reserve of 26.3 million tonnes thermal coal is based on detailed mining plans. An additional 4.0 million ROM tonnes derived from inferred resource are included in the mine plan, which provides 20.5 million marketable cleaned tonnes (gar). This represents only a small proportion of the upper (P1) seam coal JORC Resource of 305 million tonnes. (2)

(2) Resource and reserve statements are attached to this announcement.
• Mine plan envisages exports of 2.0 to 2.5 million tonnes of thermal coal per year for a 10 year life from the initial highwall operation. This is a larger annual tonnage and longer life operation than originally planned and does not reflect the substantial potential to significantly extend the mine life.

• Use of highwall mining will minimise the impact on the land surface and ground water. It will also facilitate return of the coal plant rejects into the highwall slots.

• Coal is washed in a preparation plant, with yields of about 68 per cent. The product is transported by 100 tonne road trains on the highway to Derby and is exported through Rey’s existing Derby port facilities. Barges will transfer coal to 55,000 tonne self-loading ships. The system proposed to tranship the coal is widely used by other coal companies and was used previously at Derby to tranship metal concentrates.

• Export product is a bituminous coal with an energy content of 5,500 kcal/kg gross as received (gar). It is expected that by 2020, lower energy bituminous coals similar to Rey’s are expected to account for more than 50 per cent of total seaborne thermal trade.

• The DFS used a marketing consultant’s prediction that all thermal coal prices will fall in 2012 with real price increases from 2013. The financial model assumes a real terms price for Duchess Paradise coals of US$99 per tonne in 2014 rising to US$103 per tonne in 2023. This compares with a mid-2011 market price estimate for Duchess Paradise coal of US$104 per tonne, and a 2014 estimate for the Newcastle benchmark price of US$121 per tonne reflecting Rey’s coals lower energy and higher sulphur content when compared to the Newcastle benchmark of 6,322 kcal/kg gar coal.

• India is identified as a key market, with new power stations designed for coals of similar energy content. India is a country keen to geographically diversify supply sources and lock in a medium cost supplier. Marketing discussions have commenced with potential customers.

• Cash operating costs are A$70 per tonne including royalties. A recent broker study indicates that operating costs for the Australian coal industry have risen substantially in recent years, with weighted average operating costs in the range A$80-100 per tonne.

• Strong cashflows- EBITDA is estimated at $504 million over the first 5 years of sales.

• Capital costs to production, including wholly owned equipment fleet are $199 million (2011 dollars). This reflects conservative assumptions with a larger than planned operation and the assumption of owning all major equipment apart from road haulage (previous studies assumed all earthmoving activities to be contracted).
• No critical environmental impediments to development were identified. The operation will use existing port and highway facilities.

Next Steps- Optimisation studies include the following upside cases:

• sourcing capital equipment from overseas. The DFS assumes Australian manufacture of the wash plant, camp and local purchase of all mobile equipment;

• contractor versus owner operator analysis, to provide the opportunity of reducing the capital requirement for the project;

• ability to mine additional P1 coal to the north of Paradise;

• potential to mine parts of the lower P2 seam by highwall miners;

• wash plant optimisation to increase yield and reduce moisture; and

• further refining of site and port infrastructure.

Permitting and Approvals

An application for a mining lease has been submitted to the Western Australian Government. Environmental permitting has commenced. Rey Resources is in ongoing detailed discussions with native title holders to obtain required agreements and to ensure the benefits from the project, such as employment and contracting businesses and payments to the Government provide maximum value to local communities.

The project is capable of rapid development with less than 12 months from commencement to first mine production. Actual development timing will depend on permitting and approvals but construction is expected to commence in 2013, with first mining in late 2013 and first sales in early 2014.

Financing of the project development is expected to be aligned with the grant of permits in 2013. Early discussions with project financiers and potential strategic investors are underway.

“We believe the project will provide considerable benefits to Western Australia’s development and further diversify its resource base and energy supply options.

“We are working closely with all stakeholders to confirm development as soon as possible. Our ongoing discussions with native title holders and traditional owners are focussed on delivering employment and business opportunities and ensuring that benefits are captured in the region,” stated Mr Wilson.
Exploration

Rey Resources is undertaking an exploration program aimed at expanding P1 coal reserves to support a longer life operation.

The Duchess Paradise project occurs on coal outcropping over 25 kilometres. Drilling is now starting to focus on the remaining approximately 300 kilometres of interpreted subcrop in the company’s exploration leases.

Mr Wilson commented: “We are excited by the long term potential of Duchess Paradise. The Duchess Paradise DFS provides a strong platform from which we will seek to maximise the value of our large landholding in the Canning Basin.”

For more information refer Investor Presentation “Positive Definitive Feasibility Study” released to ASX on 27 June 2011 or contact:

Kevin Wilson
Managing Director
+61 8 9211 1999

About Rey Resources Limited

Rey Resources Limited (Rey Resources) is an Australian, ASX-listed resource exploration and development company (ASX: REY) with project interests in the Canning Basin, Western Australia.

www.reyresources.com
Reserve and Resources Statements

P1 Seam Reserve Estimate for Proposed Duchess Paradise Mine Plan as at 6 June 2011

<table>
<thead>
<tr>
<th>Type</th>
<th>Average Mine Recovery (%)</th>
<th>Total Run-of-Mine Tonnes (as received)</th>
<th>Wet Yield (%), based on Expected Total Moisture</th>
<th>Marketable Cleaned Tonnes (gar)(^{(1)}) @ 17.3 % Total Moisture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slot Excavation</td>
<td>95</td>
<td>2,510,000</td>
<td>67.61</td>
<td>1,697,000</td>
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<tr>
<td>Highwall Mining</td>
<td>51</td>
<td>23,760,000</td>
<td>67.73</td>
<td>16,093,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>26,270,000</td>
<td></td>
<td>17,790,000(^{(2)})</td>
</tr>
</tbody>
</table>

\(^{(1)}\) gar gross as received.

\(^{(2)}\) An additional 2.7 million marketable cleaned tonnes (gar) derived from inferred resource are included in the mine plan, which totals 20.5 million marketable cleaned tonnes (gar).

Reserves are included in the following resource statements.

Competent Persons Statement

The Coal Reserve estimate and discussions presented in this report are based on information supplied by Rey Resources or by companies employed by Rey Resources, as well as information collected during exploration activities under the guidance of Rey Resources. The information has been reviewed by Mr. Gerard Enigk, B.S.M.E., P.E., Manager of Engineering of MM&A and Mr. Peter Lawson, B.S.M.E., M.B.A., Executive Vice President of MM&A.

Mr. Enigk has over 34 years of experience in coal-related work, including but not limited to coal reserve/resource estimation, mine planning and design, mine operations, mineral valuation and appraisals, and geotechnical evaluations. He is a Registered Member of the Society of Mining, Metallurgy, and Exploration (SME), which is part of The American Institute of Mining, Metallurgy, and Petroleum Engineers (AIME). Mr. Enigk holds a Bachelor of Science degree in Engineering of Mines from The Pennsylvania State University and a Masters degree in Environmental Science from the West Virginia Graduate College, and is a Registered Professional Engineer in West Virginia. Mr. Enigk has served in the capacity as Manager of Engineering and as a production supervisor for operating coal companies, and has extensive experience with surface and underground mining operations, including the use of highwall mining systems. Mr. Enigk is a certified mine foreman in West Virginia. His education and experience qualify him 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. Lawson has over 32 years of experience in coal-related work, including but not limited to coal reserve/resource estimation, mine engineering, mine operations, mineral valuation and appraisals, and mergers and acquisitions. He is a Registered Member of the Society of Mining, Metallurgy, and Exploration (SME), which is part of The American Institute of Mining, Metallurgy, and Petroleum Engineers (AIME). He is also a member of the West Virginia Coal Association, the American Society of Mining and Reclamation and the Illinois Mining Institute. Mr. Lawson holds a Bachelor of Science degree in Mining Engineering from The New Mexico Institute of Mining and Technology and a Masters degree in Business Administration from Ashland University. Mr. Lawson has served in the capacity as Manager of Engineering and as President for operating coal companies, and has extensive experience with surface mining operations, including the use of highwall mining systems. His education and experience qualify him 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. Enigk and Mr. Lawson consent to the information included in this report of the matters based on their information in the form and context in which they appear.

Coal Quality - Competent Persons Statement

The coal quality information in this report has been compiled under the supervision and reviewed by Mr. Andrew Meyers, who is a Member of the Australasian Institute of Mining and Metallurgy (Member since 1993) and Director of A&B Mylec Pty Ltd, metallurgical and coal technology consultants. Andrew Meyers has more than 20 years' experience in coal processing for coal projects and coal mines both in Australia and overseas. With this level of experience, he is adequately qualified as a Competent Person as defined in the 2004 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (The JORC Code, 2004 Edition). Mr Meyers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
Duchess Paradise P1 Seam JORC Resources Estimate by category as at 5 April 2011

<table>
<thead>
<tr>
<th>P1 Seam</th>
<th>Measured (Mt)</th>
<th>Indicated (Mt)</th>
<th>Inferred (Mt)</th>
<th>Total (Mt)</th>
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<tr>
<td>Total</td>
<td>60.2</td>
<td>78.5</td>
<td>167.0</td>
<td>305.8</td>
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Competent Persons Statement

The estimation of the Duchess Paradise P1 Seam Coal Resources has been provided by Messrs Scott Keim and Ron Mullennex. Mr Keim is a Member of the American Institute of Professional Geologists. He is a full time employee of Marshall Miller and Associates which was contracted to provide the JORC estimate. Mr Keim 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 “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (The JORC Code, 2004 Edition). Mr Keim has over 29 years of coal specific experience including coal exploration, resource modelling, estimation and assessment, and geotechnical assessment and modelling. Mr Keim consents to the inclusion in the report of the matters based on their information in the form and context in which they appear. Mr Mullennex is a Member of the American Institute of Professional Geologists. He is a full time employee of Marshall Miller and Associates which was contracted to provide the JORC estimate. Mr Mullennex 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 “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (The JORC Code, 2004 Edition). Mr Mullennex has over 34 years of coal specific experience including coal exploration, resource modelling, estimation and assessment, and geotechnical assessment and modelling. Mr Mullennex consents to the inclusion in the report of the matters based on their information in the form and context in which they appear.

Duchess Paradise P2 Seam JORC Resources Estimate by category as at 1 June 2009

<table>
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<tr>
<th>P2 Seam</th>
<th>Measured (Mt)</th>
<th>Indicated (Mt)</th>
<th>Inferred (Mt)</th>
<th>Total (Mt)</th>
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<tbody>
<tr>
<td>Totals</td>
<td>16.9</td>
<td>41.7</td>
<td>171.0</td>
<td>229.6</td>
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</table>

Competent Persons Statement

The estimation of the Duchess Paradise P2 seam Coal Resources is a summary of the information set out in the Company’s ASX announcement on 1 June 2009 and has been provided by Mr Richard Campbell, who is a Member of the Australasian Institute of Mining and Metallurgy and was a full time employee of Blackrock Mining Solutions Pty Ltd which was 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 “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (The JORC Code, 2004 Edition). 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 his information in the form and context in which they appear.

Exploration Results - Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Bruce C Preston who is a member of The Australian Institute of Geoscientists. Dr. Preston has sufficient experience to qualify as a Competent Person for the purposes of the December 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (The JORC Code, 2004 Edition). Dr. Preston was previously the Technical Director of Rey Resources Limited and he consents to the inclusion in the report of the matters based on his information in the form and context in which they appear. Dr. Preston has a beneficial interest in 6,072,025 shares or 1.9% of the issued capital of Rey Resources Limited.