

Reedy Lagoon Corporation Limited

ACN 006 639 514

Half-year Financial Report - 31 December 2016

Reedy Lagoon Corporation Limited
Corporate directory
31 December 2016

Directors	Jonathan M. Hamer Chairman, Non Executive Director Geoffrey H. Fethers Managing Director Adrian C. Griffin Non Executive Director
Contact details	Phone : 03 8420 6280 Email : info@reedylagoon.com.au
Company secretary	Geoffrey H. Fethers
Share register	Link Market Services Limited (ABN 54 063 214 537) Level 1, 333 Collins Street Melbourne, Victoria 3000 Telephone : 1300 554 474 www.linkmarketservices.com.au
Auditor	Moore Stephens Level 18, 530 Collins Street Melbourne Victoria 3000
Stock exchange listing	Reedy Lagoon Corporation Limited shares are listed on the Australian Securities Exchange (ASX code: RLC)
Website	www.reedylagoon.com.au

Reedy Lagoon Corporation Limited
Directors' report
31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Reedy Lagoon Corporation Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of Reedy Lagoon Corporation Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Jonathan M. Hamer
Geoffrey H. Fethers
Adrian C. Griffin

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- exploration for minerals.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$98,918 (31 December 2015: \$209,105).

The consolidated entity's activities are described in quarterly reports which have been released to ASX and are available from the company's website www.reedylagoon.com.au.

Significant changes in the state of affairs

During the financial half year the company issued 39,250,000 fully paid ordinary shares, raising \$314,000 before costs. The company issued a further 8,000,000 fully paid ordinary shares in lieu of payments of directors' fees.

During the financial half-year the consolidated entity entered into an agreement to acquire lithium brine projects in Nevada USA. The acquisition is subject to shareholder approval, which will be sought from the shareholders on 3rd April 2017.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



G.H. Fethers
Managing Director

8 March 2017
Melbourne

Moore Stephens Audit (Vic)

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF REEDY LAGOON CORPORATION LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2016, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

MOORE STEPHENS

MOORE STEPHENS AUDIT (VIC)

ABN 16 847 721 257



RYAN LEEMON

Partner

Audit & Assurance Services

Melbourne, Victoria

8 March 2017

Reedy Lagoon Corporation Limited

Contents

31 December 2016

Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	14
Independent auditor's review report to the members of Reedy Lagoon Corporation Limited	15

Reedy Lagoon Corporation Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

		Consolidated	
	Note	December 2016	December 2015
		\$	\$
Revenue	4	15,918	14,216
Other income	5	96,624	-
Expenses			
Administration expenses		(47,379)	(46,234)
Employee benefits expense		(117,138)	(113,207)
Exploration expenditure		(11,163)	(17,419)
Depreciation and amortisation expense		(394)	(652)
Share based payments	11	(3,040)	(1,865)
Other expenses		(32,346)	(43,944)
Loss before income tax expense		(98,918)	(209,105)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Reedy Lagoon Corporation Limited		(98,918)	(209,105)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Reedy Lagoon Corporation Limited		(98,918)	(209,105)
		Cents	Cents
Basic earnings per share		(0.08)	(0.19)
Diluted earnings per share		(0.08)	(0.19)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Reedy Lagoon Corporation Limited
Statement of financial position
As at 31 December 2016

		Consolidated	
	Note	December	June 2016
		2016	2016
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		247,384	48,223
Trade and other receivables		17,274	4,596
Other		31,980	11,851
Total current assets		<u>296,638</u>	<u>64,670</u>
Non-current assets			
Property, plant and equipment		-	394
Total non-current assets		<u>-</u>	<u>394</u>
Total assets		<u>296,638</u>	<u>65,064</u>
Liabilities			
Current liabilities			
Trade and other payables		9,851	8,090
Employee benefits	6	167,176	220,105
Total current liabilities		<u>177,027</u>	<u>228,195</u>
Non-current liabilities			
Employee benefits		27,619	23,789
Total non-current liabilities		<u>27,619</u>	<u>23,789</u>
Total liabilities		<u>204,646</u>	<u>251,984</u>
Net assets/(liabilities)		<u>91,992</u>	<u>(186,920)</u>
Equity			
Issued capital	7	15,153,399	14,778,609
Reserves		5,875	15,470
Accumulated losses		<u>(15,067,282)</u>	<u>(14,980,999)</u>
Total equity/(deficiency)		<u>91,992</u>	<u>(186,920)</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Reedy Lagoon Corporation Limited
Statement of changes in equity
For the half-year ended 31 December 2016

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2015	14,489,839	40,605	(14,621,744)	(91,300)
Loss after income tax expense for the half-year	-	-	(209,105)	(209,105)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(209,105)	(209,105)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	288,770	-	-	288,770
Share-based payments (note 11)	-	1,865	-	1,865
Lapse of options	-	(27,000)	27,000	-
Balance at 31 December 2015	<u>14,778,609</u>	<u>15,470</u>	<u>(14,803,849)</u>	<u>(9,770)</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	14,778,609	15,470	(14,980,999)	(186,920)
Loss after income tax expense for the half-year	-	-	(98,918)	(98,918)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(98,918)	(98,918)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 7)	374,790	-	-	374,790
Share-based payments (note 11)	-	3,040	-	3,040
Lapse of options	-	(12,635)	12,635	-
Balance at 31 December 2016	<u>15,153,399</u>	<u>5,875</u>	<u>(15,067,282)</u>	<u>91,992</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Reedy Lagoon Corporation Limited
Statement of cash flows
For the half-year ended 31 December 2016

	Consolidated	
	December	December
	2016	2015
	\$	\$
Cash flows from operating activities		
Receipts from customers	10,777	8,749
Payments to suppliers and employees	(106,103)	(157,464)
	(95,326)	(148,715)
Interest received	220	972
Payments for exploration activities	(11,163)	(17,419)
Net cash used in operating activities	(106,269)	(165,162)
Cash flows from investing activities		
Net cash from investing activities	-	-
Cash flows from financing activities		
Proceeds from issue of shares	314,000	275,360
Proceeds from borrowings	30,000	-
Share issue transaction costs	(8,570)	(9,116)
Repayment of borrowings	(30,000)	-
Net cash from financing activities	305,430	266,244
Net increase in cash and cash equivalents	199,161	101,082
Cash and cash equivalents at the beginning of the financial half-year	48,223	6,852
Cash and cash equivalents at the end of the financial half-year	<u>247,384</u>	<u>107,934</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Reedy Lagoon Corporation Limited
Notes to the financial statements
31 December 2016

Note 1. General information

The financial statements cover Reedy Lagoon Corporation Limited as a consolidated entity consisting of Reedy Lagoon Corporation Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Reedy Lagoon Corporation Limited's functional and presentation currency.

Reedy Lagoon Corporation Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 2, 337a Lennox Street
Richmond
Victoria 3121

The nature of the consolidated entity's operations and its principal activities are mineral exploration.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 8 March 2017. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Significant accounting policies (continued)

Going concern

For the period ended 31 December 2016 the consolidated entity made a loss of \$98,918 (December 2015 : \$209,105).

Notwithstanding this, the financial report has been prepared on a going concern basis. As at 31 December 2016, the consolidated entity had cash and cash equivalents of \$247,384 and only incurred net cash outflows of \$106,103 for the six month period ended on that date.

On 22 December the company announced that it had acquired a lithium brine project in Nevada, USA subject to shareholder approval (refer note 10). In order to finance this project and meet its other financial commitments, the company is seeking to raise \$2,100,000 by the issue of 70,000,000 shares at 3 cents each in April 2017. A second entitlement offer is planned in the second half of 2017 (expected to raise at least \$5 million at 6 cents per share subject to market conditions).

Should shareholder approval not be granted or the proposed capital raising be unsuccessful, the group may require further funds to enable it to continue to meet its day to day commitments, explore and develop its prospects, assess new projects and the future strategic direction of the company and continue to meet its non-discretionary spending in the future. The directors have resolved to reduce or waive fees and wages received in cash if the group has insufficient funds available to it to make such payments to remain solvent.

In the event that the group is not able to raise additional funding it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial report.

Note 3. Operating segments

Identification of reportable operating segments

The company is organised into one operating segments: mineral exploration. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 4. Revenue

	Consolidated	
	December	December
	2016	2015
	\$	\$
Interest	220	972
Other revenue	15,698	13,244
Revenue	<u>15,918</u>	<u>14,216</u>

Note 5. Other income

	Consolidated	
	December	December
	2016	2015
	\$	\$
Directors' fees forgiven	<u>96,624</u>	<u>-</u>

During the current financial half year, the Managing Director, Geoffrey Fethers has forgiven \$96,624 of remuneration owing to him in the interests of better enabling the company to raise new capital.

Reedy Lagoon Corporation Limited
Notes to the financial statements
31 December 2016

Note 6. Current liabilities - employee benefits

	Consolidated	
	December 2016	June 2016
	\$	\$
Annual leave	59,895	61,105
Accrued directors' wages / fees *	107,281	159,000
	<u>167,176</u>	<u>220,105</u>

* each of the directors have provided the company an undertaking that they do not intend to call on payment of the accrued salaries or fees until the company has adequate liquidity to pay these amounts and remain solvent.

During the current financial half year, the Managing Director, Geoffrey Fethers has forgiven \$96,624 of remuneration owing to him in the interests of better enabling the company to raise new capital.

Note 7. Equity - issued capital

	Consolidated			
	December 2016	June 2016	December 2016	June 2016
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>158,276,946</u>	<u>111,026,946</u>	<u>15,153,399</u>	<u>14,778,609</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2016	111,026,946		14,778,609
Shares issued as directors' fees	27 October 2016	8,000,000	\$0.0087	69,360
Issue of shares	25 November 2016	39,250,000	\$0.0080	314,000
Less share issue costs		-	\$0.0000	(8,570)
Balance	31 December 2016	<u>158,276,946</u>		<u>15,153,399</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 8. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 9. Contingent liabilities

The consolidated entity had no contingent liabilities at end of the current or previous financial half-year.

Note 10. Events after the reporting period

On 22 December 2016 the consolidated entity entered into an agreement to acquire lithium brine projects in Nevada USA. Since the end of the report period confirmation was received that 357 Placer Claims covering 2,888 hectares have been staked and duly recorded with Esmeralda County and filed with the Bureau of Land Management (BLM). The cost to the consolidated entity will be payments being either reimbursement of expenditures on the projects by the vendors or else payments to suppliers for work and services connected with the Placer Claims comprising an Initial Payment of \$209,000 (payable within 3 days of shareholders approving the acquisition) and further reimbursements (being amounts the company may agree to pay from pre-drill expenses budgeted by the company at \$760,000) and shares in the company valued at \$2,000,000.

To fund cash payments under the acquisition and the development of the lithium brine projects and to provide working capital, RLC proposes to make a 4 for 9 Entitlement Offer to raise \$2,100,000 by the issue of 70,000,000 shares at 3 cents each in April 2017. A second entitlement offer is planned in the second half of 2017 (expected to raise at least \$5 million at 6 cents per share subject to market conditions).

The acquisition is subject to shareholder approval, which will be sought from the shareholders on 3rd April 2017. An independent experts' report, commissioned by the consolidated entity, has found the acquisition is fair and reasonable to shareholders other than Adrian Griffin and his associates (Adrian Griffin, a director of the consolidated entity, is one of the vendors of the projects).

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 11. Share-based payments

A share option plan has been established by the company and approved by shareholders at a general meeting, whereby the company may, at the discretion of the board, grant options over ordinary shares in the company to certain key management personnel.

Remuneration arrangements of key management personnel are disclosed in the annual financial report. In addition, on 25 November 2016, after approval at the company's annual general meeting, a total of 900,000 were issued to directors as part of their remuneration packages. Each director received the below options:-

- Geoffrey H. Fethers – 500,000 options, exercise price 1.3 cents, expiring on 31 December 2019 with a value \$1,689;
- Adrian C. Griffin – 100,000 options, exercise price 1.3 cents, expiring on 31 December 2019 with a value \$338; and
- Jonathan M. Hamer – 300,000 options, exercise price 1.3 cents, expiring on 31 December 2019 with a value \$1,013.

Set out below are summaries of options granted under the plan:

December 2016

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Lapsed	Balance at the end of the half-year
29/11/2013	31/12/2016	\$0.0200	900,000	-	(900,000)	-
13/11/2014	31/12/2017	\$0.0200	900,000	-	-	900,000
30/12/2015	31/12/2018	\$0.0110	900,000	-	-	900,000
25/11/2016	31/12/2019	\$0.0133	-	900,000	-	900,000
			2,700,000	900,000	(900,000)	2,700,000

Reedy Lagoon Corporation Limited
Notes to the financial statements
31 December 2016

Note 11. Share-based payments (continued)

December 2015

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Lapsed	Balance at the end of the half-year
15/11/2012	31/12/2015	\$0.2000	900,000	-	(900,000)	-
29/11/2013	31/12/2016	\$0.2000	900,000	-	-	900,000
13/11/2014	31/12/2017	\$0.2000	900,000	-	-	900,000
30/12/2015	31/12/2018	\$0.0110	-	900,000	-	900,000
			<u>2,700,000</u>	<u>900,000</u>	<u>(900,000)</u>	<u>2,700,000</u>

For the options granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
25/11/2016	31/12/2019	\$0.0008	\$0.0133	88.50%	-	2.21%	\$0.0130

An expense of \$3,040 (2015 : \$1.865) has been recognised in the statement of comprehensive income for the current period in relation to the above options.

Reedy Lagoon Corporation Limited
Directors' declaration
31 December 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



G.H. Fethers
Managing Director

8 March 2017
Melbourne

Moore Stephens Audit (Vic)

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF REEDY LAGOON CORPORATION LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Reedy Lagoon Corporation Limited (**the company**), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports 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 half-year financial report is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the company, 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 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*, which has been given to the directors of the company, would be in the same terms if provided to the directors as at the time 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 the company is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter – Going Concern

Without modifying the opinion expressed above, we draw attention to Note 2 "Significant Accounting Policies – Going Concern" which indicates the company incurred a loss for six months ended 31 December 2016 of \$98,918 and that the company's ability to continue the exploration and development of its mining tenements, continue to assess new projects and meet operational expenditure at current levels is dependent upon future capital raising. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

MOORE STEPHENS

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257



RYAN LEEMON
Partner
Audit & Assurance Services

Melbourne, Victoria

8 March 2017