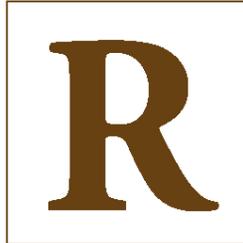


**REEDY**



**LAGOON  
CORPORATION LTD**

**A.C.N. 006 639 514**

**FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2011**

**This half-year report is to be read in conjunction with the financial report for the year ended 30 June  
2011.**

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## **DIRECTORS' REPORT**

The directors present their report on Reedy Lagoon Corporation Limited (the "Company") for the half-year ended 31 December 2011.

### **DIRECTORS**

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

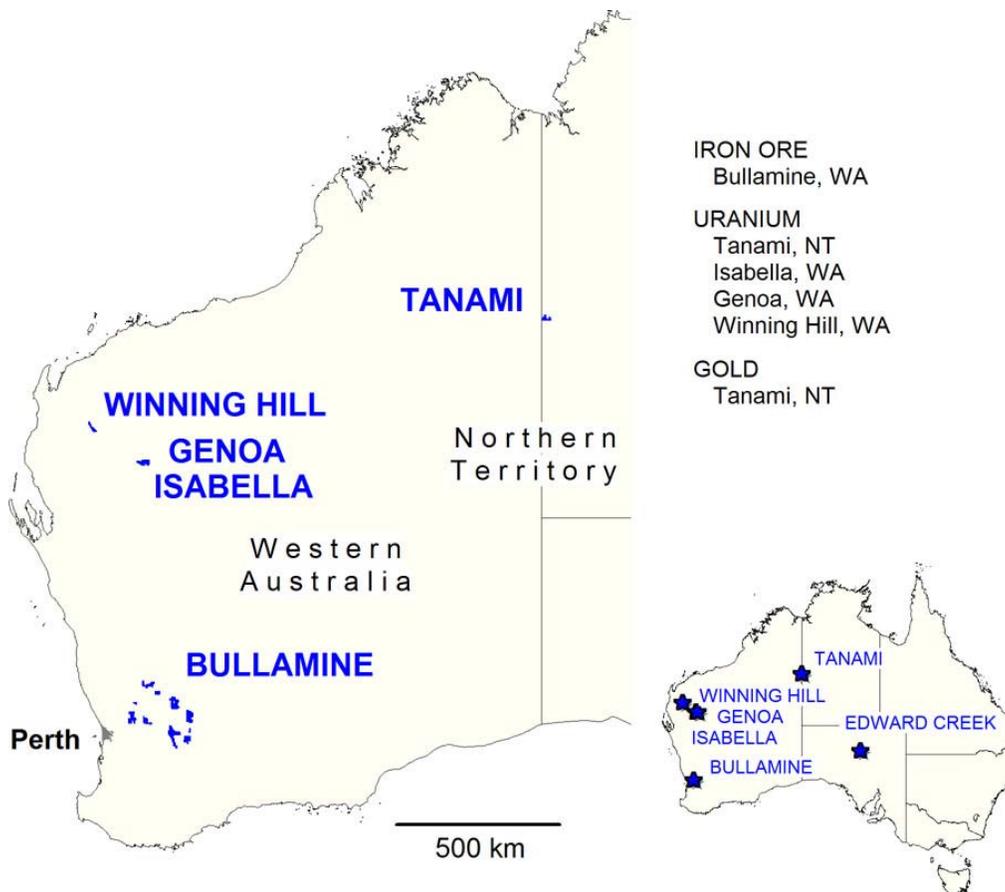
Jonathan M. Hamer  
Geof H. Fethers  
Hugh Rutter

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company during the half-year was the exploration for minerals in Australia.

### **REVIEW OF OPERATIONS**

Exploration for iron and uranium was conducted at the Company's projects located in Western Australia, Northern Territory and South Australia.



## **DIRECTORS' REPORT**

At the Bullamine iron ore project (WA – RLC 25%) significant intercepts of magnetite bearing rocks were identified in drilling at Wongamine (NOR-1) and Chitterberin (KEL-5). Diamond drilling completed during the period recovered 5,877 metres of core from NOR-1 (Bollo, Cleansweep, Wattening and Wongamine prospects), KEL-4 (West Burracoppin prospect) and KEL-5 (Chitterberin prospect).

Further work was planned at the Wongamine and Chitterberin prospects.

Metallurgical test work on drill core samples was commenced. Preliminary results from core from the Wongamine prospect indicated Davis Tube Recovery (DTR) at P82 @ 150 micron (100 mesh) of 65.83% Fe, 4.89% SiO<sub>2</sub>, WR 30.8% and bimodal Sulphur with peaks at 0.03 and 0.1 % Sulphur. Further results of metallurgical testing were awaited.

The Manager of the joint venture expects that sufficient drilling has been completed at the Chitterberin prospect to enable the determination of a mineral resource, however this will be determined following receipt of assay data and results of metallurgical test work on samples submitted during the report period.

The Bullamine project is a joint venture between the Company and Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs"), a wholly owned subsidiary of Cliffs Natural Resources Inc (NYSE: CLF, Paris: CLF). During the period Cliffs completed expenditure of \$5 million on exploration and thereby earned a 75% interest. Cliffs is Manager of the joint venture. The terms of the joint venture provide that after Cliffs has expended \$5 million it funds subsequent exploration and development to completion of a feasibility study with the Company's 25% share of these costs repayable only out of the Company's share of future mine production.

Exploration for uranium at the Winning Hill project (WA) included detailed ground gravity survey and orientation partial leach soil sampling. Results from the gravity survey are assisting the Company's structural interpretation and drill target determination. Results from the soil sampling are encouraging with strong correlation between results from previous conventional soil geochem and the partial leach samples. Results from partial leach samples collected along the projected target drill area identified anomalous uranium and are being used to assist the determination of drill targets..

At the Victory prospect (Edward Creek project SA) fault structures, interpreted by the Company as potential channel-ways for uranium-bearing solutions, were interpreted from 50 metre line spaced magnetic data acquired during the prior period.

Ground spectrometer survey at the Isabella and Genoa projects (WA) recovered anomalous radioactivity (uranium channel).

Negotiations to finalise access agreements for the Tanami (uranium and gold) project continued with various land owners and their representatives.

Opportunities to acquire projects were also assessed during the period but no acquisition was made.

### **Financial performance and position**

The net loss of the consolidated entity attributable to members during the half-year ended 31 December was \$404,609 (2010 - loss of \$1,138,854) including exploration expenditure for the period of \$162,289 (2010 - \$880,485) expensed in accordance with the Company's accounting policy.

In the half-year to 31 December 2011 the net assets of the Company decreased by \$0.310 million to \$0.873 million. Cash reserves decreased by \$0.299 million to \$0.872 million at period end.

## **DIRECTORS' REPORT**

The Company's cash position enabled it to remain free of any borrowings during the period and the directors believe the Company to be in a position to continue its planned exploration programmes in Australia.

The directors have included in note 5 to the Financial Report details of options over Company shares still on issue at the reporting date. The directors consider full details in respect of the Company's current capital structure would assist shareholders in the reading of the half year financial report.

## **AUDITOR'S DECLARATION**

The auditor's independence declaration for the half-year ended 31 December 2011 has been received and can be found on page 6.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001* and dated this 15<sup>th</sup> day of March 2012.

On behalf of the Directors



**Geof H Fethers**  
**Managing Director**

*The information in this report that relates to Exploration Results is based on information compiled by Geof Fethers and Hugh Rutter, who are members of the Australian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG) respectively. Geof Fethers and Hugh Rutter are directors of the Company and each has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which they are undertaking to each qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Geof Fethers and Hugh Rutter consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.*

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2011, 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.



**NEXIA ASR**  
A.B.N. 16 847 721 257



**MARK HAMMERSCHLAG**  
Partner

Melbourne

15 March 2012

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	<b>6 months to 31/12/2011</b>	<b>6 months to 31/12/2010</b>
	<b>\$</b>	<b>\$</b>
Other revenue from ordinary activities	55,746	46,300
Administration expenses	(35,417)	(54,117)
Employment costs	(86,478)	(31,341)
Exploration expenditure	(162,289)	(880,485)
Other expenses from ordinary activities	(78,194)	(42,056)
Depreciation	(4,977)	(4,205)
New joint venture establishment costs	-	(66,905)
Share based payments	(93,000)	(106,000)
	<hr/>	<hr/>
<b>(Loss) before tax</b>	(404,609)	(1,138,854)
Income tax expense	-	-
	<hr/>	<hr/>
<b>Net loss for the period</b>	(404,609)	(1,138,854)
	<hr/>	<hr/>
<b>Total comprehensive income for period</b>	(404,609)	(1,138,854)
	<hr/>	<hr/>
Basic earnings per share (cents per share)	(0.83)	(4.67)
Diluted earnings per share (cents per share)	(0.67)	(2.97)
	<hr/>	<hr/>

*The accompanying notes form part of this financial report.*

**CONDENSED STATEMENT OF FINANCIAL POSITION  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	31/12/2011	30/6/2011
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	872,317	1,171,002
Trade and other receivables	22,080	12,770
Other current assets	32,070	75,127
<b>Total Current Assets</b>	<u>926,467</u>	<u>1,258,899</u>
<b>Non-Current Assets</b>		
Property, Plant & Equipment	3,647	8,624
<b>Total Non-Current Assets</b>	<u>3,647</u>	<u>8,624</u>
<b>Total Assets</b>	<u>930,114</u>	<u>1,267,523</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	34,880	67,785
Employee Entitlements	22,083	16,940
<b>Total Current Liabilities</b>	<u>56,963</u>	<u>84,725</u>
<b>Total Liabilities</b>	<u>56,963</u>	<u>84,725</u>
<b>Net Assets</b>	<u><b>873,151</b></u>	<u><b>1,182,798</b></u>
<b>Equity</b>		
Issued capital	13,606,028	13,606,028
Reserves	344,000	251,000
Retained earnings	(13,076,877)	(12,674,230)
<b>Total Equity</b>	<u><b>873,151</b></u>	<u><b>1,182,798</b></u>

*The accompanying notes form part of this financial report.*

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Fully paid ordinary shares	Equity-settled benefits reserve	Retained earnings	Total
	\$	\$	\$	\$
Balance at 1 July 2010	<b>13,606,028</b>	<b>145,000</b>	<b>(12,132,484)</b>	<b>1,618,544</b>
Total comprehensive income for the period	-	-	(1,138,854)	(1,138,854)
Fair value of share based payments	-	106,000	-	106,000
<b>Balance at 31 December 2010</b>	<b>13,606,028</b>	<b>251,000</b>	<b>(13,271,339)</b>	<b>585,689</b>
Balance at 1 July 2010	13,606,028	251,000	(12,672,268)	1,184,760
Total comprehensive income for the period	-	-	(404,609)	(404,609)
Fair value of share based payments	-	93,000	-	93,000
<b>Balance at 31 December 2011</b>	<b>13,606,028</b>	<b>344,000</b>	<b>(13,076,877)</b>	<b>873,151</b>

*The accompanying notes form part of this financial report.*

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	<b>6 months to 31/12/2011 \$</b>	<b>6 months to 31/12/2010 \$</b>
<b>Cash flow from operating activities</b>		
Receipts from customers	34,348	14,484
Payments to suppliers and employees	(358,355)	(1,017,749)
Interest received	25,322	31,816
<b>Net cash (used in) operating activities</b>	<b>(298,685)</b>	<b>(971,449)</b>
 <b>Cash flow from operating activities</b>		
Payments for plant & equipment	-	(6,676)
<b>Net cash (used in) investing activities</b>	<b>-</b>	<b>(6,676)</b>
 <b>Net cash provided by/(used in) financing activities</b>	<b>-</b>	<b>-</b>
 <b>Net (decrease) in cash held</b>	<b>(298,685)</b>	<b>(978,125)</b>
<b>Cash at 1 July</b>	<b>1,171,002</b>	<b>1,540,026</b>
<b>Cash at 31 December</b>	<b>872,317</b>	<b>561,901</b>

*The accompanying notes form part of this financial report.*

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

#### Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report. A copy of the company's most recent financial report is available on the company's website and will be provided to any shareholder on request to the company secretary.

#### Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2011 annual financial report for the financial year ended 30 June 2011, except for the impact of the Standards and Interpretations described below.

#### New or revised Standards and Interpretations that are first effective in the current reporting period

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Company include:

- AASB 2010-3 *Amendments to Australian Accounting Standards – arising from the Annual Improvements Project [AASB 3, 7, 121, 128, 131, 132 & 139]*
- AASB 124 *Related Party Disclosures (revised December 2009)*  
AASB 124 (revised December 2009) introduces a number of changes to the accounting treatment of related parties compared to AASB 124 (December 2005, as amended), including the following:
  - The definition of a "related party" is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
    - The definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
    - entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other;
    - the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other; and
    - the definition now clarifies that a post-employment benefit plan and an employer sponsor of such a plan are related parties of each other.
  - A partial exemption is provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

Application of AASB 124 (December 2009) did not have a significant impact on the financial statements of the Group.

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASB 1, 7, 101, 134, and Interpretation 13]
  - This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:
    - clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
    - adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
    - amending AASB 101 to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
    - adding a number of examples to the list of events and transactions that require disclosure under AASB 134; and
    - making sundry editorial amendments to various Standards and Interpretations.

Application of the amendments in AASB 2010-4 did not have a significant impact on the financial statements of the Group.

The Group has not elected to early adopt any new amended Accounting Standards or Interpretations.

### 2. RESULTS FOR THE PERIOD

	6 months to 31/12/2011 \$	6 months to 31/12/2010 \$
<b>The following revenue and expense items are relevant in explaining the financial result:</b>		
(a) Revenue from ordinary activities:		
Interest received	25,322	31,816
Other	30,424	14,484
	55,746	46,300

### 3. SEGMENT INFORMATION

The company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The company operates in one segment being minerals exploration within Australia.

	Minerals exploration		Total	
	6 months 31/12/2011 \$	6 months 31/12/2010 \$	6 months 31/12/2011 \$	6 months 31/12/2010 \$
<b>Revenue:</b>				
Unallocated revenue			25,322	46,300
Total revenue			25,322	46,300
<b>Results:</b>				
Segment result	(162,289)	(880,485)	(162,289)	(880,485)
Unallocated expenses net of unallocated revenue			(242,320)	(258,369)
(Loss) for period	(162,289)	(880,485)	(404,609)	(1,138,854)

## NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### 4. DIVIDENDS

During the half-year, no dividends were paid, nor have the directors recommended the payment of a dividend.

### 5. ISSUED CAPITAL

The total number of shares on issue at the end of the half-year was 48,600,000 (June 2011 – 48,600,000).

There were no other movements in ordinary share capital of the company in the current half-year reporting period.

#### Options over Unissued Capital

During the current half-year reporting period 1,550,000 options over unissued shares were granted. A total of 1,850,000 options granted in prior years expired unexercised. The following options are on issue at the reporting date.

Exercise price	Expiry date	No. of Options on issue	
		31/12/2011	30/06/2011
20 cents	31/12/2011	-	1,850,000
50 cents	31/03/2012	2,500,000	2,500,000
30 cents	30/04/2012	6,000,000	6,000,000
20 cents	31/12/2012	1,650,000	1,650,000
21 cents	31/12/2013	1,550,000	1,550,000
20 cents	31/12/2014	1,550,000	-
		13,250,000	13,550,000

### 6. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report. In addition, during the interim period, the following options were granted to directors in accordance with a resolution of members.

Issued to	Exercise Price	Expiry Date	Number of Options granted (i)	Number of Options Vested during the year	Fair Value of Options granted and vested \$
<b>Directors</b>					
G Fethers	\$0.20	31-Dec-14	500,000	500,000	30,000
H Rutter	\$0.20	31-Dec-14	500,000	500,000	30,000
J Hamer	\$0.20	31-Dec -14	300,000	300,000	18,000
Aggregate Value of Securities issued					78,000

### 7. EVENTS SUBSEQUENT TO REPORTING DATE

No events of a material nature have occurred subsequent to year end.

### 8. CONTINGENT LIABILITIES

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

### 9. ACQUISITIONS AND DISPOSALS

No controlled entities were acquired or disposed or during the period.

## **DIRECTORS' DECLARATION**

The directors of the company declare that:

- (1) The financial statements and notes, as set out on pages 7 to 13:
  - (a) comply with Accounting Standards AASB 134: Interim Financial Reporting and the *Corporations Act 2011*; and
  - (b) give a true and fair view of the entity's financial position as at 31 December 2011 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 of Reedy Lagoon Corporation Limited and is signed for and on behalf of the board.



**Geof H Fethers**  
**Managing Director**

Melbourne  
15 March 2012

## 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 condensed statement of financial position as at 31 December 2011, the condensed income statement, the condensed statement of comprehensive income, condensed statement of changes in equity, the condensed 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 2011 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*.

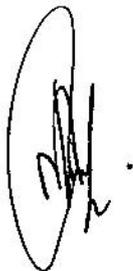
*Conclusion*

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 2011 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*.



**NEXIA ASR**  
A.B.N. 16 847 721 257



**MARK HAMMERSCHLAG**  
Partner

Melbourne

15 March 2012

## **CORPORATE DIRECTORY**

### **Reedy Lagoon Corporation Limited**

ABN 41 006 639 514

#### **Directors**

Jonathan M. Hamer  
Chairman, Non-Executive Director

Geof H. Fethers  
Managing Director

Hugh Rutter  
Director

#### **Company Secretary**

Geof H. Fethers

#### **Registered and Head Office**

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#### **Auditor**

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#### **Share Registry**

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