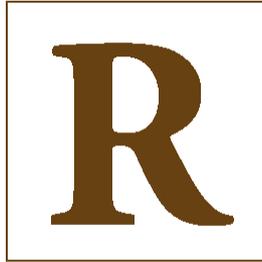


R E E D Y



**LAGOON
CORPORATION LTD**

A.C.N. 006 639 514

**ANNUAL REPORT AND
FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2007**

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ANNUAL REVIEW

Chairman's Overview

The 2007 financial year brought significant change to Reedy Lagoon Corporation. The Company implemented the strategy outlined in its 2006 Annual Report to develop and restructure its projects with emphasis on iron and uranium. Developments included: the expansion of the Bullamine Iron project by the purchase of Washington Resources' iron rights under the Bulla JV; the creation of the Tanami uranium project which significantly expands the original Pedestal Hill uranium project and the purchase of a 42% interest in the ECBMJV which increased the Company's equity in uranium and base metals in the Edward Creek project to 62%. In addition, the Edward Creek diamond interests were spun-off, the Company's issued capital was consolidated and 22.5m shares were issued at \$0.20 per share raising \$4.5m – 20m shares of which were issued under an IPO.

On 22 June the Company's shares were listed on the ASX.

Since listing, the Company has embarked on significant exploration activities. At the date of this report, geophysical surveys are planned, underway or completed at projects targeting iron, uranium and gold. Subsequent drill programs are planned at each of these projects and at copper and copper-gold projects.

Shareholders can look forward to an active 2007/08 year.

On behalf of all shareholders, the Board expresses its appreciation to Mr Andrew Watson for his fine service to the Company over several years. Andrew served the Company as a Director from November 2000. He resigned on 9 May 2007 to facilitate the appointment of Mr Adrian Griffin to the Board.

Several shareholders, together with our joint venture partners, have provided support to management. Directors are grateful for this support and will continue to do all they can to ensure that efficient exploration is conducted and that any resultant exploration success is harnessed to provide opportunities for shareholders and joint venture partners to be rewarded

Jonathan M Hamer
Chairman

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Managing Director's Review of Operations



Mineralisation styles being targeted include:

- Iron – magnetite mineralization (Bullamine project)
- Uranium (Tanami project)
- Copper-uranium-gold (Edward Creek Base Metals Joint Venture)
- Sediment hosted sulfide-gold mineralization (Chiltern gold project)
- Hydrothermal gold mineralization (Jericho gold project)
- Porphyry copper-gold mineralization (Diptank Joint Venture)

Iron Exploration

Bullamine Project

IRON (Western Australia)

Within the Bullamine project the Company is investigating iron ore development opportunities 70 kilometres east of Perth, Western Australia. Preliminary investigations indicate the Bullamine project area contains ironstone units with total strike length of over 35 kilometres. RLC's objective is to identify ironstone units which can be mined by open pit methods and demonstrate viability for annual production of 1 mt magnetite concentrates by low-cost, open cut mining methods. The short distance, 90 kilometres, to bulk cargo facilities at Fremantle Ports' Kwinana facility south of Perth is a significant attribute of the project. RLC believes that provided suitable mineralisation can be identified and accessed, the possibility of low cost mining, processing and transport suggest that mining iron at the rate of 1 mtpa could be highly profitable.

Six strongly magnetic features were identified during the period from airborne survey data covering a portion of the project area. These magnetic features are likely to be caused by magnetite mineralisation and will be the focus for ground investigations. Importantly, the indicated widths of these magnetic features is typically 150 metres and up to 400 metres. Subsequent modelling suggests that iron mineralisation in bands up to 275 metres wide may be evidenced in the magnetic data. These widths are substantially wider than the minimum widths RLC believes would be necessary for potential economic viability should the grade of the deposits prove sufficient.

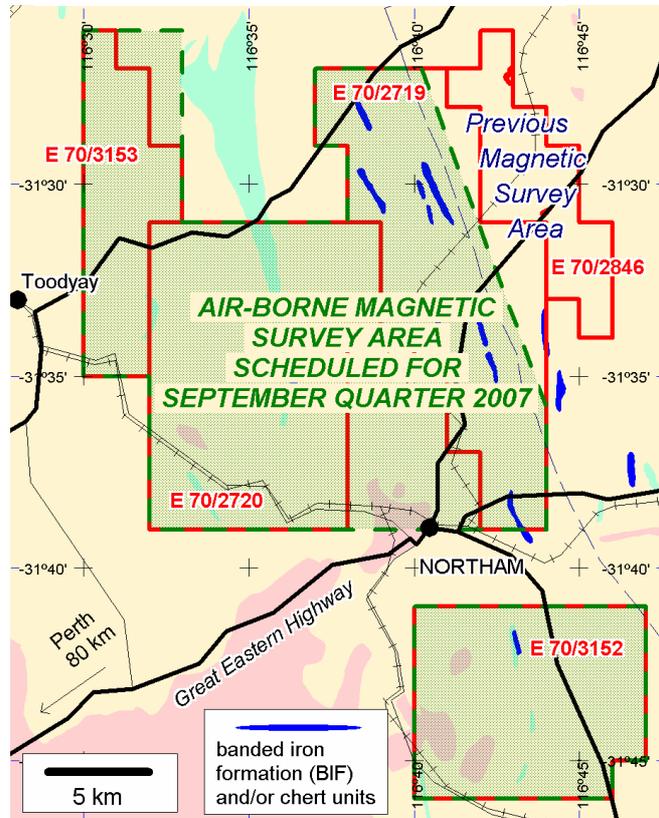
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Airborne magnetic surveying is scheduled to commence on 6 October 2007 to cover areas of the project not covered by prior surveys. The data collected will enable the entire project area to be rapidly "prospected" for additional potential lenses of magnetite.

In Figure 1 areas of available magnetic data and the area scheduled to be flown are shown together with lenses of iron formation and/or chart mapped by the WA Geological Survey.

The Bullamine project will benefit from its proximity to the Kwinana port facilities. Should RLC succeed in identifying and gaining the necessary approvals to mine any economic iron mineralization then capital requirements are expected to be low and development time short.

Figure 1: Bullamine project



Uranium Exploration:

Tanami Project - URANIUM

(Northern Territory/Western Australia)

U₃O₈ Joint Venture (RLC 90%) – Lewis Range tenements

Pedestal Hill and Bloodwood tenements (RLC 100%)

The Tanami project straddles the Western Australia/Northern Territory border. Target mineralisation is uranium which may be precipitated and concentrated along unconformities and paleodrainage channels within Proterozoic and younger sedimentary sequences overlying older basement rocks. Available geophysical and geological data are being reviewed whilst access issues are being worked through.

This project was created by the expansion of RLC's Pedestal Hill project (EL 24885) in the Birrindudu Basin. During the period RLC applied for ELA 80/3860 and, on the 22 June, purchased a 90% interest in the U3O8 Joint Venture. The U3O8 Joint Venture provides RLC a 90% interest in tenement applications: 80/3706, 3707, 3708 & 3939. A series of uranium anomalies (radiometric) extending for 40 km along the lower slopes of a linear range of hills suggests uranium mineralisation may be enriched on an unconformity located within, or at the base of, a sandstone unit. In the event that field investigations support these interpretations then investigations for buried and preserved extensions to the exposed unconformities will be conducted to determine potential uranium concentration sites. RLC is manager and will sole fund exploration by the joint venture.

The geological setting of the Pedestal Hill project has similarities with the Ngalia Basin located 300 kilometres to the south east and which contains the Bigrlyi uranium deposit – owned by ASX listed

ANNUAL REVIEW

Energy Metals Limited.

In addition to uranium the area is also prospective for other commodities, including gold.

Edward Creek Base Metal Joint Venture (“ECBMJV”) (South Australia) RLC 62%
URANIUM & COPPER–GOLD-URANIUM

The Edward Creek Base Metal Joint Venture is exploring for uranium and for copper-gold-uranium mineralisation on the north eastern margin of the Gawler Craton in South Australia.

URANIUM

Exploration is targeting unconformity-related and roll-front styles of uranium mineralization in sediments located to the west of the uplifted radioactive rocks of the Peake and Denison Ranges.

Uranium anomalies identified in airborne survey radiometric data were ground inspected during August and September 2006. The best assay from surface rock chip sampling was 45 ppm uranium with associated copper recovered in samples from the War Loan South (A1) target area. Further investigation of these results is planned.

Uranium enrichment within sedimentary lithologies located west from the Peake and Denisons was identified in bore hole records. Airborne Electromagnetic (EM) surveys were planned to delineate unconformities and zones of high fluid flow within the target sediments. These EM surveys replace the previously planned magnetic and radiometric surveys and were flown in August 2007.

COPPER-GOLD-URANIUM

Iron-oxide copper-gold (“IOCG”) mineralisation of the “Olympic Dam” type is being targeted by exploration at Edward Creek. The project is located in the north eastern part of the Gawler Craton in South Australia. Herakleion and Santorini are gravity anomalies being investigated for their potential to be caused by rocks associated with IOCG mineralization of the Olympic Dam type.

The Herakleion target is defined by a gravity anomaly measuring 6 km x 3 km whilst the Santorini gravity anomaly measures 3 km diameter in the horizontal plane.

Two diamond holes were drilled at Herakleion in August / September 2006 as follows:

Target Area 1 – HD-04 diamond cored from surface to 934.1 m;

Target Area 2 – extension to HD-03 from 612.4 m to 771 m (HD-03A).

Basement rocks intersected from a depth of 669.3 metres in HD-04 were interpreted by petrological examination to probably be either Palaeoproterozoic or Mesoproterozoic in age and therefore potentially prospective for Olympic Dam style mineralization. However, no Olympic Dam style mineralization or alteration was identified in the core and samples assayed are not anomalous in copper nor any of the elements which characterise Olympic Dam style mineralization.

Preparations for drilling at the Santorini gravity anomaly, located 7.5 km south of the HD-04 site, including heritage survey clearance, were completed and drilling was scheduled for the September 2007 quarter. However, drought conditions have diminished surface water supplies and there is currently no

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water available within trucking distance of the drill site. As a consequence, drilling cannot proceed until water supplies are replenished.

The Edward Creek Base Metals Project is located 750 km NNW from Adelaide in South Australia. It is approximately 250 km north west from the Olympic Dam mine and 150 km north east from Prominent Hill. The Edward Creek Base Metals Project area is secured by EL 3250, EL 3790 and EL 3886 and covers an area of 768 square kilometres.

The Edward Creek Base Metals project is joint ventured with the following parties:

ECBM JV Operator:	Reedy Lagoon Corporation Limited	
Participants in ECBM JV:	Equity in ECBMJV	Funding share
Reedy Lagoon Corporation Limited	61.99 %	52.48 %
Eromanga Hydrocarbons NL	20.99 %	26.24 %
Mega Redport Pty Ltd	17.02 %	21.28%

Cash payments of \$30,000 per quarter are payable to RLC whilst the other parties elect to remain in the joint venture. RLC contributes 52.48% of ECBMJV costs, including exploration expenditure and the joint venture cash payments.

RLC increased its interest in the ECBMJV by purchasing 41.99% from other parties on the 22 June 2007 and the Company continues to hold a 20% interest free carried to completion of BFS.

Balta - URANIUM (Edward Creek, South Australia)

RLC 100%

The Project consists of one Exploration Licence (EL 3050) covering an area of 114 square kilometres located 25km south of the ECBMJV. Exploration is targeting unconformity-related and roll-front styles of uranium mineralization in sediments located to the west of the uplifted radioactive rocks of the Peake and Denison Ranges.

Airborne EM surveys were planned to delineate unconformities and zones of high fluid flow within the target sediments. These EM surveys were flown in August 2007. Interpretation of the survey data is scheduled for completion in October resulting in target delineation and prioritisation.

Gold Exploration

Chiltern Project GOLD (Victoria)

Exploration at Chiltern is seeking to identify the source of more than 800,000 oz of very fine grained alluvial gold mined from buried rivers or "deep leads" 100 years ago. Work is currently focussed on a very small area within the project where geophysical data identifies anomalies adjacent to a deep lead from which abundant gold bearing sand/siltstone pebbles were recovered in the past.

If the current targets prove to be associated with gold bearing source rocks then the Company will have discovered a potential orebody and a search technique it can apply throughout the 237 square kilometres of tenements it holds covering the Chiltern goldfield.

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Flora and fauna surveys were completed in November 2006. These surveys enabled the required consents to be granted for ground geophysical survey work which was completed at the Caledonian prospect after the report period in August 2007.

Further flora and fauna surveys together with heritage surveys are scheduled to follow the delineation of targets generated by the recent geophysical surveys. The planned exploration is in environmentally sensitive areas which require thorough assessment and a more rigorous consent process than is generally applicable elsewhere.

The Chiltern Gold project is an advanced stage exploration project. More than \$1,200,000 has been invested by the Company and its past joint venture partners in developing the exploration data base for this project. Access, which was not available in practical terms from 1996 to 2005 is proving workable. The planned drilling at this project has potential to discover a new style of gold mineralization in a gold field which has produced significant alluvial gold.

The Project covers most of the Chiltern Goldfield located in northern Victoria near Albury. The goldfield has produced 27,000 kg (870,000 oz) of gold from alluvial deep lead (buried river channel) systems. The original source of the gold found in the deep leads has never been discovered although early workers identified sediment hosted gold amongst the waste rock initially discarded during the alluvial mining. About a hundred tonnes of this "waste rock" of sandstone and siltstone pebbles and nodules, in which very fine grained gold was observed, were processed. An average of over 20 g/t gold was produced from this sandstone and siltstone material.

The Project consists of three Exploration Licences (ELs 3032, 3281 and 3376) covering an area of 237 square kilometres. RLC holds 100% equity in the three tenements through its wholly owned subsidiary, Osprey Gold Pty Ltd. Providence Gold and Minerals Pty Ltd ("PGM"), the previous holder of EL 3376, is entitled to a 1.75% gross production royalty with respect to any future production from EL 3376.

Poole River Prospect - Jericho Project* **GOLD (Victoria)*

Drilling conducted in April 2007 extended diamond hole PD-01 into a target fault zone adjacent to and below a steeply dipping lens of pyrrhotite rich siltstones intersected in the upper part of PD-01. Core samples assayed from the drilling did not identify any signs of economic minerals. No further work is planned at this prospect.

Victor Gold Prospect - Jericho Project* **GOLD (Victoria)*

The Victor Prospect is part of the Jericho Project (EL 3208) located 160 km east from Melbourne and within the Woods Point - Walhalla Goldfield. The goldfield is renowned for its high-grade structurally controlled gold deposits, but also contains copper-nickel sulphide mineralization rich in precious metals (platinum, palladium and gold). No work was conducted at the Victor Prospect during the period. Two diamond holes are planned, each to a down hole depth of 375 metres.

The exploration targets at the Victor Prospect are extensions from previously mined gold mineralization in a quartz reef system. Gold mineralization anticipated is high grade vein style. The gold potential of Victor is demonstrated by the Cohen's Reef Mine, located within the same goldfield, which produced more than 1.4 million oz of gold and is now being investigated by Goldstar Resources NL.

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Gold mineralization at Victor occurs in a quartz reef structure. The quartz reef has more than 1 km strike length within the tenement. Past mining (pre 1940) produced 24,909 oz of gold from 42,439 tonnes, an average grade of 18g/t. The quartz vein system that was mined is reported as up to 12 m thick although generally between 0.5 and 5 m.

The Victor Prospect is part of the Jericho Project located within a water catchment area where access for exploration is restricted to the period commencing 1 November and ending 30 April.

Drilling at Victor has the potential to identify significant mineralization in a geological setting similar to the Cohen's Reef deposit.

Copper – Gold Exploration.

Diptank Joint Venture **COPPER – GOLD (New South Wales)** **RLC 85 %**

The Diptank project covers an area of 14.7 square kilometres about 100 kilometres to the south east from the township of Bourke in northern central New South Wales. Drilling is planned to test a zone of demagnetized rocks, which includes a large (2.5 kilometre diameter) magnetic anomaly, to determine the potential for copper-gold mineralization. No field work was conducted at this project during the report period.

The Diptank target is supported by elevated lead, copper, arsenic and gold concentrations in rocks located less than 5 kilometres from the central feature. RLC interprets the presence of these features to support the thesis that intruded igneous rocks have contributed to the formation of the magnetic anomaly and provided a framework for subsequent mineralising events with the potential to form large scale economic accumulations of copper and/or gold. Endeavour, Cadia and Kidston are examples of mines formed by such processes.

Regional exploration for base metals mineralization was conducted in the 1970s by North Broken Hill Limited ("NBH") in the Bourke area, including the area around Diptank. 4,354 rock samples were collected. The geologist who conducted this sampling subsequently initiated the Diptank project in 2004 when he observed the magnetic feature adjacent to the sites from which rocks he had collected 25 years earlier had reported elevated lead and copper.

The Department of Mineral Resources ("DMR") re-analysed 934 of the sample pulps retained from the NBH samples. Gold and 17 other elements were assayed. Gold (1.2 g/t) was recovered from one of the samples adjacent to the central Diptank magnetic anomaly.

Several large copper-gold mines located in Eastern Australia have been found in areas which have been altered by hot mineralising solutions. Pathways for such mineralising solutions are usually related to faults and often further focussed by large eruption sites where volcanic rocks have been emplaced. Notable mines of these styles include Endeavour (located 270 kilometres to the south east of Diptank), Cadia (located 370 kilometres to the southeast of Diptank) and Kidston (located 260 kilometres south west from Cairns, in Queensland).

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A feature of these styles of mineralising systems is the weathering which results from the alteration of the host rocks when they are heated during the mineralising events. This heating can reduce the magnetic properties of rocks – “demagnetizing” them, and it can make them more prone to erosion than their more distant counterparts which were not heated to the same extent.

The Diptank target is located within a demagnetized zone of faulting. Whilst the area surrounding the target has outcropping basement, the target itself is in a depression which has been buried by alluvium. RLC considers these factors are consistent with a heating event which might have accompanied a large scale mineralising event.

Exploration is being funded by RLC. Under the terms of the Diptank Joint Venture (“Diptank JV”) RLC holds an 85% interest in all minerals subject to it funding its joint venture partner’s share of exploration expenditure and paying to the joint venture partner a fee of \$10,000 per quarter.

Diamond Exploration

Edward Creek Project (including Edward Creek & Balta prospects)

No exploration for diamonds was conducted during the period and all interest in diamonds at Edward Creek was transferred on 26 March 2007 into DiamondCo Limited, a new unlisted company, all shares in which were distributed to the then existing RLC shareholders.

Concluding remarks

The Company has drill programs scheduled over the next 9 months targeting iron, gold and copper. Additional drill targets are likely to be generated from the geophysical surveys now underway and planned.

The results to date from survey data over a small part of the Bullamine project are encouraging and suggest that iron mineralisation known to be in the area may exist in sufficient quantities to present economic mining opportunities.

The markets for the commodities we are exploring for are predicted by many to remain robust for the next ten years. This scenario is particularly strong for iron. It is a wonderful economic environment in which to deploy the funding raised in the Company’s recent IPO to find and develop iron, gold, copper and uranium resources. Any exploration success may hold potential to deliver substantial rewards to RLC’s shareholders and joint venture partners.

Geof H Fethers
Managing Director

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TENEMENT SCHEDULE

Tenements owned directly by RLC and tenements in which the Company has an interest (at 3 September 2007).

Tenement	Area (km²)	Status	Minimum Annual Expenditure Commitment \$	RLC Equity (direct or indirect)
Western Australian Tenements				
EL 70/2719 Bulla JV <i>Bullamine project</i>	137	Current	NA	100% (iron) ¹
EL 70/2720 Bulla JV <i>Bullamine project</i>	149	Current	N/A	100% (iron) ¹
EL 70/2846 <i>Bullamine project</i>	47	Current	20,000	100%
ELA 70/3152 <i>Bullamine project</i>	99	Application	34,000 ⁷	100%
ELA 70/3153 <i>Bullamine project</i>	56	Application	20,000 ⁷	100%
ELA 80/3706 <i>Tanami (Lewis Range)</i>	226	Application	67,800 ⁷	90% ²
ELA 80/3707 <i>Tanami (Lewis Range)</i>	226	Application	67,800 ⁷	90% ²
ELA 80/3708 <i>Tanami (Lewis Range)</i>	226	Application	67,800 ⁷	90% ²
ELA 80/3939 <i>Tanami (Lewis Range)</i>	84	Application	26,000 ⁷	90% ²
ELA 80/3860 <i>Tanami (Bloodwood)</i>	644	Application	193,200 ⁷	100%
Northern Territory Tenements				
EL 24885 <i>Tanami (Pedestal Hill)</i>	272	Application	17,750	100%
South Australian Tenements				
EL 3250 <i>Edward Creek project</i>	440	Current	150,000	100% ^{3&4}
EL 3505 <i>Edward Creek project</i>	114	Current	90,000	100% ⁴
EL 3790 <i>Edward Creek project</i>	84	Current	40,000	100% ^{3&4}
EL 3886 <i>Edward Creek project</i>	244	Current	55,000	100% ^{3&4}
Victorian Tenements				
EL 3208 <i>Jericho Project</i>	20	Current	21,000	100%
EL 3032 <i>Chiltern project</i>	98.5	Current	48,600	100%
EL 3281 <i>Chiltern project</i>	10	Current	18,300	100%
EL 3376 <i>Chiltern project</i>	138	Current	53,400	100% ⁵
New South Wales Tenements				
EL6202 <i>Diptank project</i>	15	Current	17,000	85% ⁶

TENEMENT SCHEDULE

Notes to the tenement schedule.

1. *EL 70/2719 and EL 70/2719 are registered in the name of Washington Resources Limited (Washington) and are subject to a joint venture agreement, the Bulla JV, which provides RLC with 100% interest in iron resources.*
2. *ELA 80/3706, ELA 80/3707, ELA 80/3708 and ELA 80/3939 are subject to a joint venture agreement, U₃O₈ Joint Venture Agreement which provides RLC with 90% interest in mineral resources within the tenements.*
3. *EL 3250, EL 3790 and EL 3886 are subject to a joint venture agreement, the Edward Creek Base Metals Joint Venture ("ECBMJV") which reduces RLC's interest in base metal uranium and gold resources within the tenements to 62%. Reedy Lagoon is the manager of the ECBMJV. RLC has a 20% free carry in the ECBMJV and that part of RLC's share of exploration expenditure until completion of a bankable feasibility study is paid by the remaining joint venture parties.*
4. *EL 3250, EL 3505, EL 3790 and EL 3886 are subject to a joint venture agreement, the Diamond Farm Out Agreement, which transfers all RLC's interest in diamonds in these tenements to DiamondCo.*
5. *EL 3376 is subject to an agreement with Providence Gold & Minerals ("PGM") which entitles PGM to a payment calculated by multiplying the achieved sale price of any minerals produced from EL 3376 by 1.75% (gross production royalty).*
6. *EL 6202 is subject to a joint venture agreement, the Diptank Joint Venture, which provides RLC a right to earn an 85% interest in all mineral resources within the tenement by sole funding exploration expenditure and making cash payments of \$10,000 per quarter until commencement of commercial production.*
7. *Minimum expenditure requirements for these tenement applications will be set if the tenements are granted and at the time of grant of the tenement. The amounts shown are anticipated amounts based on guidelines provided by the relevant state mines department.*

Tenement expenditure is dependent upon exploration results and available cash resources. Expenditure commitments are also impacted upon and may be reduced where access to areas has been restricted by the existence of Native Title claims. At the date of this report claims for Native Title in respect of areas of all RLC's granted tenements except EL's 3032, 3281 and 3376 have been made under the Native Title Act.

Exploration Licence 3505 includes land that is within the Woomera Prohibited Area. All exploration and mining activities within the Woomera Prohibited Area are subject to agreements with the Commonwealth of Australia.

Exploration Licence 3208 incorporates land that is Reserved Forest set aside under Section 50 of the Forest Act 1958 as part of the Thomson River Forest Reserve (Gaz 1984 P235). The Licence area is within the Thomson Catchment and is subject to a Land Use Determination pursuant to section 23 of the Soil Conservation and Land Utilization Act 1958. The objective of the Land Use Determination is to provide management guidelines to maintain acceptable quality, quantity and perenniality of water harvested from the catchments. To protect the integrity of the water supply within the Thomson storage, earthworks are required to be kept to a minimum and any effluent and waste disposal will be in accordance with guidelines approved by the Department of Natural Resources and Environment in consultation with Melbourne Water.

Exploration Licences 3032, 3281 and 3376 cover or include areas which comprise part of the Chiltern – Mt Pilot National Park. Exploration and mining activities within this Park may only continue with the consent of the Minister for Sustainability and Environment under Section 40 of the National Parks Act, 1975. Where the gaining of such consents prevents or postpones exploration the expenditure requirements may be reduced.

The Statutory expenditure requirement is subject to negotiation with the relevant state department, and expenditure commitments may be varied between tenements, or reduced subject to reduction of exploration area and/or relinquishment of non-prospective tenements.

CORPORATE GOVERNANCE STATEMENT

In March 2003, the Australian Stock Exchange (ASX) Corporate Governance Council (Council) published Principles of Good Governance and Best Practice Recommendations. The Listing Rules of ASX require Australian-listed companies to report on the extent to which they have complied with the Best Practice Recommendations during the reporting period. Where a company has not followed all the recommendations, it must identify the recommendations that have not been followed and give reasons for not adhering to them. If a recommendation has been followed for only part of the period, the company must state the period during which it has been followed.

In August 2007, following a major review of the operation of the Principles and Recommendations since they were issued, a second edition of the Corporate Governance Principles and Recommendations was published by the Council. However, Reedy Lagoon Corporation Limited (RLC or the Company) is not required to report on its compliance with the revised Principles and Recommendations until it issues its 2009 annual report in relation to the financial year, 1 July 2008 to 30 June 2009.

This Statement outlines the main corporate governance practices of the Company.

As recognised by the Council, corporate governance is “the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations.” It encompasses the mechanisms by which companies, and those in control, are held to account. Corporate governance influences how the objectives of the company are set and achieved, how risk is monitored and assessed and how performance is optimised. There is no single model of good corporate governance. Corporate governance practices will evolve in the light of the changing circumstances of a company and must be tailored to meet those circumstances.

ROLE OF THE BOARD AND MANAGEMENT

The board is responsible to shareholders for the overall corporate governance of the Company. This responsibility includes:

- determining and periodically reviewing the Company’s strategic direction and operational policies;
- establishing goals for management and tracking the roll-out and achievements of these goals;
- reviewing and approving the Company’s Business Plan and complementary annual/revised budgets prepared by management;
- approving all significant business transactions including any acquisitions, divestments, resource development and significant capital expenditure;
- approving capital raisings in any form;
- monitoring business risk exposures and risk management systems;
- considering and approving financial and other obligatory reporting, including continuous disclosure reporting;
- timely reporting to shareholders and other stakeholders.

A strategic balance is maintained between the responsibilities of the Chairperson (in his non-executive capacity), the Managing Director and the other Executive Director.

CORPORATE GOVERNANCE STATEMENT

As Non-Executive Chairperson (since 9 May 2007), the specific executive responsibilities of Mr J M Hamer are:

- ensuring the efficient organisation and conduct of the Board's function,
- oversee the Company's strategy in relation to exploration,
- evaluate, in conjunction with the Managing Director, opportunities that may arise in the minerals industry from time to time,
- consider exploration and development orientated capital expenditure and recommend appropriate courses of action; and
- overseeing that membership of the Board is skilled and appropriate for the Company's needs.

The Managing Director, (being Mr G Fethers during the whole financial period), is accountable to the board for the management of the Company within the policy and authority levels prescribed by the board from time to time. He is responsible for the day-to-day management of the Company's principal business operations and elsewhere and has the authority to approve non-planned capital expenditure, business transactions and personnel appointments within predetermined limits set by the board.

The Managing Director's specific responsibilities include:

- preparing the Company's strategic and annual operating plan and, following its adoption by the board, ensuring that business development is in accordance with that plan,
- evaluating mining projects and formulating strategies to acquire, farm-in or obtain interests in suitable projects and divest non essential projects in which the Company has an interest,
- engaging appropriately qualified contractors to undertake exploration programmes approved by the board.
- interfacing with analysts, brokers, investors and the Company's appointed advisers regarding the Company's performance, a role shared with the Non-Executive Chairperson, and
- responding to written or telephonic shareholder enquiries.
- maintain overall management of the Company's reporting, statutory accounting, auditing, treasury, taxation and insurance covers with his specific responsibilities including:
 - preparing program and other expenditure budgets for the approval of the board and monitoring the financial performance of the Company against approved budgets,
 - ensuring that appropriate financial reports are provided to the board at each of its meetings and, on a quarterly, biannual and annual basis, to the Board and, in conjunction with the Company Secretary, also to the ASX, and
 - monitoring the Company's risk management framework to ensure that established policies, guidelines, procedures and controls are implemented.

In the capacity of Company Secretary, Mr D Coleman is responsible for ensuring that the board also receives relevant non-financial information and reports (notably on auditing, taxation and legal matters) at its regular meetings and otherwise as appropriate. In conjunction with the Managing Director, he is responsible for the lodgement of statutory financial statements and ASX/ASIC reporting, including any correspondence in relation to ASX reporting and of a non-routine nature from ASIC.

CORPORATE GOVERNANCE STATEMENT

COMPOSITION OF THE BOARD

Following resignations and appointments effected during the reporting period, the Company presently has three non-executive directors (Messrs Hamer, Lewis and Griffin), considered by the board to be independent in terms of the Council's definition of independent director, and two executive directors including the Managing Director. The names and qualifications of the directors of the Company in office at the date of this statement are set out in the Directors Report on page 17 hereof.

As the board has at all time during the year comprises a majority of independent directors, its composition complies with recommendation 2.1 of the ASX Corporate Governance Guidelines. In addition the board has adopted and implemented a number of measures to ensure that independent judgement is achieved and maintained in respect of its decision-making processes, which include the following:

- directors are entitled to seek independent professional advice at the Company's expense, subject to the prior approval of the Executive Chairperson; and
- directors having a conflict of interest in relation to a particular item of business must absent themselves from the board meeting before commencement of discussion and the taking of a vote on the matter.

The board does not intend to establish an audit committee in accordance with recommendation 4.2 of the ASX Corporate Governance Guidelines. Instead the board will discharge its responsibilities in respect of audit. The Company does not have a nomination committee and consequently does not comply with recommendations 2.4 and 2.5 of the ASX Corporate Governance Guidelines. The board is of a size, composition and physical location which is conducive to making the relevant decisions itself efficiently and expeditiously.

The board is of the view that it is adequately structured to meet the needs and governance of the Company having more non-executive than executive directors, an independent non-executive Chairman and with each current director bringing a range of different and complementary skills and experience to the Company as indicated in the Directors' Report on page 17].

ETHICAL AND RESPONSIBLE DECISION MAKING

It continues to be the policy of the Company for directors, officers and employees to observe high standards of conduct and ethical behaviour in all of the Company's activities. This includes dealings with suppliers, business partners, regulatory authorities and the general communities in which it operates. Officers and employees of the Company are expected to:

- comply with the law,
- act honestly and with integrity and objectivity,
- not place themselves in situations which result in divided loyalties,
- use the Company's assets responsibly and in the interests of the Company and,
- be responsible and accountable for their actions.

It is Company policy that directors notify the Company Secretary on a timely basis before buying or selling securities in the Company. The board recognises that it is the individual responsibility of each director and employee in possession of market sensitive information to ensure that he/she complies with the spirit and the letter of insider trading laws. Notification to the Company Secretary and, through him, the board and market, as provided for under the Listing Rules of ASX, does not constitute board endorsement of any such transaction. It is a policy of the board that its members and the Company Secretary not trade shares in the Company whilst in possession of price sensitive information and, if not in possession of such information, other than during the month following the announcement of half yearly or annual results, the publication of an ASX quarterly report or the close of a prospectus relating to equity securities.

The Trading Policy is available on the Company's website (www.reedylagoon.com.au) and will be provided to any shareholder on request to the Company Secretary.

CORPORATE GOVERNANCE STATEMENT

INTEGRITY OF FINANCIAL REPORTING

RLC's Managing Director declares in writing to the board (in accordance with section 295A of the Corporations Act 2001 that, in his opinion, the consolidated financial statements of RLC and its controlled entities for each half and full financial year present a true and fair view of the group's financial position and performance and are in accordance with prevailing accounting standards.

The objectives of the board are to:

- ensure the integrity of external financial reporting,
- ensure that controls are established, maintained and adhered to in order to safeguard the Company's financial and physical resources,
- ensure that systems or procedures are in place and operational so that the Company complies with relevant statutory and regulatory requirements,
- assess financial risks arising from the Company's operations, and consider the adequacy of measures taken to moderate those risks, and
- liaise with external auditors periodically.

CONTINUOUS DISCLOSURE TO ASX

The board is responsible for monitoring compliance with ASX Listing Rule disclosure requirements and approves each proposed announcement to ASX before it is released. The Company Secretary is responsible, under the ASX Listing Rules, for all communications with ASX. The Non-Executive Chairperson, Managing Director and Company Secretary periodically discuss issues relating to the Company's continuous disclosure obligations.

The Company's Disclosure and Communications Policy is available on the Company's website (www.reedylagoon.com.au) and will be provided to any shareholder on request to the Company Secretary.

COMMUNICATION WITH SHAREHOLDERS

It is the policy of the Company to ensure that shareholders have equal and timely access to material information concerning the Company.

All documents which are released publicly are made available on the Company's website (www.reedylagoon.com.au). The website provides information on the Company's mineral projects as well as ASX releases and audited financial statements.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals.

RLC's external auditor is required by law to attend the AGM to answer questions relevant to, inter alia, the conduct of the audit and the preparation and content of the auditor's report, and does attend.

RISK MANAGEMENT

The board is responsible for the oversight of the Group's risk management and control framework. The Company has implemented a policy framework designed to ensure that the Group's risks are identified and that controls are adequate, in place and functioning effectively. Responsibility for aspects of control and risk management is delegated to the pertinent individual within the Group with the Managing Director having ultimate responsibility to the board for the risk management and control framework.

Areas of significant business risk are highlighted in the annual strategic plan presented to the board by the Managing Director.

Arrangements put in place by the Board to monitor risk management include reporting to each board meeting in respect of operations and the financial position of the Group.

The Company's Managing Director reports in writing to the board that:

- the declaration given in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

CORPORATE GOVERNANCE STATEMENT

PERFORMANCE

The board is responsible for the appointment of the Managing Director and conducts an annual review of his performance.

REMUNERATION

Details of the remuneration of the directors are disclosed in the Directors Report, (item 10) set out on page 21.

Currently, the Company does not have a functioning remuneration committee and therefore does not comply with Council recommendation 9.2 (that the board should establish a remuneration committee). Because of the size of the board and the operations of the Company, the Directors are of the view that there is no need for a separate committee.

Details of options issued by the Company are set out in the Directors Report (item 11) on page 22 and in the Notes to the Financial Statements (Note 17f.) on page 41. During the reporting period, 100,000 options were issued to each of the former non-executive directors, Mr A Wischer, and Mr A Watson, and 500,000 to each of then current executive directors Mr G Fethers and Mr H Rutter with the approval of shareholders at a General Meeting on 26 March 2007. Those options were issued pursuant to the Company's Directors Option Scheme, which was approved by shareholders of the Company at the 2000 AGM held on 22 November 2000. During the reporting period, and in advance of their appointment to the board, 3,000,000 options were issued to each of the current Chairman, Mr J Hamer and non-executive director, Mr P Lewis, pursuant to the Directors Option Plan. Shareholders had approved the issue at the General Meeting held on 26 March 2007.

INTERESTS OF STAKEHOLDERS

The board has responsibility for protecting, guiding and monitoring the business affairs of the Company in the interests and for the benefit of stakeholders.

To fulfil this role, the board is responsible for the strategic direction of the business, establishing goals for management and monitoring the achievement of goals directly and through its established committees. Responsibility for day-to-day activities of the entity is delegated to the Managing Director. The Company's board and management jointly strive to achieve best practice in meeting their responsibilities for the business and affairs of the Company.

DIRECTORS' REPORT

The Directors present their report, together with the financial report of Reedy Lagoon Corporation Limited and its wholly owned subsidiary for the year ended 30 June 2007 and the auditor's report thereon.

1. DIRECTORS and SECRETARY

The Names and particulars of Directors of the Company at any time during or since the financial year and are:

Director	Particulars
Jonathan M. Hamer BA, LLB.	Chairman – Non Executive: Aged 52; Appointed 9 May 2007 A partner of Mallesons Stephen Jaques practising in the areas of corporate and finance law. Jonathan has been advising RLC since 1988 on a range of legal and commercial issues, including in its various joint venture agreements and capital raisings.
Geof H. Fethers B.Sc., M AusIMM	Managing Director: Aged 51, Founding Director Manages the operations of RLC. He is a geologist with over 25 years exploration experience. He was employed by De Beers Australia Exploration Limited (formerly Stockdale Prospecting Limited) from 1980 to 1985. He founded RLC in 1986. He co-founded, with Hugh Rutter, Osprey in 1989 and Flagstaff GeoConsultants Pty Ltd in 1996. He holds a Bachelor of Science (Hons.) (Geology) degree from The University of Melbourne and is a Member of the Geological Society of Australia and the Australian Institute of Mining and Metallurgy (CPGeo).
Hugh Rutter B.Sc., M.Sc., D.I.C., F.A.I.G.	Exploration Director Aged 65: Appointed 24 August 2000. A geophysicist and mineral explorer with more than 40 years experience in the mining industry. He has provided geophysical services to a wide range of companies since establishing himself as a Consulting Geophysicist in 1981. Hugh will jointly manage the exploration activities of RLC after the Offer and has contributed to RLC's exploration activities since 1988 as a consultant. Prior to his consulting work, he spent 10 years with Western Mining Corporation Limited ("WMC") before joining The Broken Hill Proprietary Company Ltd ("BHP") as Chief Geophysicist in 1976. At WMC, his activities included involvement in the establishment of an exploration base in the Eastern States of Australia, initial participation in and significant contribution to the discovery of the Olympic Dam Mine, participation in the development of the Wilga Deposit and redevelopment of the Stawell Gold Mine. He helped establish BHP's geophysical exploration and research group and contributed as a member of the Exploration Management Committee. He holds a Bachelor of Science (Geology) degree from Durham University, a Master of Science (Geophysics) degree from University of London and a Diploma from Imperial College, London. He is a past President and Honorary member of the Australian Society of Exploration Geophysicists and member of the Australian Institute of Geoscience.

DIRECTORS' REPORT

**Philip H. Lewis B Ec,
LLB**

Non executive Director :

Aged 49 : Appointed 9 May 2007 .

Has seventeen years experience in investment banking, including having worked from 1990 to 2005 with a major global investment bank. Over that time Philip advised a number of Australia's leading corporates on a range of merger and acquisition and capital markets activities including in the mining sector. Prior to becoming an investment banker, Philip practiced law.

**Adrian C. Griffin B.Sc.
M AusIMM**

Non-Executive Director

Aged 53, ; Appointed 9 May 2007

Has extensive mining and exploration experience including mine planning, grade control and exploration methods in iron ore gained whilst with BHP and 20 years experience managing public companies. Adrian is a geologist and the Chairman and Managing Director of Washington Resources Limited. He is also Managing Director of Hodges Resources Limited, Chairman of Empire Resources Limited and non-executive director of Dwyka Resources Limited and Northern Uranium Limited which has extensive uranium projects to the north of RLC's Pedestal Hill project. In the 1980s, Adrian was operations manager for a number of public companies involved in the mining and production of gold and base metals throughout Australia and southeast Asia. In 1988, he managed the commissioning of underground production at the Bellevue gold mine in Western Australia. He began consulting to the mining industry in 1990 and has held board positions with a number of public companies since then. His management experience is broad, encompassing as it does exploration, financing, development, commissioning and the production of a wide range of mineral commodities. Adrian is a member of the Australasian Institute of Mining and Metallurgy and the Geological Society of Australia.

**Andrew C. D. Watson,
Dip. Farm Manag.**

Non-Executive Director (resigned 9 May 2007)

Aged 52 Originally appointed November 2000.

Is an agriculturalist with interests in private earth moving businesses.

**Adrian D. Wischer,
B.Econ..M.A.I.M.**

Non-Executive Director (resigned 14 July 2006)

Aged 51 : Was a Founding Director of the Company.

Is a private equity investor, an experienced manager and company director. A former Chairman of National Golf Holdings Ltd, a Fellow of A.I.C.D. and an Associate Fellow of A.I.M.

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

DIRECTORS' REPORT

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
A C Griffin	Dwyka Resources Limited	since 1/12/2005
	Empire Resources Limited	since 3/02/2004
	Northern Uranium Limited	since 12/06/2006
	Hodges Resources Limited	since 17/08/2005
	Washington Resources Limited	since 7/09/2004
P H Lewis	Mariner Bridge Investments Limited	since 26/10/2006

The Names and particulars of the Secretary of the Company at any time during or since the financial year and are:

Company Secretary	Particulars
Dermot Coleman B.A., LLB.	Aged 63, Has been employed in the mineral exploration industry since 1977. As a qualified lawyer, he was a director and company secretary of De Beers for more than 15 years, until mid-2001 and on 4/4/06 was appointed as a De Beers nominee director of Tawana Diamonds Australia Pty Ltd, which is a company managed by Tawana Resources, but owned 50/50 by De Beers and Tawana Resources. Much of his work involved negotiating joint venture arrangements and establishing overseas exploration ventures. Reflecting the importance of access to land for exploration, Dermot also has 20 years experience with Native Title and Aboriginal land rights issues and was for 4 years, a councillor of the Perth based Association of Mining and Exploration Companies.

2. DIRECTORS MEETINGS

The following table sets out the numbers of meetings of the Company's directors held during the year ended 30 June 2007, and the number of meetings attended by each director.

	A	B
G. H. Fethers	7	7
H. Rutter	7	7
A. C. D. Watson (resigned 9 May 2007)	3	5
A. D. Wischer (resigned 14 July 2006)	0	0
J M Hamer (appointed 9 May 2007)	3	3
P H Lewis (appointed 9 May 2007)	3	3
A C Griffin (appointed 9 May 2007)	3	3

A - number of meetings attended

B - number of meetings held during the time the director held office during the year

DIRECTORS' REPORT**3. PRINCIPAL ACTIVITY**

The principal activities of the consolidated entity during the course of the financial year were the exploration for minerals.

There were no significant changes in the nature of the activities of the Company during the year.

4. RESULT OF OPERATIONS

The net loss of the Consolidated group after income tax for the year was \$1,494,016 (2006: loss \$321,031). Further commentary on the operations of the Company during the year is included in the Annual Review on pages 3 to 9 of the Annual Report.

5. DIVIDENDS

No amount has been paid or declared by way of a dividend during the year and the directors do not recommend the payment of any dividend.

6. STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year were as follows:

- the issue of 4,136,000 ordinary shares at \$0.125 per share during the year for \$517,000 cash to provide additional working capital;
- a re-organisation of the group (on a record date of 26 March 2007) which included:-
 - o a consolidation of the Company's ordinary shares and all outstanding options at the record date on a 0.6259 for 1 basis;
 - o the assignment of the Company's diamond interests in various tenements and \$232,515 of liabilities to a wholly owned subsidiary and the subsequent 'de-merger' of that subsidiary by way of in-specie distribution of shares to all shareholders on the record date;
 - o liabilities of \$388,500 being extinguished by the issue of 2.5 million options, exercisable at 50 cents per share and expiring 31 March 2012;
 - o the issue of 2.5 million ordinary shares at \$0.20 per share; and
 - o the granting to incoming directors of the Company 6 million options exercisable at 30 cents per share and expiring 30 April 2012
- the lodgement of a prospectus and subsequent issue of 20 million ordinary shares at \$0.20 per share raising \$4 million;
- the admission and quotation of the Company's shares on the Australian Stock Exchange.;
- the issue of 4 million ordinary shares at \$0.20 per share as consideration for the purchase of the remaining 50% interest in the Bullamine Iron Ore project;
- the issue of 1 million ordinary shares at \$0.20 per share to acquire a 90% interest in the U₃O₈ Tanami Uranium Joint Venture (the Company is obliged to issue a further 1 million ordinary shares at \$0.20 per share on granting of the tenements); and
- the issue of 2.6 million ordinary shares at \$0.20 per share (and grant of 2.6 million November 2009 30 cent options) to acquire 42% interest in the ECBM Joint Venture (increasing the Company's interest to 62%).

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

DIRECTORS' REPORT

7. ENVIRONMENTAL REGULATION

The Company's operations are subject to environmental regulations under State legislation in relation to its exploration activities.

In addition, the Company is a member of the Minerals Council of Australia ("MCA") and a signatory to "Enduring Value". The purpose of "Enduring Value" is to assist companies to contribute to the growth and prosperity of current and future generations.

The directors are not aware of any breaches of regulations during the period covered by this report.

8. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen, in the interval between the end of the year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years

9. LIKELY DEVELOPMENTS

At the date of this report, there are no future developments of the Company which warrant disclosure, other than :-

- the completion of the acquisition of interests in U₃O₈ Tanami Uranium Joint Venture by the issue of 1 million ordinary shares at \$0.20 per share on granting of the tenements subject of the joint venture.

10. DIRECTOR AND EXECUTIVE REMUNERATION

The directors and the five identified key management executives received the following amounts as compensation for their services as directors and executives of the Company during the year:

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payment	Total	% consisting of options
	Salary & fees	Non-monetary	Other	Super-annuation		Options & rights		
2007	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
J M Hamer	6,116	-	-	550	-	60,000	66,666	100%
P Lewis	3,058	-	-	275	-	60,000	63,333	100%
A Griffin	3,333	-	-	-	-	-	3,333	-
A Wischer (i)	-	-	-	-	-	-	-	-
A Watson (i)	-	-	-	-	-	-	-	-
Executive Directors								
G Fethers	-	-	-	-	-	-	-	-
H Rutter	-	-	-	-	-	-	-	-
Secretary								
D Coleman	1,376	-	-	124	-	-	1,500	-

DIRECTORS' REPORT

Value of options issued to directors and executives

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified directors and executives:

	Value of options granted at the grant date (i) \$	Value of options exercised at the exercise date \$	Value of options lapsed at the date of lapse \$	Total \$
J Hamer	60,000	-	-	60,000
P Lewis	60,000	-	-	60,000
A Wischer	(ii)	-	(ii)	-
A Watson	(ii)	-	(ii)	-
G Fethers	(ii)	-	(ii)	-
H Rutter	(ii)	-	(ii)	-
D Coleman	(ii)	-	-	-

- (i) Options granted vested with the recipient on issue. The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.
- (ii) The options were deemed to have no value at the date of grant.

11. OPTIONS ISSUES

Since the end of the previous financial year, the Company granted options over unissued ordinary shares to the following:

Issued to	Exercise Price	Number of Options Granted	Expiry Date
Current Directors ⁽¹⁾	\$0.50	1,000,000	31 December 2009
Former Directors ⁽²⁾	\$0.50	200,000	31 December 2009
Other Employees and Consultants	\$0.50	200,000	31 December 2009
Current Directors ⁽³⁾	\$0.50	2,500,000	31 March 2012
Sked Pty Ltd & Jagen Pty Ltd ⁽⁴⁾	\$0.30	2,600,000	30 November 2009
Current Directors ⁽⁵⁾	\$0.30	6,000,000	30 April 2012

⁽¹⁾ Issued 500,000 each to G Fethers and H Rutter – pursuant to the Director's Option Scheme replacing options expiring during the year;

⁽²⁾ Issued 100,000 each to A Wischer (resigned 14 July 2006) and A Watson (resigned 9 May 2007);

⁽³⁾ Issued 2,175,000 to G Fethers and 325,000 to H Rutter in consideration for extinguishment of \$388,504 debt owed to them and their related companies (refer note 15)

⁽⁴⁾ Issued 1,300,000 to each of Sked & Jagen in part consideration for transfer of interests in Edwards Creek Base Metals joint Venture

⁽⁵⁾ Issued 3 million each to J Hamer and P Lewis, incoming directors appointed 9 May 2007.

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

DIRECTORS' REPORT

During or since the end of the financial year, the following options over unissued ordinary shares have been consolidated:

Expiry Date	Exercise Price	Original Number of Shares	Post Consolidation Number of Shares
31 December 2007	\$0.50	1,300,000	813,670
31 December 2008	\$0.50	1,400,000	876,260
31 December 2009	\$0.50	1,400,000	876,620

During or since the end of the financial year, the following options over unissued ordinary shares expired unexercised:

Expiry Date	Exercise Price	Number of Shares
30 November 2006	\$0.50	333,333
31 December 2006	\$0.50	1,200,000

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Shares
31 December 2007	\$0.50	813,670
31 December 2008	\$0.50	876,260
30 November 2009	\$0.30	2,600,000
31 December 2009	\$0.50	876,620
31 March 2012	\$0.50	2,500,000
30 April 2012	\$0.30	6,000,000

12. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options issued by the Company as notified by the directors at the date of the report is:

Director	Shares held by director	Shares held on behalf of director or by director controlled entities	Options over unissued shares
G.H. Fethers	5,010	6,598,770	3,113,850
H. Rutter	93,890	625,900	1,263,850
J Hamer		18,780	3,000,000
P Lewis		813,670	3,000,000
A Griffin	100,000	-	-

Since the end of the previous financial year no director of the Company has received or become entitled to receive any benefit because of a contract made by the Company with the director or with a firm of which they are a member, or with an entity in which the director has a substantial interest, other than:-

- in respect of service agreements with Chromite Pty. Ltd and Geophysical Exploration Consultants Pty Ltd, of which G.H. Fethers and H. Rutter respectively are directors and shareholders.
- the provision of office space, equipment and secretarial services to the Company at normal commercial rates, by Cropten Pty Ltd. Messrs. Fethers and Rutter are shareholders and directors of Cropten Pty. Ltd.
- in respect of a service agreement with Lewcorp Pty. Ltd, of which P. H. Lewis is a director and shareholder, for the provision of corporate advisory and other services as required from time to time by the Company. The agreement provides for a fixed annual retainer of \$40,000. The

DIRECTORS' REPORT

agreement is renewable annually on 1 July each year and has been renewed by the Company until 30 June 2008.

Details of the service agreements are provided in Note 22 to the Financial Statements.

- Mallesons, a firm of which Mr J M Hamer is a partner, provided professional legal services to the Company during the financial year in respect of the reconstructions, capital raisings, agreements and other matters. Total payments to Mallesons during the financial period amounted to \$352,950, including \$172,076 of fees relating to services rendered in prior periods which had been deferred and payable only in the event of a successful capital raising and listing of the Company on the ASX.

13. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary, Mr. D Coleman, and all executive officers of the Company and of any related body corporate against a liability incurred in such capacity of director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

14. NON AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services by the auditor (or by another person or firm associated with or on behalf of the auditor) is compatible with the general standard of auditors independence imposed by the Corporations Act 2001.

Details of amounts paid or payable to the auditor (or associated firms) for non-audit services provided during the year are set out on page 38 of the financial report.

15. AUDITORS INDEPENDENCE DECLARATION

The auditors' independence Declaration is included on page 25 of the financial report

16. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

17. ASX LISTING RULE 4.10.19

The Directors confirm that monies held in the form of the cash and assets in a form readily convertible to cash that the Company had at the time of admission to ASX on 22 June 2007 were used during the financial period in a way consistent with its business objectives specified at the time of admission.

Signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



G.H. FETHERS
DIRECTOR
28 September 2007

AUDITOR'S INDEPENDENCE DECLARATION

**UNDER SECTION 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 30 June 2007 there have been:

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

NEXIA ASR

ABN 16 847 721 257



George S Dakis
Partner

Melbourne
28 September 2007

‘value beyond numbers’

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DIRECTORS DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 29 to 51, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company and consolidated group;

2. the Managing Director, acting as chief executive officer and chief finance officer , has declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;

3. 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.

Signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.



G. H. FETHERS
Managing Director

28 September 2007
Melbourne

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
REEDY LAGOON CORPORATION LIMITED**



Incorporating the firms of
Alexander & Spencer
and Rosenbergs

Report on the Financial Report

We have audited the accompanying financial report of Reedy Lagoon Corporation Limited (the Company) and Reedy Lagoon Corporation Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the 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 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. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

'value beyond numbers'

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**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
REEDY LAGOON CORPORATION LIMITED**



Independence

In conducting our audit, 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 Reedy Lagoon Corporation Limited on 10 July 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

- a. the financial report of Reedy Lagoon Corporation Limited and Reedy Lagoon Corporation Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 3; and
- c. the remuneration disclosures that are contained in pages 21 to 22 of the directors' report comply with Accounting Standard AASB 124.

Nexia ASR

ABN 16 847 721 257

A handwritten signature in black ink, appearing to read "G. Dakis".

George S Dakis

Partner

Melbourne

28 September 2007

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

		Consolidated		Company	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
Other revenue from ordinary activities	4	721,898	8,991	537,475	8,991
Total revenue		<u>721,898</u>	<u>8,991</u>	<u>537,475</u>	<u>8,991</u>
Expenses related to ordinary activities					
Administration expense		(79,311)	(50,742)	(79,311)	(50,742)
Exploration expenditure		(201,740)	(92,462)	(201,740)	(92,462)
Other expenses from ordinary activities		(250,030)	(158,222)	(250,030)	(158,222)
Employment costs	8	(134,832)	-	(134,832)	-
Prospectus costs		-	(28,596)	-	(28,596)
Exploration assets acquisition costs written off		(1,550,000)	-	(1,550,000)	-
(Loss) before income tax		<u>(1,494,016)</u>	<u>(321,031)</u>	<u>(1,678,439)</u>	<u>(321,031)</u>
Income tax expense	9(a)	-	-	-	-
(Loss) for the year		<u>(1,494,016)</u>	<u>(321,031)</u>	<u>(1,678,439)</u>	<u>(321,031)</u>
Earnings per share					
Basic (cents per share)		(7.04)	(1.30)		
Diluted (cents per share)		(5.82)	(1.15)		

Notes to the financial statements are included on pages 33 to 51.

REEDY LAGOON CORPORATION LIMITED

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**BALANCE SHEET
AS AT 30 JUNE 2007**

		Consolidated		Company	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	11	3,866,623	457,490	3,866,623	457,490
Trade and other receivables	12	61,385	6,534	61,385	6,534
Other current assets	13	46,667		46,667	
Total Current Assets		3,974,574	464,024	3,974,574	464,024
Total Assets		3,974,574	464,024	3,974,574	464,024
LIABILITIES					
Current Liabilities					
Trade and other payables	14	21,642	125,629	21,642	125,629
Total Current Liabilities		21,642	125,629	21,642	125,629
Non Current Liabilities					
Non-current borrowings	15	-	648,418	-	463,995
Total Non Current Liabilities		-	648,418	-	463,995
Total Liabilities		21,642	774,047	21,642	589,624
Net Asset (Deficiency)		3,953,032	(310,023)	3,953,032	(125,600)
Equity					
Issued capital	16	13,406,028	7,768,957	13,406,028	7,768,957
Reserves	18	120,000	-	120,000	-
Retained earnings		(9,572,996)	(8,078,980)	(9,572,996)	(7,894,557)
Total Equity/(deficiency)		3,953,032	(310,023)	3,953,032	(125,600)

Notes to the financial statements are included on pages 33 to 51.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

Consolidated

	Fully paid ordinary shares \$	Equity- settled employee benefits reserve \$	Retained earnings \$	Total \$
Balance at 30 June 2005	7,251,957	-	(7,757,949)	(505,992)
Issue of shares	517,000			517,000
(Loss) for the period			(321,031)	(321,031)
Total recognised income and expense			(321,031)	(321,031)
Balance at 30 June 2006	7,768,957	-	(8,078,980)	(310,023)
Balance at 1 July 2006	7,768,957	-	(8,078,980)	(310,023)
(Loss) for the period			(1,494,016)	(1,494,016)
Total recognised income and expense			(1,494,016)	(1,494,016)
Issue of options under share option plan		120,000		120,000
Issue of shares for placement	500,000			500,000
Issue of shares under prospectus	4,000,000			4,000,000
Share Issue costs	(382,929)			(382,929)
Issue of shares for acquisitions	1,520,000			1,520,000
Balance at 30 June 2007	13,406,028	120,000	(9,572,996)	3,953,032

Company

	Fully paid ordinary shares \$	Equity- settled employee benefits reserve \$	Retained earnings \$	Total \$
Balance at 30 June 2005	7,251,957	-	(7,573,526)	(321,569)
Issue of shares	517,000			517,000
(Loss) for the period			(321,031)	(321,031)
Total recognised income and expense			(321,031)	(321,031)
Balance at 30 June 2006	7,768,957	-	(7,894,557)	(125,600)
Balance at 1 July 2006	7,768,957	-	(7,894,557)	(125,600)
(Loss) for the period			(1,678,439)	(1,678,039)
Total recognised income and expense			(1,678,439)	(1,678,039)
Issue of options under share option plan		120,000		120,000
Issue of shares for placement	500,000			500,000
Issue of shares under prospectus	4,000,000			4,000,000
Share Issue costs	(382,929)			(382,929)
Issue of shares for acquisitions	1,520,000			1,520,000
Balance at 30 June 2007	13,406,028	120,000	(9,572,996)	3,953,032

Notes to the financial statements are included on pages 33 to 51

REEDY LAGOON CORPORATION LIMITED

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**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

		Consolidated		Company	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
Cash flow from operating activities					
Receipts from customers		132,000	66,000	132,000	66,000
Payments to suppliers and employees		(649,230)	(282,007)	(649,230)	(282,007)
Interest received		28,971	8,993	28,971	8,993
Net cash provided by/(used in) operating activities	19(b)	(608,576)	(207,014)	(608,576)	(207,014)
Cash flows from investing activities					
Payments for acquisition of exploration projects		(30,000)	-	(30,000)	-
Investment in de-consolidated subsidiary		(50,000)	-	(50,000)	-
Net cash provided by/(used in) investing activities		(80,000)	-	(80,000)	-
Cash flows from financing activities					
Proceeds from share issues		4,500,000	517,000	4,500,000	517,000
Payment of Share issue costs		(374,588)	-	(374,588)	-
Repayment of loans		(27,703)	-	(27,703)	-
Proceeds from loans			88,160		88,160
Net cash provided by/(used in) financing activities		4,097,709	605,160	4,097,709	605,160
Net (decrease)/increase in cash held		3,409,133	398,146	3,409,133	398,146
Cash at beginning of year		457,490	59,344	457,490	59,344
Cash at end of year	19(a)	3,866,623	457,490	3,866,623	457,490

Notes to the financial statements are included on pages 33 to 51

REEDY LAGOON CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

1. GENERAL INFORMATION

Reedy Lagoon Corporation Limited ("the Company" or "RLC") is a listed public company, incorporated in Australia with mineral projects in Victoria, NSW, Northern Territory, Western and South Australia.

Reedy Lagoon Corporation Limited registered office and its principal place of business is at:

Suite 2, 337A Lennox Street
Richmond, Vic, 3121

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group 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 annual reporting period. These new and revised standards and interpretations have no material impact to these financial statements.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue	Effective for annual reporting periods beginning on or after 1 January 2007
AASB 101 'Presentation of Financial Statements' – revised standard	Effective for annual reporting periods beginning on or after 1 January 2007
Interpretation 10 'Interim Financial Reporting and Impairment'	Effective for annual reporting periods beginning on or after 1 November 2006

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company or the Group. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the Company's or the Group's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the Company and the Group's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the Company's annual reporting period beginning on 1 July 2007.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared in accordance with the historical cost convention, and except where stated does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

(a) Principles of Consolidation

The consolidated accounts comprise the accounts of Reedy Lagoon Corporation Limited and its controlled entities. A list of controlled entities is contained in Note 25 to the financial statements. All inter-company balances and transactions between entities in the Consolidated, including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the Consolidated during the year, their operating results have been included from the date control was obtained or until the date control ceased. Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income tax

The charge for current income tax expenses is based on the profit for the year adjusted for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

(c) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to the ATO, are classified as operating cash flows.

(d) Exploration, Evaluation and Development Expenditure

Expenditure incurred on the acquisition of exploration properties and exploration, evaluation and development costs are written off as incurred where the activities in the areas of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Once it is determined that the costs can be recouped through sale or successful development and exploitation of the area of interest then the on-going costs are accumulated and carried forward for each area of interest.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration, evaluation and development costs are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Each area of interest is also reviewed annually and accumulated costs written off to the extent that they will not be recoverable in the future.

Restoration costs are provided for at the time of the activities that give rise to the need for restoration. If this occurs prior to commencement of production, the costs are included in deferred exploration and development expenditure. If it occurs after commencement of production, restoration costs are provided for and charged to the statement of financial performance as an expense.

(e) Cash assets

Cash assets are carried at face value of the amounts deposited. The carrying value of cash assets approximates net fair value.

(f) Other receivables

Other receivables are stated at cost less allowance for doubtful receivables.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

(g) Revenue Recognition

Rendering of services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers or in accordance with contractual rights.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(h) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are settled as cash flows allow.

(i) Investments Controlled Entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

(j) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

4. ACCOUNTING JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

REEDY LAGOON CORPORATION LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

		Consolidated		Company	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
5. REVENUE					
Operating income:					
- Interest – other parties		28,971	2,378	28,971	2,378
- Joint Venture management fees		120,000	60,000	120,000	60,000
		<u>148,971</u>	<u>62,378</u>	<u>148,971</u>	<u>62,378</u>
Other Income and Gains					
Gain of debt forgiveness		388,504	-	388,504	-
Gain on deconsolidation of subsidiary	25(b)	184,423	-	-	-
		<u>572,927</u>	<u>-</u>	<u>388,504</u>	<u>-</u>
Total revenue		<u>721,898</u>	<u>62,378</u>	<u>537,475</u>	<u>62,378</u>
6. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE					
Loss from ordinary activities before income tax expense has been arrived at after charging the following items:					
a. <u>Expenses</u>					
Finance costs:					
- external		-	-	-	-
- related entities		-	-	-	-
Total finance costs		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
b. <u>Significant expenses</u>					
The following significant revenue and expense items are relevant in explaining the statement of financial performance					
- Fund raising costs		-	28,546	-	28,546
- Equity-settled share-based payments		120,000	-	120,000	-
- Write off of acquisition costs of exploration assets		1,550,000	-	1,550,000	-
-Exploration expenditure		201,340	92,462	201,340	92,462

REEDY LAGOON CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

7. AUDITORS' REMUNERATION

Remuneration for the auditor of the Company for:

- auditing or reviewing the financial report	5,500	3,500	5,500	3,500
- taxation and compliance services	3,500	5,000	3,500	5,000
- other services	8,000	7,980	8,000	7,980
	<u>17,000</u>	<u>16,480</u>	<u>17,000</u>	<u>16,480</u>

8. KEY MANAGEMENT PERSONNEL COMPENSATION

The directors and the five ⁽¹⁾ identified key management executives received the following amounts as compensation for their services as directors and executives of the Company during the year:

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payment	Total	% consisting of options
	Salary & fees	Non-monetary	Other	Super-annuation		Options & rights (2)		
2007	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
J M Hamer	6,116	-	-	550	-	60,000	66,666	100%
P Lewis	3,058			275		60,000	63,333	100%
A Griffin	3,333			-			3,333	
A Wischer	-					(3)	-	
A Watson	-					(3)	-	
Executive Directors								
G Fethers	-					(3)	-	
H Rutter	-					(3)	-	
Secretary								
D Coleman	1,376	-	-	124	-	(3)	<u>1,500</u>	
							<u>134,832</u>	

(1) the Group did not employ any executives during the financial year. The Executive Directors and their associated entities undertook all executive responsibilities for the Group. Details of services agreements with director related service entities are set out in Note 22.

(2) details of the valuation of share based payments are set out in Note 17. All options fully vested on grant date.

(3) the options were deemed to have no value at the date of grant.

REEDY LAGOON CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

9. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Information on business segments

(i) *Activities within each business segment*

For management purposes, the Group is organised into one major operating division – minerals exploration. This is the basis on which the Group reports its primary segment information. The principal projects in which the Group has an interest in are described in the Annual Review in pages 3 to 9 of this Annual Report

(ii) *Segment revenues*

	External sales		Inter-segment (i)		Other		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Mineral exploration	120,000	60,000	-	-	-	-	120,000	60,000
Total of all segments							120,000	60,000
Eliminations							-	-
Unallocated							28,471	2,378
Consolidated revenue							148,471	62,378

(iii) *Segment result*

	2007 \$'000	2006 \$'000
Minerals exploration	(1,960,682)	(294,813)
Unallocated	466,166	(28,596)
Loss before tax	(1,494,016)	(321,031)
Income tax benefit	-	-
Loss for the year	(1,494,016)	(321,031)

iv. *Segment assets and liabilities*

	Assets		Liabilities	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Minerals exploration (1)	-	-	-	-
Total segments				
Eliminations	-	-	-	-
Unallocated	3,974,574	464,024	21,642	774,047
Consolidated	3,974,574	464,024	21,642	774,047

REEDY LAGOON CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

- (1) the Group's accounting policy is to charge to the result for the period all expenditure incurred on mineral exploration activities, including costs associated with the acquisition of interests in exploration rights and projects.

v. Other segment information

	Minerals exploration	
	2007	2006
	\$'000	\$'000
Acquisition of segment assets	1,550,000	-
Write-off or Amortisation of segment assets	(1,550,000)	-

(b) **Information on geographical segments**

The Group's one division operates in one principal area – Australia.

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
10. TAXATION				
(a) Income tax expense				
Prima facie income tax benefit calculated at 30% on the (loss) before tax	(448,205)	(96,309)	(503,412)	(96,309)
Increase/decrease in income tax expense				
Tax effect of:				
Exploration expenditure and acquisition costs not deductible for tax purposes	468,000	9,000	468,000	9,000
Share based payments	36,000	-	36,000	-
Fund raising costs		44,048		44,048
Non-Assessable gain on deconsolidation	(55,207)	-	-	-
Capital allowances – share issue costs	(31,785)	(14,253)	(31,785)	(14,253)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	600	(300)	600	(300)
Prima-facie income tax benefit	(30,597)	(57,814)	(30,597)	(57,814)
Deferred tax asset (on account of losses) not brought to account	30,597	57,814	30,597	57,814
Income tax expense (benefit)		-		-

(b) **Deferred Tax Assets not taken to account**

The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not probable:

Tax losses carried forward	857,097	845,707	590,587	579,197
Unamortised balance of capital allowances	118,332	35,238	118,332	35,238
Temporary differences	1,650	1,050	1,650	1,050
	977,079	881,995	710,569	615,485

REEDY LAGOON CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

The potential future income tax benefit will only be obtained if:

- The Company and the subsidiary derives future assessable income of a nature and amount sufficient to enable the benefit to be realised;
- The Company and the subsidiary continues to comply with the conditions for deductibility imposed by the law; and
- No changes in tax legislation adversely affect the Company or the subsidiary in realising the benefit.

	Note	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
11. CASH AND CASH EQUIVALENTS IN HAND					
Cash at bank		106,794	13,635	106,794	13,635
Cash management account		3,689,829	373,855	3,689,829	373,855
Term deposits		70,000	70,000	70,000	70,000
		3,866,623	457,490	3,866,623	457,490

The bank short term deposits mature within 60 days and pay interest at a weighted average interest rate of 5.0% at 30 June 2007. These deposits are held by the bank as a guarantee to Ministry of Energy and Resources.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	3,866,623	457,490	3,866,623	457,490
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12. TRADE AND OTHER RECEIVABLES

GST receivable	61,385	6,534	61,385	6,534
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13. OTHER CURRENT ASSETS

Prepayments	46,667	-	46,667	-
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14. TRADE AND OTHER PAYABLES

Current

Trade creditors and accruals	21,642	125,629	21,642	125,629
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REEDY LAGOON CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
15. NON-CURRENT BORROWINGS				
Loan – Chromite Pty Ltd	-	491,621	-	376,122
Loan – Cropten Pty Ltd	-	115,497	-	46,273
Loan – G Fethers	-	24,300	-	24,300
Loan – Geophysical Exploration Consultants Pty Ltd	-	17,000	-	17,000
	-	648,418	-	463,995

Each of the above entities is a director related entity of RLC. As a result of the reconstruction of RLC and the issue of 2,500,000 options to G Fethers and H Rutter in March 2007 \$388,504 of the loans then outstanding were forgiven. Furthermore \$234,423 of liabilities were assumed by DiamondCo Limited, which was subsequently deconsolidated from the RLC Group.

16. ISSUED CAPITAL

- a. Issued and paid up share capital of 47,600,000 (2006: 27,959,833) ordinary shares fully paid comprising:

13,406,028	7,768,957	13,406,028	7,768,957
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Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

b. <i>Movement in Share Capital</i>	Number				
Balance 1 July 2005	23,823,833		7,251,957		7,251,957
Issues – pre reconstruction (2006: Placement at 12.5 cents)	<u>4,136,000</u>		517,000		517,000
Balance – 30 June 2006	<u>27,959,833</u>	7,768,957		7,768,957	
Reconstruction of shares – March 2007 – on 0.6259 for 1 basis	<u>(10,459,833)</u>				
Total post re-construction	17,500,000				
Issues during the year – post reconstruction (at 20 cents per share)					
Placement – April 2007	2,500,000	500,000	-	500,000	-
Pursuant to Prospectus – June 2007	20,000,000	4,000,000	-	4,000,000	-
Acquisitions of mining projects					
Bulla JV	4,000,000	800,000	-	800,000	-
Uranium JV	1,000,000	200,000	-	200,000	-
Edwards Creek Base Metals JV	2,600,000	520,000	-	520,000	-
	<u>47,600,000</u>	13,788,957		13,788,957	
Share Issue costs		(382,929)	-	(382,929)	-
		<u>13,406,028</u>	<u>7,768,957</u>	<u>13,406,028</u>	<u>7,768,957</u>

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Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation

17. OPTIONS OVER UNISSUED SHARES

a. Options Issued

Since the end of the previous financial year, the Company granted options over unissued ordinary shares to the following:

Issued to	Exercise	Number of Options Granted	Expiry Date
	Price		
Current Directors ⁽¹⁾	\$0.50	1,000,000	31 December 2009
Former Directors ⁽²⁾	\$0.50	200,000	31 December 2009
Other Employees and Consultants	\$0.50	200,000	31 December 2009
Cropten Pty Ltd & Chromite Pty Ltd ⁽³⁾	\$0.50	2,500,000	31 March 2012
Sked Pty Ltd & Jagen Pty Ltd ⁽⁴⁾	\$0.30	2,600,000	30 November 2009
Current Directors ⁽⁵⁾	\$0.30	6,000,000	30 April 2012

⁽¹⁾ Issued 500,000 each to G Fethers and H Rutter – pursuant to the Director's Option Scheme replacing options expiring during the year;

⁽²⁾ Issued 100,000 each to A Wischer (resigned 14 July 2006) and A Watson (resigned 9 May 2007);

⁽³⁾ Issued 2,175,000 to G Fethers and 325,000 to H Rutter in consideration for extinguishment of \$388,504 debt owed to them and their related companies (refer note 15);

⁽⁴⁾ Issued 1,300,000 to each of Sked & Jagen in part consideration for transfer of interests in Edwards Creek Base Metals joint Venture

⁽⁵⁾ Issued 3 million each to J Hamer and P Lewis, incoming directors appointed 9 May 2007.

b. Options Expired

During or since the end of the financial year, the following options over unissued ordinary shares expired unexercised:

Expiry Date	Exercise Price	Number of Options (i)
30 November 2006	\$0.50	333,333
31 December 2006	\$0.50	1,200,000

(i) each option converts to one ordinary share on exercise

c. Options Reconstructed

During or since the end of the financial year, the following options over unissued ordinary shares have been consolidated:

Expiry Date	Exercise Price	Original Number of Shares	Post Consolidation Number of Options (i)
31 December 2007	\$0.50	1,300,000	813,670
31 December 2008	\$0.50	1,400,000	876,260
31 December 2009	\$0.50	1,400,000	876,620

(i) each option converts to one ordinary share on exercise

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

e. Options exercised

No options over unissued ordinary shares were exercised during or since the end of the financial year.

d. Options on Issue at balance date

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Options (i)
31 December 2007	\$0.50	813,670
31 December 2008	\$0.50	876,260
30 November 2009	\$0.30	2,600,000
31 December 2009	\$0.50	876,620
31 March 2012	\$0.50	2,500,000
30 April 2012	\$0.30	6,000,000

(i) each option converts to one ordinary share on exercise

f. Fair Value of Share Based Payments

The following options were issued to officers of the Company during the year in respect of services provided and employment agreements.

Expiry Date	Exercise Price	Expiry Date	Number of Options granted (i)	Number of Options Vested during the year	Fair Value of Options granted and vested
Directors					
G Fethers	\$0.50	31-Dec-09	312,950	312,590	0
H Rutter	\$0.50	31-Dec-09	312,950	312,590	0
A Wischer	\$0.50	31-Dec-09	62,590	62,590	0
A Watson	\$0.50	31-Dec-09	62,590	62,590	0
J Hamer	\$0.30	30-Apr-12	3,000,000	3,000,000	60,000
P Lewis	\$0.30	30-Apr-12	3,000,000	3,000,000	60,000
D Coleman (Sec)	\$0.50	31-Dec-09	62,590	62,590	0

(i) each option converts to one ordinary share on exercise

The valuation of the options granted and vested during the year employed a Cox Ross Rubenstein and also a Black Scholes options pricing model using the following key data inputs, in addition to the exercise price and term to expiry noted above.

Series	50 cents : 31-Dec-09	30 cents : 30-Apr-12
Deemed date of grant	31 December 2006	27 March 2007
Underlying Share Price	12.5 cents	20.0 cents
Volatility	Range – 20% to 30%	Range – 20% to 30%
Risk Free Rate	5.6%	5.6%
Dividend Rate	Nil	Nil
Employee exit rate	0	0

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
18. RESERVES				
Equity settled employee benefits	120,000	-	120,000	-
Equity-settled employee benefits reserve				
Balance at beginning of financial year	-	-	-	-
Share-based payment expensed	120,000	-	120,000	-
Balance at end of financial year	120,000	-	120,000	-

The Equity-settled employee benefits reserve records items recognised as expenses on valuation of employee shares granted and vested.

19. CASH FLOW INFORMATION

a. Reconciliation of cash flow from operation with profit after tax.

Cash assets	11	3,866,623	457,490	3,866,623	457,490
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b. Reconciliation of (Loss) for the year to net cash (used in) operating activities

Profit/(Loss) from ordinary activities after Income Tax	(1,494,016)	(321,031)	(1,678,039)	(321,031)
Non Cash Credits / Charges				
Gain on Debt forgiveness	388,504	-	388,504	-
Gain on deconsolidation of subsidiary	184,023	-	-	-
Write-off or exploration project acquisition costs	1,550,000	-	1,550,000	-
Share based payments expense	120,000	-	120,000	-
Movement in other assets/liabilities				
Decrease (Increase) in receivables	(63,192)	(6,112)	(63,192)	(6,112)
Decrease (Increase) in prepayments	(46,667)	-	(46,667)	-
Increase/(decrease) in accounts payable	(103,586)	120,129	(103,586)	120,129
Net Cash (used in) operating activities	(608,576)	(207,014)	(608,576)	(207,014)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

20. INTEREST IN JOINT VENTURE OPERATIONS

On 30 June 2003 an agreement was executed with Redport Limited, Axburgh Investments Pty Ltd, Jagen Pty Ltd and Sked Pty Ltd ("the joint venture partners") in respect of base metal and gold interests in EL s 3250, 3790 and 3886 (Edward Creek Base Metals Joint Venture). RLC is the manager but the joint venture partners may elect to replace RLC at any time. During the year RLC acquired Jagen Pty Ltd's and Sked Pty Ltd's interest in the ECBMJV, increasing RLC's interest in the ECBMJV to 62%. RLC's interest in the ECBMJV includes 20%, which is free carried to completion of a bankable feasibility study. RLC must contribute 52.5% of ECBMJV exploration expenditure to maintain the 42% interest that it acquired from Jagen Pty Ltd and Sked Pty Ltd. Whilst Redport and Axburgh partners elect to continue in the joint venture they fund 47.5% of exploration expenditure and will be obliged to pay RLC \$14,250 each quarter until the commencement of commercial production.

On 10 January 2005 the Diptank Joint Venture ("Diptank JV") Agreement commenced. The Diptank JV is in respect of all mineral interests in EL 6202 located in NSW. Under the terms of the agreement RLC is entitled to an 85% participating interest in the Diptank JV. Whilst RLC elects to continue in the venture it will sole fund exploration expenditure and be obliged to pay \$10,000 to the joint venture partner each quarter until the commencement of commercial production. RLC may withdraw from the joint venture at any time without penalty or obligation for further payments.

On 7 February 2007 the Company entered into an agreement to purchase a 90% interest the U₃O₈ Joint Venture. The U₃O₈ Joint Venture provides RLC a 90% interest in tenement applications: 80/3706, 3707, 3708 & 3939. The terms of the agreement include provisions for RLC to issue 1,000,000 RLC shares at the time RLC listed on ASX and 1,000,000 RLC shares on the date tenements are granted. RLC is required to sole fund exploration expenditure in order to maintain its equity in the joint venture. On 22 June the Company issued 1,000,000 RLC shares to Elsinore Pty Ltd under the terms of the agreement. At the date of this report the tenement grants had yet to be issued.

21. EVENTS AFTER BALANCE SHEET DATE

There have been no events after balance sheet date which would have a material effect on the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

22. RELATED PARTY TRANSACTIONS

- a. The names of each person holding the position of Director of Reedy Lagoon Corporation Limited during the financial year were:

G.H. Fethers (appointed 24 September 1986)
H. Rutter (appointed 24 August 2000)
A.C.D. Watson (appointed 22 November 2000, resigned 9 May 2007)
A.D. Wischer (appointed 24 September 1986, resigned 14 July 2006)
J M Hamer (appointed 9 May 2007)
P Lewis (appointed 9 May 2007)
A Griffin (appointed 9 May 2007)

Directors' transactions in shares and share options are detailed in the directors' report.

- b. Other transactions with the consolidated entity:

- (i) G.H. Fethers is a director and shareholder of Chromite Pty Ltd, which provided the services of geologists, including Mr. Fethers, to the Group. The services were provided on an 'as required' basis at normal commercial rates following an agreement to defer commencement of the management contract between the Company and Chromite approved on 22 November 2000. During previous financial years Chromite, being a director related entity of RLC has advanced funds and deferred repayment of fees charged. Total fees invoiced by Chromite during the June 2007 financial year to the Company, and the Consolidated group, amounting to \$81,004 were paid (2006: \$59,471)
- (ii) Mr. Fethers and Mr. Rutter are directors and shareholders of Cropten Pty Ltd, which provides office space and equipment, together with services including secretarial to the consolidated entity at normal commercial rates. During previous financial years Cropten, being a director related entity of RLC, has deferred repayment of fees charged. Total fees invoiced by Chromite during the June 2007 financial year to the Company, and the Consolidated group, amounting to \$19,640 were paid (2006: \$18,399)
- (iii) Geophysical Exploration Consultants (GEC) Pty Ltd is a company associated with Mr. Rutter. GEC provides exploration services to the consolidated entity on an 'as required' basis at normal commercial rates following GEC's agreement to defer commencement of the management contract between the Company and GEC approved on 22 November 2000. During previous financial years GEC, being a director related entity of RLC, agreed deferred repayment of fees charged. Total fees invoiced by GEC during the June 2007 financial year to the Company, and the Consolidated group, amounting to \$18,450 were paid (2006: \$2,350)
- (iv) Lewcorp Pty Ltd ("**Lewcorp**"), a company of which Mr P Lewis is a director and shareholder, provides corporate advisory and other services to RLC as required pursuant to a Consultancy Agreement operative from 1 July 2006. Lewcorp is entitled to a fixed annual payment of \$40,000 pursuant to the agreement, which is now renewable annually.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

b. Other transactions with the consolidated entity (cont'd):

(v) All amounts remaining due to Chromite, Cropten and GEC in respect of advances and deferred payments for services rendered to March 2007 were forgiven as part of the restructure. Chromite, Cropten and GEC assigned the benefit of entitlements for 2,500,000 options over ordinary shares, exercisable at 50 cents per share by 31 March 2012 as part exchange for the debt forgiveness and cancellation of all other contractual rights.

The options were granted, pursuant to the assignment by Chromite, Cropten and GEC to Mr G Fethers (2,175,000) and Mr H Rutter (375,000). These options are including in the directors interest noted in the Director's Report on page 23.

Deferred fees and advances made by directors and director related entities and forgiven during the year and assumed by DiamondCo were:

	Consolidated	
	Amounts forgiven	Amounts assumed by DiamondCo
	\$	\$
Chromite Pty Ltd	291,148	176,232
Cropten Pty Ltd	72,289	43,208
Geophysical Exploration Consultants Pty Ltd	14,427	8,623
G Fethers	10,640	6,360
	<u>388,504</u>	<u>234,423</u>

23. FINANCIAL INSTRUMENTS

a. Financial Risk Management

The group's financial instruments consist of deposits with banks, accounts receivable and borrowings from director related entities.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

The group does not have any derivative instruments at 30 June 2006.

i. Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

There are no financial liabilities wherein the Group is exposed to interest rate risk. Financial assets interest rate risk is managed by investing only in short-term AAA rated bank securities.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

23. FINANCIAL INSTRUMENTS (cont'd)

b. Interest Rate Risk

The Group's and the Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

The following table details the Group's exposure to interest rate risk as at 30 June 2007:

2007	Weighted average effective interest rate %	Variable interest rate \$	Fixed maturity dates						Non interest bearing \$	Total \$
			Less than 1 year \$	1-2 years \$	2-3 years \$	3-4 years \$	4-5 years \$	5+ years \$		
Financial assets										
Cash and cash equivalents	5.0	3,796,833	70,000							3,866,623
Other receivables	-								61,385	61,385
Other Current assets	-								46,667	46,667
		<u>3,796,833</u>	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,052</u>	<u>3,974,574</u>
Financial liabilities										
Trade payables	-	-	-	-	-	-	-	-	21,642	21,642
									<u>21,642</u>	<u>21,642</u>

The following table details the Group's exposure to interest rate risk as at 30 June 2006:

2006	Weighted average effective interest rate %	Variable interest rate \$	Fixed maturity dates						Non interest bearing \$	Total \$
			Less than 1 year \$	1-2 years \$	2-3 years \$	3-4 years \$	4-5 years \$	5+ years \$		
Financial assets										
Cash and cash equivalents	4.50	387,920	70,000	-	-	-	-	-	-	457,490
Other receivables	-	-	-	-	-	-	-	-	6,534	6,534
		<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,534</u>	<u>464,024</u>
Financial liabilities										
Trade payables	-	-	-	-	-	-	-	-	125,629	125,629
									<u>125,629</u>	<u>125,629</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

24. EXPLORATION EXPENDITURE COMMITMENTS

Ongoing annual exploration expenditure is required to maintain title to the Company's mineral exploration tenements. No provision has been made in the accounts for these amounts as the amounts are expected to be fulfilled in the normal course of the operations of the Company.

Tenement expenditure is dependent upon exploration results and available cash resources. Expenditure commitments are also impacted upon and may be reduced where access to areas has been restricted by the existence of Native Title claims. At the date of this report claims for Native Title in respect of areas of all RLC's granted tenements except EL's 3032, 3281 and 3376 have been made under the Native Title Act.

The Statutory minimum expenditure requirement for the current twelve month tenures in relation to each of the tenements, including applications, listed in the Tenement Schedule on page 10 of the Annual report is \$990,650 (2006: \$304,000). Of this amount, \$513,300 relates to granted tenements.

Exploration Licence 3505 includes land that is within the Woomera Prohibited Area. All exploration and mining activities within the Woomera Prohibited Area are subject to agreements with the Commonwealth of Australia. A Deed of Access between the Company and the Commonwealth was signed by RLC on 14 August 2007.

Exploration Licence 3208 incorporates land that is Reserved Forest set aside under Section 50 of the Forest Act 1958 as part of the Thomson River Forest Reserve (Gaz 1984 P235). The Licence area is within the Thomson Catchment and is subject to a Land Use Determination pursuant to section 23 of the Soil Conservation and Land Utilization Act 1958.

The objective of the Land Use Determination is to provide management guidelines to maintain acceptable quality, quantity and perennality of water harvested from the catchment.

To protect the integrity of the water supply within the Thomson storage, earthworks are required to be kept to a minimum and any effluent and waste disposal will be in accordance with guidelines approved by the Department of Natural Resources and Environment in consultation with Melbourne Water.

Exploration Licences 3032, 3281 and 3376 cover or include areas which comprise part of the Chiltern – Mt Pilot National Park. Exploration and mining activities within this Park may only continue with the consent of the Minister for Sustainability and Environment under Section 40 of the National Parks Act, 1975. Where the gaining of such consents prevents or postpones exploration the expenditure requirements may be reduced.

The Statutory expenditure requirement is subject to negotiation with the relevant state department, and expenditure commitments may be varied between tenements, or reduced subject to reduction of exploration area and/or relinquishment of non-prospective tenements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

25. CONTROLLED ENTITIES

a. Interest in controlled entities:

Name	Country of incorporation	Ordinary share consolidated entity interest	
		2007	2006
		%	%
Osprey Gold Pty Ltd. (1)	Australia	100	100

(1) Osprey Gold is dormant and acts solely as the registered proprietor of exploration licences covering the Chiltern gold project

b. Disposal of controlled entity

During the financial period RLC established DiamondCo Limited and assigned certain assets and liabilities to this entity. With effect 26 March 2007 DiamondCo was de-merged from RLC and all shares held by RLC were distributed in-specie pro-rata to RLC shareholders on record at that date.

As a result of the de-merger the Group recorded a gain on deconsolidation of Diamond Co. The gain is reconciled as follows:

	\$
Liabilities of the Group assumed by DiamondCo	234,423
Loans/Investment by the group to DiamondCo	<u>(50,000)</u>
Net Gain	<u>184,423</u>

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SHAREHOLDER INFORMATION (AS AT 31 AUGUST 2007)

Number of holders of equity securities

Ordinary share capital

47,600,000 fully paid ordinary shares are held by 668 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

Substantial shareholders

Substantial Shareholders	Number of Fully Paid Ordinary Shares	% of total on issue
Pyrope Holdings Pty Ltd	6,326,510	13.39
Sked Pty Ltd	4,250,000	8.93
Washington Resources Limited	4,000,000	8.40
	<u>14,756,510</u>	<u>30.72</u>

Twenty largest holders of issued ordinary shares			
1	Pyrope Holdings Pty Ltd	6,039,850	12.69
2	Washington Resources Limited	4,000,000	8.40
3	Sked Pty Ltd	3,250,000	6.83
4	ANZ Nominees Limited	2,311,700	4.86
5	Australian Amalgamated Holdings Pty Ltd	1,965,320	4.13
6	Invia Custodian Pty Limited	1,500,000	3.15
7	Jagen Pty Ltd	1,300,000	2.73
8	Elsinore Nominees Pty Ltd	1,000,000	2.10
9	Sked Pty Ltd <Super Fund A/C>	1,000,000	2.10
10	Philip Harold Lewis	813,670	1.71
11	Janavid Pty Ltd	625,900	1.31
12	Cassa Trading Pty Ltd	600,000	1.26
13	DBR Corporation Pty Ltd	500,000	1.05
14	Richall Pty Ltd	500,000	1.05
15	Clinical Cell Culture Limited	488,200	1.03
16	Pelican Point Superannuation Fund	479,860	1.01
17	Wayne Daryl King	325,000	0.68
18	Seymour Group Pty Ltd	300,000	0.63
19	Adrian David Wischer & Felicity Ann Louise Wischer <Wischer Super Fund A/C>	300,000	0.63
20	Pyrope Holdings Pty Ltd <The Chromite Staff Superannuation Fund>	281,650	0.59
	Total for top 20:	<u>27,581,150</u>	<u>57.94</u>

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ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 31 August 2007.

Distribution of holders of equity securities

	No. of shareholders	%	No. of shares	%
1 – 1,000	6	0.89	1,570	0.01
1,001 – 5,000	36	5.39	123,914	0.26
5,001 – 10,000	133	19.91	1,256,295	2.64
10,001 – 100,000	439	65.72	12,882,635	27.06
100,001 and over	54	8.09	33,335,586	70.03
	668	100.00	47,600,000	100.00

There were 27 shareholders who held less than a marketable parcel of shares. At the date of this report those 27 shareholders collectively held 59,070 shares. A less than marketable parcel of shares at the date of the report is a holding of less than 3,572 shares.

Restricted Securities

Shareholders associated with the directors and associates at the time of admission to the Company's shares on the official list of the ASX entered into transfer restriction agreements (escrow agreements). The terms of the agreements are summarised as follows:

	Total No. of Shares subject to Escrow	Last Restriction Date
Substantial Shareholders		
Pyrope Holdings Pty Ltd	6,138,270	22-June-09
Washington Resources Limited	4,000,000	22-June-08
Sked Pty Ltd	1,300,000	22-June-08
Other Shareholders (11 in number)	4,956,400	22-June-08
	<u>16,394,670</u>	
Total Number of Issued Shares	47,600,000	
Total Number of Shares quoted on ASX	31,205,330	65.58%

ASX ADDITIONAL INFORMATION

Twenty largest shareholders (quoted securities only)		Quoted ordinary Shares	
		No. of Shares	% of total quoted
1	ANZ Nominees Limited <Cash Income A/C>	2,311,700	7.41
2	Sked Pty Ltd	1,950,000	6.25
3	Invia Custodian Pty Limited <Black A/C>	1,500,000	4.81
4	Sked Pty Ltd <Super Fund A/C>	1,000,000	3.20
5	Philip Harold Lewis	812,500	2.60
6	Cassa Trading Pty Ltd <The Cassa Trading A/C>	600,000	1.92
7	DBR Corporation Pty Ltd	500,000	1.60
8	Richall Pty Ltd	500,000	1.60
9	Clinical Cell Culture Limited	488,200	1.56
10	Pelican Point Superannuation Fund	479,860	1.54
11	Mr Wayne Daryl King + Mr Craig Allan King	325,000	1.04
12	Seymour Group Pty Ltd	300,000	0.96
13	Mr Adrian David Wischer + Mrs Felicity Ann Louise Wischer <Wischer Super Fund A/C>	300,000	0.96
14	Allorn Pty Ltd <Allorn Family Trust A/C>	275,000	0.88
15	Lambo Investments Pty Ltd <The Lambert Family Trust A/C>	275,000	0.88
16	Pyrope Holdings Pty Ltd	262,500	0.84
17	Derida Pty Ltd	250,000	0.80
18	Generation Holdings Pty Limited	250,000	0.80
19	Mr Christopher Mark Shadi + Mr Nicholas Robert Shadi <Avenir Partnership Account>	250,000	0.80
20	Sked Pty Ltd	250,000	0.80
Total top 20 (quoted securities):		12,879,760	41.25
Total Other Investors (quoted securities)		18,331,570	58.75
TOTAL (quoted securities):		31,205,330	100.00

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Reedy Lagoon Corporation Limited

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Directors

Jonathan M. Hamer
Chairman, Non-Executive Director

Geof H. Fethers
Managing Director

Hugh Rutter
Exploration Director

Philip H. Lewis
Director

Adrian C. Griffin
Non-Executive Director

Company Secretary

Dermot G. Coleman

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Share Registry

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