

REEDY



LAGOON
CORPORATION LTD

A.C.N. 006 639 514

**FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2008**

This half-year report is to be read in conjunction with the financial report for the year ended 30 June 2008.

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DIRECTORS' REPORT

The directors present their report on Reedy Lagoon Corporation Limited (the "Company") and its controlled entities for the half-year ended 31 December 2008.

DIRECTORS

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

Jonathan M. Hamer
Geof H. Fethers
Hugh Rutter
Philip H. Lewis
Adrian C. Griffin

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

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

The net loss of the consolidated entity attributable to members during the half-year ended 31 December 2008 was \$361,788 (2007 - loss of \$505,320) including exploration expenditure for the period of \$284,856 (2007 - \$418,460) expensed in accordance with the group's accounting policy.

At the Bullamine project (WA), steeply dipping narrow pods of banded iron formation were intersected by reverse circulation drilling. The drilling conducted is preliminary in nature and too wide spaced to provide information about the extent and continuity or otherwise of the iron mineralisation at the target drilled. Sample assay results were not received during the period. The Company continued its endeavours to gain access and appropriate consents to investigate additional targets generated from its airborne surveys conducted during prior periods.

Exploration for uranium was undertaken at the Tanami project (WA/NT). Radiometric and magnetic data were compiled and evaluated. Project review resulted in a decision to focus further work on the area under application (ELA 24885) in the Northern Territory.

Exploration for uranium was also progressed in South Australia at the Edward Creek and Balta projects. Heritage clearance surveys were completed to enable drilling in subsequent periods to investigate targets for sediment hosted uranium mineralization defined by redox/reduction boundaries interpreted from electromagnetic (airborne EM) surveys conducted during prior periods.

Exploration for gold was conducted at the Company's Victorian projects. Results from the April 2008 drilling conducted at the Chiltern project were reviewed and integrated with geophysical data and regional geophysical data were analysed for the project area. Subsequent project reviews resulted in a decision to discontinue work at both the Chiltern and Jericho projects.

Opportunities to expand existing projects, develop new projects and acquire new projects were explored during the period.

POST PERIOD END EVENTS.

On 4th March the Company withdrew from the U3O8 Joint Venture which formed a part of the Tanami uranium project. Future work on the Tanami project will focus on the area under application EL 24885.

DIRECTORS' REPORT

On 6th March the Company surrendered two of the Bullamine tenements (E70/3152, E70/3153) after investigations downgraded their prospectivity for iron-ore. Future work at Bullamine will focus on the three remaining tenements and the area under application.

During the upcoming period, the Company will, in addition to advancing the Bullamine iron-ore project, focus on selective cut backs to its other exploration operations, cost reductions and new project development.

Directors consider it likely that exploration costs and project values will continue to fall over the next 12 to 24 months as western economies adjust to the changed economic conditions under which all forms of credit will be much harder to access than in recent times. We are confident that opportunities for growth will emerge, but believe such opportunities may take time to materialise.

In response to the reduction in activities and to assist the Company retain capital to fund future growth, the directors voluntarily agreed to take a 50% reduction in fees and salary, representing a saving of approximately \$160,000 per year. These measures will take effect from April 2009.

The Company will continue to monitor the market and will readdress its restrictions on exploration expenditure and reductions in fees and salary if circumstances change.

FINANCIAL POSITION

In the half-year to 31 December 2008 the net assets of the Company decreased by \$0.36 million to \$2.4 million. Cash reserves decreased by \$0.327 million to \$2.391 million at period end.

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

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

AUDITOR'S DECLARATION

The auditor's independence declaration for the half-year ended 31 December 2008 has been received and can be found on page 3.

This report is made in accordance with a resolution of the directors and dated this 11th day of March 2009.

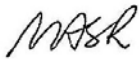


Geof H Fethers
Managing Director

**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 half-year ended 31 December 2008 there have been:

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



Nexia ASR
ABN 16 847 721 257



GEORGE S. DAKIS
Partner
Audit & Assurance Services

Melbourne
11 March 2009

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

	6 months to 31/12/2008	6 months to 31/12/2007
	\$	\$
Other revenue from ordinary activities	153,818	167,651
Administration expenses	(58,739)	(96,346)
Employment costs	(116,906)	(137,146)
Exploration expenditure	(284,856)	(418,460)
Other expenses from ordinary activities	(51,091)	(21,019)
Depreciation	(4,014)	-
	<hr/>	<hr/>
(Loss) before tax	(361,788)	(505,320)
Income tax expense	-	-
	<hr/>	<hr/>
Net loss for the period	(361,788)	(505,320)
	<hr/>	<hr/>
Basic earnings per share (cents per share)	(0.76)	(1.06)
Diluted earnings per share (cents per share)	(0.59)	(0.82)
	<hr/>	<hr/>

The accompanying notes form part of this financial report.

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

	31/12/2008 \$	30/06/2008 \$
ASSETS		
Current Assets		
Cash and cash equivalents	2,390,120	2,718,434
Trade and other receivables	40,000	42,615
Other current assets	31,363	47,718
Total Current Assets	<u>2,461,483</u>	<u>2,808,767</u>
Non-Current Assets		
Property, Plant & Equipment	21,998	26,012
Total Non-Current Assets	<u>21,998</u>	<u>26,012</u>
Total Assets	<u>2,483,481</u>	<u>2,834,779</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	82,773	72,283
Total Current Liabilities	<u>82,773</u>	<u>72,283</u>
Total Liabilities	<u>82,773</u>	<u>72,283</u>
Net Asset	<u>2,400,708</u>	<u>2,762,496</u>
Equity		
Issued capital	13,606,028	13,606,028
Reserves	145,000	145,000
Retained earnings	(11,350,320)	(10,988,532)
Total Equity	<u>2,400,708</u>	<u>2,762,496</u>

The accompanying notes form part of this financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Fully paid ordinary shares \$	Equity-settled employee benefits reserve \$	Retained earnings \$	Total \$
Balance at 1 July 2007	13,406,028	120,000	(9,572,996)	3,953,032
(Loss) for the period			(505,320)	(505,320)
Issue of options under share option plan		25,000		25,000
Balance at 31 December 2007	13,406,028	145,000	(10,078,316)	3,472,712
Balance at 1 July 2008	13,606,028	145,000	(10,988,532)	2,762,496
(Loss) for the period			(361,788)	(361,788)
Issue of options under share option plan		-		-
Balance at 31 December 2008	13,606,028	145,000	(11,350,320)	2,400,708

The accompanying notes form part of this financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	6 months to 31/12/2008 \$	6 months to 31/12/2007 \$
Cash flow from operating activities		
Receipts from customers	34,700	66,000
Payments to suppliers and employees	(425,508)	(539,493)
Interest received	79,118	107,651
Net cash provided by/(used in) operating activities	<u>(311,690)</u>	<u>(365,842)</u>
Net cash provided by/(used in) investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from share issues		-
Payment of Share issue costs	(16,624)	-
Proceeds from loans		-
Net cash provided by/(used in) financing activities	<u>(16,624)</u>	<u>-</u>
Net (decrease)/increase in cash held	(328,314)	(365,842)
Cash at 1 July	<u>2,718,434</u>	<u>3,866,623</u>
Cash at 31 December	<u>2,390,120</u>	<u>3,500,781</u>

The accompanying notes form part of this financial report.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

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

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standards IASB 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report. A copy of the company's most recent financial report is available on the company's website and will be provided to any shareholder on request to the company secretary.

Basis of Preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008.

2. RESULTS FOR THE PERIOD

	6 months to 31/12/2008 \$	6 months to 31/12/2007 \$
The following revenue and expense items are relevant in explaining the financial result:		
(a) Revenue from ordinary activities:		
Interest received	79,118	107,651
Joint Venture – management fees	70,000	60,000
Other	4,700	-
	153,818	167,651

3. STATEMENT OF OPERATIONS BY SEGMENTS

The continuing activity of the company consisted of minerals exploration within Australia. This is the basis on which the Group reports the primary segment information

	Minerals exploration		Total	
	6 months 31/12/2008 \$	6 months 31/12/2007 \$	6 months 31/12/2008 \$	6 months 31/12/2007 \$
Primary reporting – business segments				
Revenue:				
Joint Venture - management fees	70,000	60,000	70,000	60,000
Unallocated revenue			83,818	107,651
Total revenue			153,818	167,751
Results:				
Segment result	(214,818)	(588,371)	(214,856)	(588,371)
Unallocated expenses net of unallocated revenue			(146,932)	83,051
Loss for period			(361,788)	(505,320)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

4. DIVIDENDS

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

5. ISSUED CAPITAL

The total number of shares on issue at the end of the half-year was 48,600,000 (June 2008 – 48,600,000).

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

Options over Unissued Capital

Exercise price	Expiry date	No. of Options on issue 31/12/2008	No. of Options on issue 30/06/2008
50 cents	31/12/2008	876,260	876,260
30 cents	30/11/2009	2,600,000	2,600,000
50 cents	31/12/2009	876,260	876,260
20 cents	31/12/2010	1,850,000	1,850,000
20 cents	31/12/2011	1,850,000	
50 cents	31/03/2012	2,500,000	2,500,000
30 cents	30/04/2012	6,000,000	6,000,000
		16,552,520	14,702,520

6. EVENTS SUBSEQUENT TO REPORTING DATE

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

7. CONTINGENT LIABILITIES

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

8. ACQUISITIONS AND DISPOSALS

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

DIRECTORS' DECLARATION

The directors of the company declare that:

- (1) The financial statements and notes, as set out on pages 4 to 9:
 - (a) comply with Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
- (2) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors of Reedy Lagoon Corporation Limited and is signed for and on behalf of the board.



Geof H Fethers
Managing Director

Melbourne
11 March 2009

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

Report on the Half-Year Financial Report

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

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

‘value beyond numbers’

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
REEDY LAGOON CORPORATION LIMITED (continued.)**


Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Reedy Lagoon Corporation Limited on 11 March 2009, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Conclusion

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

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



Nexia ASR
ABN 16 847 721 257



GEORGE S. DAKIS
Partner
Audit & Assurance Services

Melbourne
11 March 2009

CORPORATE DIRECTORY

Reedy Lagoon Corporation Limited
ABN 41 006 639 514

Directors

Jonathan M. Hamer
Chairman, Non-Executive Director
Geof H. Fethers
Managing Director
Hugh Rutter
Exploration Director
Philip H. Lewis
Director
Adrian C. Griffin
Non-Executive Director

Company Secretary
Dermot G. Coleman

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