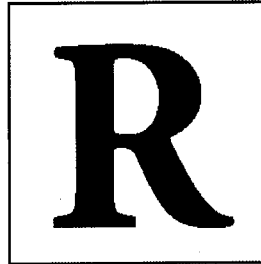


REEDY



**LAGOON
CORPORATION LTD**

A.C.N. 006 639 514

**FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2010**

This half-year report is to be read in conjunction with the financial report for the year ended 30 June 2010.

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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 2010.

DIRECTORS

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

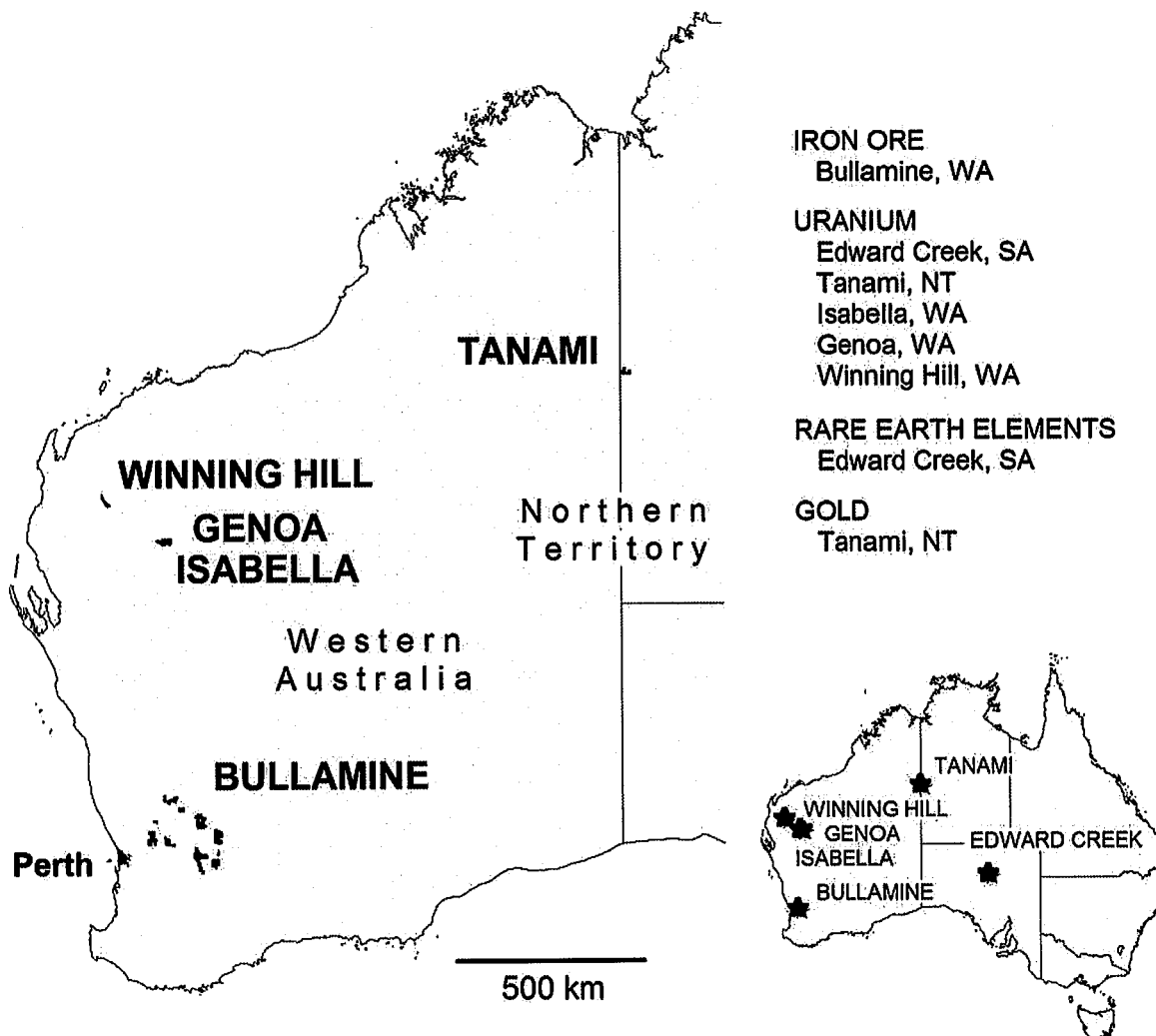
Jonathan M. Hamer
Geof H. Fethers
Hugh Rutter

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

Exploration for iron, uranium, copper and Rare Earth Elements was conducted at the group's projects located in Western Australia, Northern Territory and South Australia.



DIRECTORS' REPORT

At the Bullamine project (WA) drilling identified magnetite (iron) mineralisation at the two magnetic targets drilled (Bollo 1 and Bollo 2). Assays of drill cuttings of the mineralisation gave similar results to those recovered from the Cleansweep deposit drilled previously. Falcon surveys were flown over selected parts of the project area. These surveys acquired 1,968 line kilometres of airborne gravity gradiometer data. Extensive detailed magnetic surveys over several of the tenements were commenced. In total these surveys comprised 38,305 line kilometres of magnetic and radiometric data at 50 metre flight line spacing. 15,289 line kilometres were flown during the period. A further 1,440 line kilometres of Falcon surveys and 1,621 line kilometres of magnetic and radiometric surveys were contracted by Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs") and completed during the period.

Exploration for uranium identified anomalous levels of uranium and rare earth elements (REE) at the Victory prospect on the Edward Creek project in South Australia.

Diamond drilling was conducted at the Santorini iron-oxide copper-gold (IOCG) target on the Edward Creek project (SA). Rocks intersected by the borehole did not suggest potential for the target mineralisation and assays of samples submitted did not identify concentrations of any minerals in support of the IOCG exploration model. Subsequent work at Edward Creek will focus on investigating the uranium and REE mineralisation at the Victory prospect.

Negotiations with the various land owners and their representatives to finalise access agreements for the Tanami (uranium and gold) and Winning Hill, Isabella and Genoa (uranium) projects continued. Once these are finalised the Company's tenement applications can proceed.

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

POST PERIOD END EVENTS

As announced on the ASX on 20 October 2010, the company and Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs"), a wholly owned subsidiary of Cliff Natural resources Inc (NYSE: CLF, Paris: CLF) agreed to enter a joint venture under which Cliffs can earn a 75% interest in the company's Bullamine iron ore project located east of Perth in Western Australia.

The joint venture documentation was completed on 11 February 2011. The terms of the joint venture provide that:

- The Company be paid \$500,000 (*this was banked by the Company on 11 February 2011*)
- The Company be re-imbursed for expenditures in connection with the airborne geophysical surveys contracted in October and November 2010 (*an amount of \$501,622.91 was re-imbursed by Cliffs on 11 February 2011*)
- Cliffs must spend \$1 million on the project during the next 12 months and a further \$4 million over subsequent years to maintain its 75% interest; and
- Subsequent exploration and development to completion of a feasibility study will be funded by Cliffs with the Company's 25% share of these costs repayable only out of the Company's share of future mine production.

Cliffs is the joint venture manager.

Financial performance and position

The net loss of the consolidated entity attributable to members during the half-year ended 31 December was \$1,138,854 (2009 - loss of \$294,914) including exploration expenditure for the period of \$880,485 (2009 - \$159,930) expensed in accordance with the Company's accounting policy.

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

DIRECTORS' REPORT

In the half-year to 31 December 2010 the net assets of the Company decreased by \$1.033 million to \$0.586 million. Cash reserves decreased by \$0.978 million to \$0.562 million at period end. As noted above, an amount of \$1,001,623 was received from Cliffs on 11 February 2011. At 3 March 2011 cash reserves were \$1.443 million.

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

The directors have included in note 5 to the Financial Report details of options over Company shares still on issue at the 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 2010 has been received and can be found on page 4.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001* and dated this 15th day of March 2011.

On behalf of the Directors



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 2010 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

Nexia ASR
ABN 16 847 721 257



SIMON HOURIGAN
Partner
Audit & Assurance Services

Melbourne

15 March 2011

'value beyond numbers'

nexia asr abn 16 847 721 257
level 14 / 440 Collins Street Melbourne Australia 3000
telephone +61 3 9608 0100 facsimile +61 3 9670 8325
email theteam@nexiaasr.com.au website www.nexiaasr.com.au

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	6 months to 31/12/2010 \$	6 months to 31/12/2009 \$
Other revenue from ordinary activities	46,300	41,075
Administration expenses	(54,117)	(46,556)
Employment costs	(31,341)	(39,165)
Exploration expenditure	(880,485)	(159,930)
Other expenses from ordinary activities	(42,056)	(86,324)
Depreciation	(4,205)	(4,014)
New joint venture establishment costs	(66,905)	-
Share based payments	(106,000)	-
	<hr/>	<hr/>
(Loss) before tax	(1,138,854)	(294,914)
Income tax expense	-	-
	<hr/>	<hr/>
Net loss for the period	(1,138,854)	(294,914)
	<hr/>	<hr/>
Total comprehensive income for period	(1,138,854)	(294,914)
	<hr/>	<hr/>
Basic earnings per share (cents per share)	(4.67)	(0.61)
Diluted earnings per share (cents per share)	(2.97)	(0.46)
	<hr/>	<hr/>

The accompanying notes form part of this financial report.

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	31/12/2010 \$	30/6/2010 \$
ASSETS		
Current Assets		
Cash and cash equivalents	561,900	1,540,026
Trade and other receivables	52,314	18,338
Other current assets	66,619	76,172
Total Current Assets	<u>680,834</u>	<u>1,634,536</u>
Non-Current Assets		
Property, Plant & Equipment	12,372	9,946
Total Non-Current Assets	<u>12,372</u>	<u>9,946</u>
Total Assets	<u>693,206</u>	<u>1,644,482</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	107,517	25,938
Total Current Liabilities	<u>107,517</u>	<u>25,938</u>
Total Liabilities	<u>107,517</u>	<u>25,938</u>
Net Assets	<u>585,689</u>	<u>1,618,544</u>
Equity		
Issued capital	13,606,028	13,606,028
Reserves	251,000	145,000
Retained earnings	(13,271,339)	(12,132,484)
Total Equity	<u>585,689</u>	<u>1,618,544</u>

The accompanying notes form part of this financial report.

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Fully paid ordinary shares \$	Equity-settled benefits reserve \$	Retained earnings \$	Total \$
Balance at 1 July 2009	13,606,028	145,000	(11,595,504)	2,155,524
Total comprehensive income for the period			(294,914)	(294,914)
Balance at 31 December 2009	13,606,028	145,000	(11,890,418)	1,860,010
Balance at 1 July 2010	13,606,028	145,000	(12,132,484)	1,618,544
Total comprehensive income for the period			(1,138,854)	(1,138,854)
Fair value of share based payments		106,000		106,000
Balance at 31 December 2010	13,606,028	251,000	(13,271,339)	585,689

The accompanying notes form part of this financial report.

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	6 months to 31/12/2010 \$	6 months to 31/12/2009 \$
Cash flow from operating activities		
Receipts from customers	14,484	39,729
Payments to suppliers and employees	(1,017,749)	(385,418)
Interest received	31,816	37,278
Net cash provided by/(used in) operating activities	(971,449)	(308,411)
 Cash flow from operating activities		
Payments for plant & equipment	(6,676)	
Net cash provided by/(used in) investing activities	(6,676)	-
 Net cash provided by/(used in) financing activities	-	-
 Net (decrease)/increase in cash held	(978,125)	(308,411)
Cash at 1 July	1,540,026	2,132,758
Cash at 31 December	561,901	1,824,347

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 2010**

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 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 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

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

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

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-5 Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings. The adoption of these amendments has not resulted in any changes to the Company's accounting policies and have no affect on the amounts reported for the current or prior periods.

2. RESULTS FOR THE PERIOD

	6 months to 31/12/2010	6 months to 31/12/2009
	\$	\$

The following revenue and expense items are relevant in explaining the financial result:

(a) Revenue from ordinary activities:

Interest received
Other

	31,816	37,278
	14,484	3,797
	46,300	41,075

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

3. SEGMENT INFORMATION

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

The company operates in one segment being minerals exploration within Australia.

	Minerals exploration		Total	
	6 months 31/12/2010	6 months 31/12/2009	6 months 31/12/2010	6 months 31/12/2009
	\$	\$	\$	\$
Revenue:				
Unallocated revenue			46,300	41,075
Total revenue			46,300	41,075
Results:				
Segment result	(880,485)	(335,989)	(880,485)	(335,989)
Unallocated expenses net of unallocated revenue			(258,369)	41,075
(Loss) for period	(880,485)	(335,989)	(1,138,854)	(294,914)

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 2010 – 48,600,000).

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

Options over Unissued Capital

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

Exercise price	Expiry date	No. of Options on issue 31/12/2010	No. of Options on issue 30/06/2010
20 cents	31/12/2010	-	1,850,000
20 cents	31/12/2011	1,850,000	1,850,000
50 cents	31/03/2012	2,500,000	2,500,000
30 cents	30/04/2012	6,000,000	6,000,000
20 cents	31/12/2012	1,650,000	1,650,000
21 cents	31/12/2013	1,550,000	-
		13,550,000	13,850,000

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

6. KEY MANAGEMENT PERSONNEL

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

Issued to	Exercise Price	Expiry Date	Number of Options granted (i)	Number of Options Vested during the year	Fair Value of Options granted and vested \$
Directors					
G Fethers	\$0.21	31-Dec-13	500,000	500,000	34,230
H Rutter	\$0.21	31-Dec-13	500,000	500,000	34,230
J Hamer	\$0.21	31-Dec -13	300,000	300,000	20,540
Aggregate Value of Securities issued					89,000

7. EVENTS SUBSEQUENT TO REPORTING DATE

No events of a material nature have occurred subsequent to year end other than:

CLIFFS JV EXECUTION

As announced on the ASX on 20 October 2010, the company and Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs"), a wholly owned subsidiary of Cliff Natural resources Inc (NYSE: CLF, Paris: CLF) agreed to enter a joint venture under which Cliffs can earn a 75% interest in the company's Bullamine iron ore project located east of Perth in Western Australia.

The joint venture documentation was completed on 11 February 2011. The terms of the joint venture provide that:

- The Company be paid \$500,000 (*this was banked by the Company on 11 February 2011*)
- The Company be re-imbursed for expenditures in connection with the airborne geophysical surveys contracted in October and November 2010 (*an amount of \$501,622.91 was re-imbursed by Cliffs on 11 February 2011*)
- Cliffs must spend \$1 million on the project during the next 12 months and a further \$4 million over subsequent years to maintain its 75% interest; and
- Subsequent exploration and development to completion of a feasibility study will be funded by Cliffs with the Company's 25% share of these costs repayable only out of the Company's share of future mine production.

Cliffs is the joint venture manager.

8. CONTINGENT LIABILITIES

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

9. ACQUISITIONS AND DISPOSALS

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

DIRECTORS' DECLARATION

The directors of the company declare that:

- (1) The financial statements and notes, as set out on pages 5 to 11:
 - (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 2010 and of its performance for the half-year ended on that date.
- (2) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Geof H Fethers
Managing Director

Melbourne
15 March 2011

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Reedy Lagoon Corporation Limited (the company) which comprises the balance sheet as at 31 December 2010, 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 company 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 company's financial position as at 31 December 2009 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, 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'

nexia asr abn 16 847 721 257

level 14 / 440 Collins Street Melbourne Australia 3000

telephone +61 3 9608 0100 facsimile +61 3 9670 8325

email theteam@nexiaasr.com.au website www.nexiaasr.com.au

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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 15 March 2011, 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 is not in accordance with the Corporations Act 2001 including:

- a. giving a true and fair view of the company's financial position as at 31 December 2010 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

Nexia ASR
ABN 16 847 721 257



SIMON HOURIGAN
Partner
Audit & Assurance Services

Melbourne

15 March 2011

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

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

Company Secretary

Geof H. Fethers

Legal Adviser

Mallesons Stephen Jaques
Level 50, 600 Bourke Street
Melbourne
Victoria 3000

Accountant

Nexia ASR Pty Ltd
Level 14, 440 Collins Street
Melbourne
Victoria 3000
PH: (03) 9608 0100
www.nexiaasr.com.au

Registered and Head Office

Suite 2, 337a Lennox Street
Richmond
Victoria 3121

www.reedylagoon.com.au

Ph: 03 8420 6280

Fax: 03 8420 6299

Email: info@reedylagoon.com.au

Auditor

Nexia ASR
Level 14, 440 Collins Street
Melbourne
Victoria 3000

Share Registry

Link Market Services Limited
(ABN 54 083 214 537)
Level 9, 333 Collins Street
Melbourne Vic 3000

Telephone: 1300 554 474

www.linkmarketservices.com.au

ASX Code : RLC