REEDY

LAGOON

CORPORATION LTD

A.C.N. 006 639 514

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

REEDY LAGOON CORPORATION LTD

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Chairman's letter

8 September 2011

Dear Shareholders,

In the last twelve months there has been a step change in activities at our Bullamine iron ore project in southern Western Australia.

RLC has joint ventured the Bullamine project with Cliffs Natural Resources Inc., a global iron ore producer with a reputation for developing innovative processing technologies. Under the joint venture Cliffs can earn a 75% interest by funding up to $5 million of exploration expenditure with subsequent exploration and development expenditure to completion of a feasibility study being funded by Cliffs and RLC's 25% share of that subsequent expenditure being repayable solely from RLC's share of future production. RLC also received from Cliffs a $500,000 up front payment upon establishment of the joint venture.

The Bullamine project holds potential to be a company maker and showcases management's strategy of building projects capable of being attractive to world class mining companies.

During the last twelve months detailed geophysical data has been acquired at Bullamine. The interpretation of this data is being used to drive the 9,700 metre diamond drilling program that commenced on 17 July 2011. More than $1.1 m was spent on exploration at Bullamine during 2010/11. 75% of this was direct contractor costs for the airborne geophysical surveys flown. Importantly, more than 80% of the total exploration expenditure at Bullamine was funded by our joint venture partner.

In addition, during the year RLC:

- undertook preparatory work for the commencement of field work at the Winning Hill uranium project in Western Australia;
- progressed applications for tenements for the Isabella and Genoa uranium exploration projects in Western Australia resulting in the grant of these tenements on 7 July 2011;

- progressed negotiations with landowners to enable the grant of an exploration licence for the Tanami uranium and gold exploration project in Northern Territory;
- undertook field work and detailed airborne geophysical survey at the Victory uranium prospect (Edward Creek project) in South Australia; and
- drilled the Santorini Iron-oxide Copper-gold target at Edward Creek in South Australia.

In total, RLC expended $622,090 on exploration (including at Bullamine, but excluding all amounts refunded under the joint venture).

This has been a year of expanding activity with results of previous work becoming evident. We look forward to results from the substantial drilling program now underway at Bullamine where a number of iron ore (magnetite) targets will be tested by the joint venture over the next five months. We are greatly encouraged by the intersection of thick (70 to 90 metres) magnetite bearing rock recently announced. This is a substantially wider mineralised rock than we have seen to date at Bullamine and has potential to make adjacent deposits at Bollo and Cleansweep minable as satellite pits. We also look forward to exploration on our uranium projects located in South Australia, Western Australia and Northern Territory.

The Directors thank shareholders for their support.

Yours faithfully,

Jonathan Hamer

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Mineralisation styles targeted during the period included:

- Iron-ore – magnetite mineralisation (Bullamine project)
- Uranium (Tanami, Isabella, Genoa, Winning Hill and Edward Creek projects)
- Copper-uranium-gold (Edward Creek project)
- Gold (Tanami project)

Iron Exploration

Bullamine Project **IRON ORE** **Western Australia** **RLC 25%**

The Company is investigating opportunities for developing iron mining (magnetite) operations in the south west part of Western Australia, east from Perth. The project covers over 3,000 square kilometres under 15 tenements.

During the report period RLC and Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs"), a wholly owned subsidiary of Cliffs Natural Resources Inc. (NYSE: CLF, Paris: CLF), formed a joint venture under which Cliffs can earn a 75% interest in Bullamine.

Under the joint venture agreement, Cliffs paid $500,000 to RLC on commencement and is spending $5 million to maintain its 75% interest. Subsequent exploration and development to completion of a feasibility study will be funded by Cliffs with RLC's 25% share of these costs repayable out of RLC's share of future mine production. Cliffs is the manager of the joint venture.

An extensive network of rail lines services the region's wheat growers and links to bulk cargo ports at Fremantle and Esperance are provided by both rail and road.

Initial processing tests on material from the Cleansweep prospect have indicated that beneficiation of the rocks at this prospect into a high grade saleable product with very low levels of deleterious elements may be possible on relatively coarse material. Important cost savings result when beneficiation is possible at coarse grain sizes since crushing and grinding comprise substantial parts of the capital and running costs of magnetite iron ore mines.

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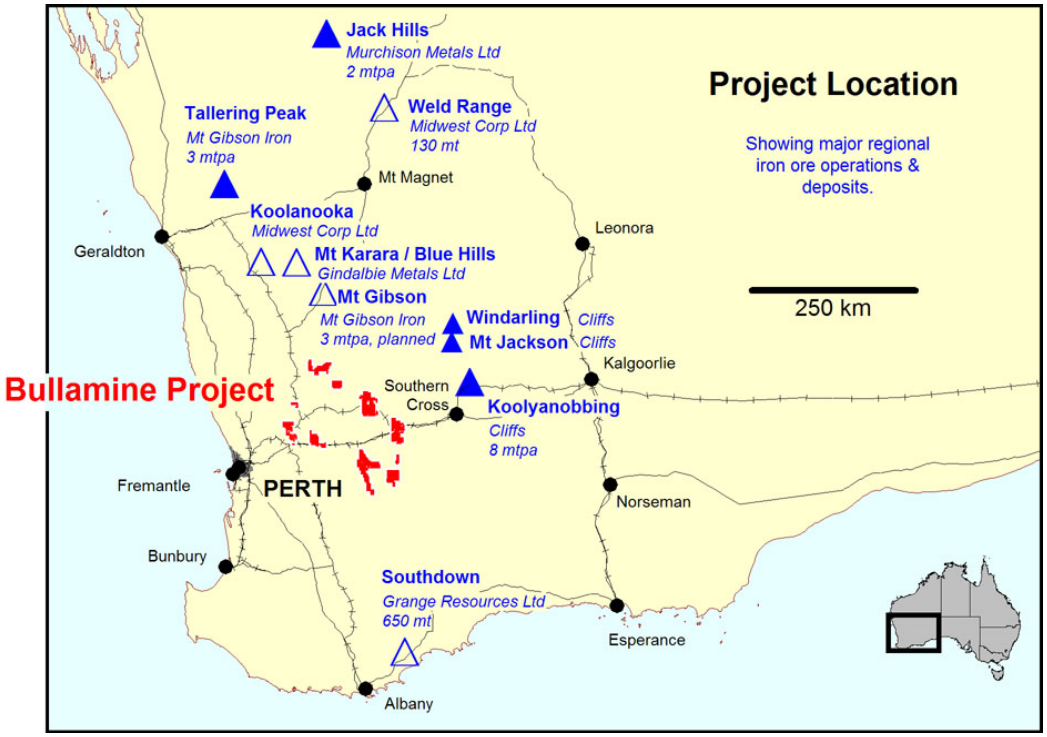

Figure 1: Bullamine project location and infrastructure diagram.

Drilling at two targets, Bollo 1 and Bollo 2 within the Nor 1 area successfully intersected magnetite mineralisation grading approximately 30% Fe at each target. The reverse circulation ("RC") drilling programme comprised 4 RC holes for total 207 metres.

Substantial airborne geophysical surveys were completed with data acquired almost continually from November through to March. In total, 39,926 line kilometres of magnetic and radiometric survey data and 3,408 line kilometres of airborne gravity gradiometer survey data were acquired. Processing and interpretation of these data is continuing with numerous drill targets identified prior to the end of the report period.

The project is progressing well under the management of Cliffs with a substantial 9,700 metre diamond drill program commenced subsequent to the report period on 17 July 2011.

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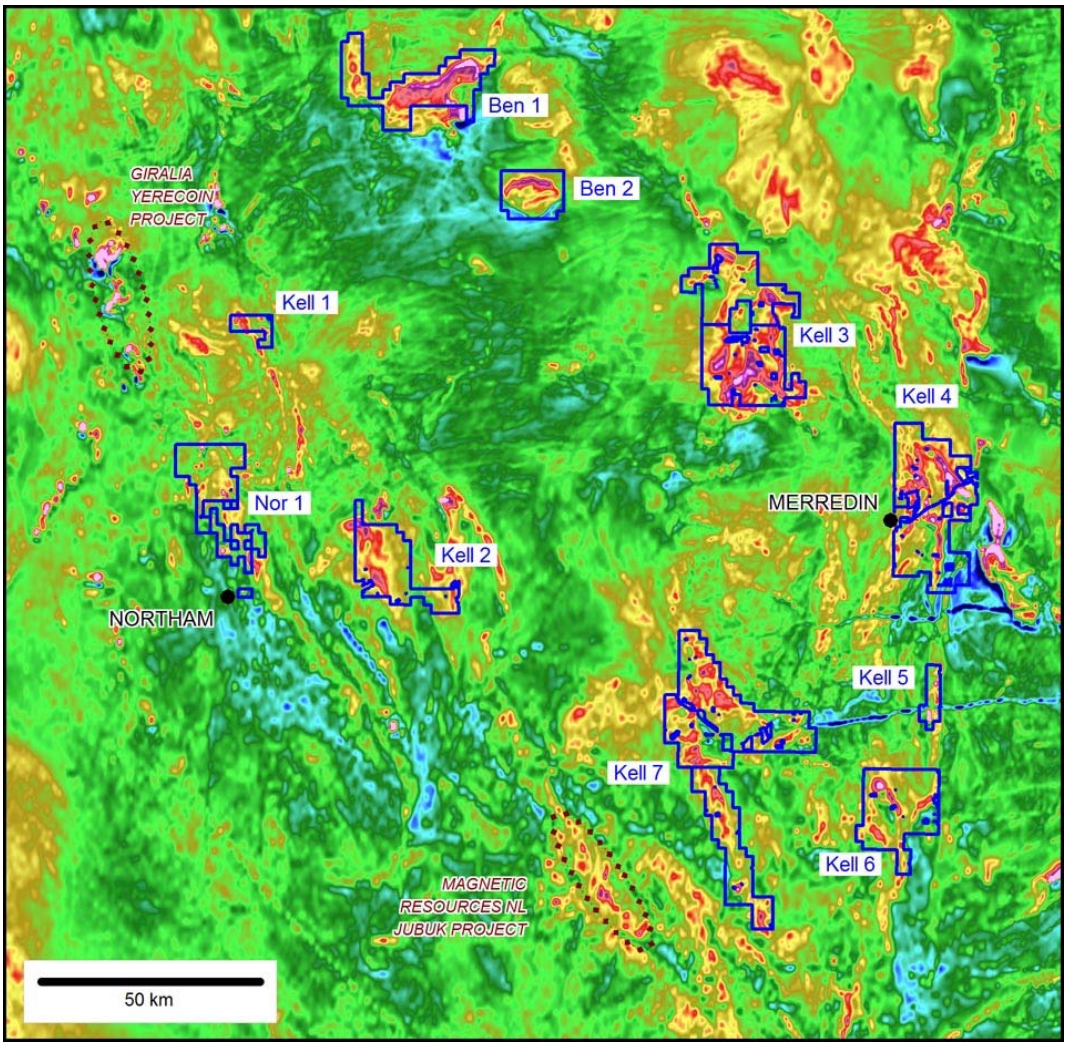

Figure 2. Bullamine project tenements (including applications over Ben 1 & 2) in the Northam area in south west of WA are shown in blue outline. Tenements are shown draped over regional magnetic data (in places at 1.6 kilometre line spacing – none of the geophysical data acquired during the period is included in this figure). Other projects exploring for iron-ore and shown in the area include Yerecoin (Giralia Resources NL (ASX:GIR) where a 187 Mt magnetite iron-ore resource estimate has recently been announced) and Jubuk (Magnetic Resources NL (ASX:MAU)).

Uranium Exploration:

Tanami Project **URANIUM & GOLD** **Northern Territory** **RLC 100%**

The Tanami project is within the Tanami region located on the Western Australian border, west from Tennant Creek. The area is prospective for uranium and gold. There are similarities in geological setting, formation processes, age of burial and mineralisation between uranium bearing horizons in the Killi Killi Hills area, located 80 kilometres north of ELA 24885 (see figure 3) and the unconformity-associated uranium deposits in the Pine Creek Inlier (Ranger, Jabiluka) and Athabasca Basin (Canada). In addition, the Tanami region is the largest gold producing region in the Northern Territory. The three main goldfields in the region are: Dead Bullock Soak Goldfield, which hosts the Callie Gold Mine (7.6 Moz gold), The Granites Goldfield (1.3 Moz gold) and The Tanami Goldfield (1.6 Moz gold).

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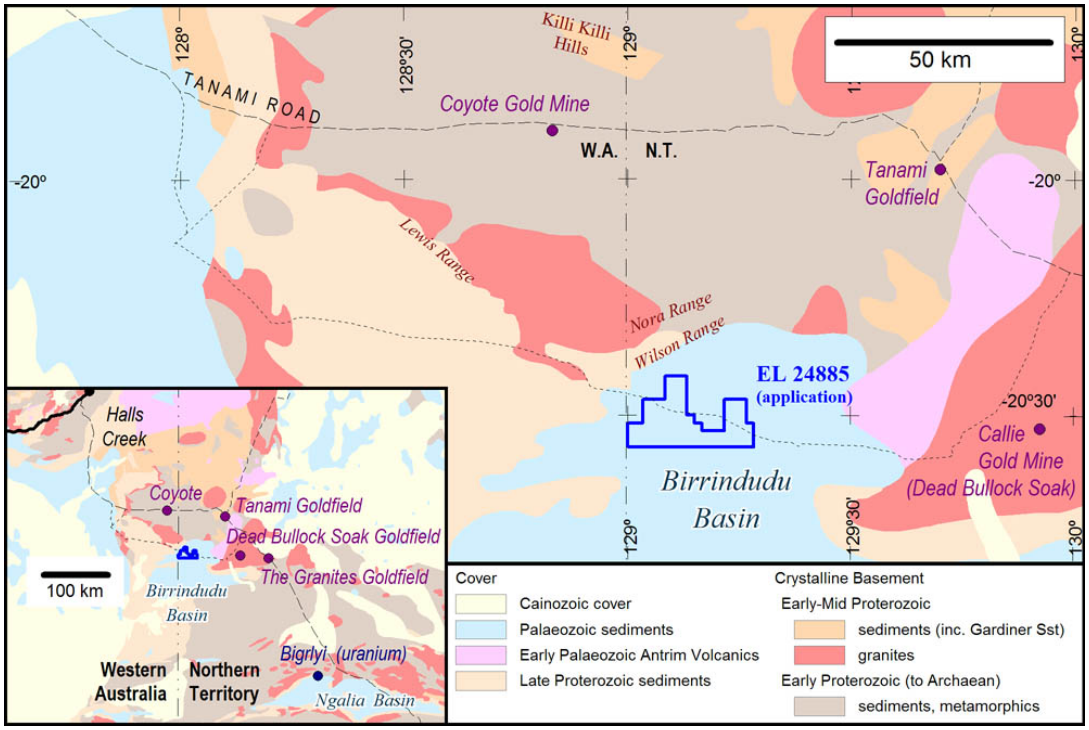

Figure 3. Tanami project.

Progress towards the grant of EL 24885 was made during the period with agreement reached between the Company and the Central Land Council ("CLC") for the terms of an Exploration Agreement. Subject to the consent to the terms and conditions by the traditional Aboriginal owners, consent by the Federal Minister for Families, Housing, Community Services and Indigenous Affairs and the completion of procedural matters by the CLC the Agreement will be executed by the Company and the CLC. After execution and stamping at the Territory Revenue Office, the Agreement can be lodged with the NT Government so that an Offer of Grant letter for EL 24885 can be issued to the Company.

Subsequent to the end of the report period and on the 26 July 2011 the CLC gave its consent to the grant of the exploration licence. Assuming no adverse developments it is likely that the tenement could be granted three months from the date the CLC consented to the grant of the licence.

Isabella & Genoa Projects **URANIUM** **Western Australia** **RLC 100%**

The 'Isabella' project covers 350 square kilometres whilst Genoa covers an additional and abutting 125 square kilometres. The projects were initiated prior to the report period following a review of data and results from base metal exploration conducted in the region by previous explorers principally in the late 1990s.

Progress towards the grant of the two tenements (E09/1702 and E09/1715) was made during the period and the tenements were granted on 7 July 2011 following the end of the report period.

Strong uranium shows within the Isabella project area and strongly anomalous uranium reported in sediments from drainage shedding northwards from the Isabella project area suggest potential for economic uranium mineralisation in surface sediments on Genoa.

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The anomalous uranium mineralisation is reported in open file company reports and digital datasets accessed via the WAMEX database. RLC's exploration is targeting deformation structures, including folding, faulting and shearing, which may have provided conduits and trap sites for uranium mineralisation precipitating from circulating mineralising fluids. The Company believes the geology may be partly analogous to that of the Rum Jungle Mineral Field in the Northern Territory.

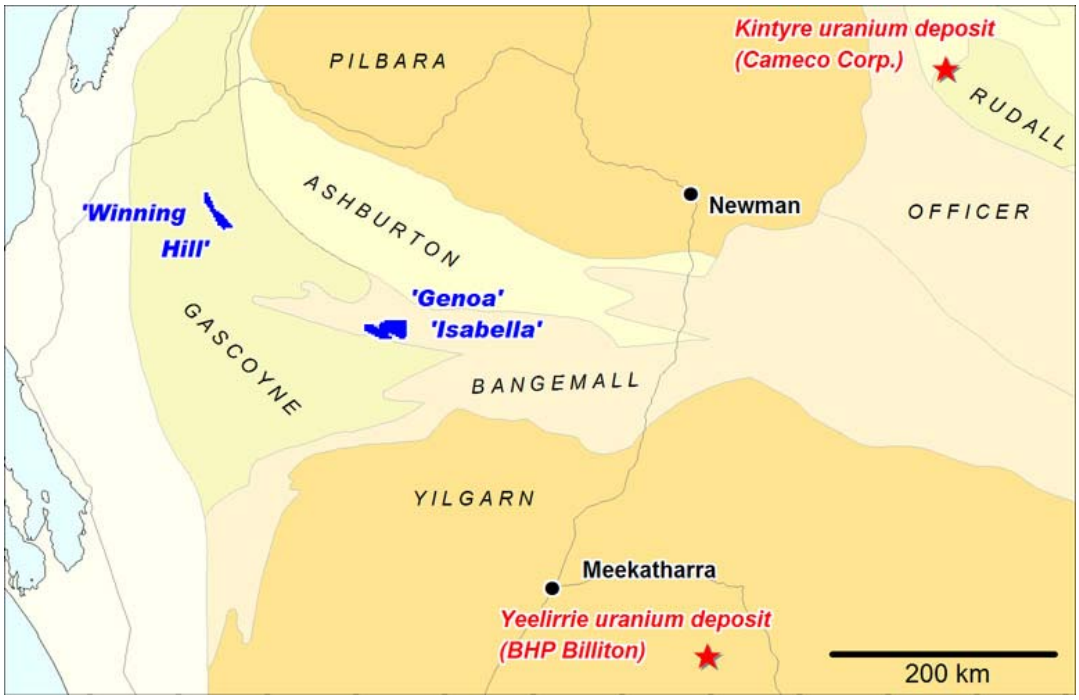

Figure 4. Location of Winning Hill (E08/2073), Isabella (E09/1702) and Genoa (E09/1715) uranium projects.

Winning Hill Project **URANIUM** **Western Australia** **RLC 100%**

The 'Winning Hill' project covers 211 square kilometres. Uranium exploration conducted principally in the early 1980's by previous workers included drill testing a target beneath surface uranium anomalism where a major oblique fault juxtaposes younger rocks with Gascoyne Complex basement. RLC is targeting zones of intersection between the fault and specific sedimentary units in which uranium mineralisation may occur.

Open file geophysical data were processed during the report period. Areas of anomalous uranium response warranting further investigation were interpreted in the data.

Edward Creek Project **URANIUM & COPPER–GOLD-URANIUM** **South Australia** **RLC 100%**

Exploration at Edward Creek was conducted for uranium and for copper-gold-uranium on the north eastern margin of the Gawler Craton in South Australia. The project area comprises EL 4377 (440 square kilometres). The project lies within the South Australian iron-oxide copper-gold ("IOCG") province which contains the world's largest uranium mine – BHP Billiton's Olympic Dam Mine (2.3 Mt of U_3O_8) and the more recent discoveries of Prominent Hill and Carrapateena.

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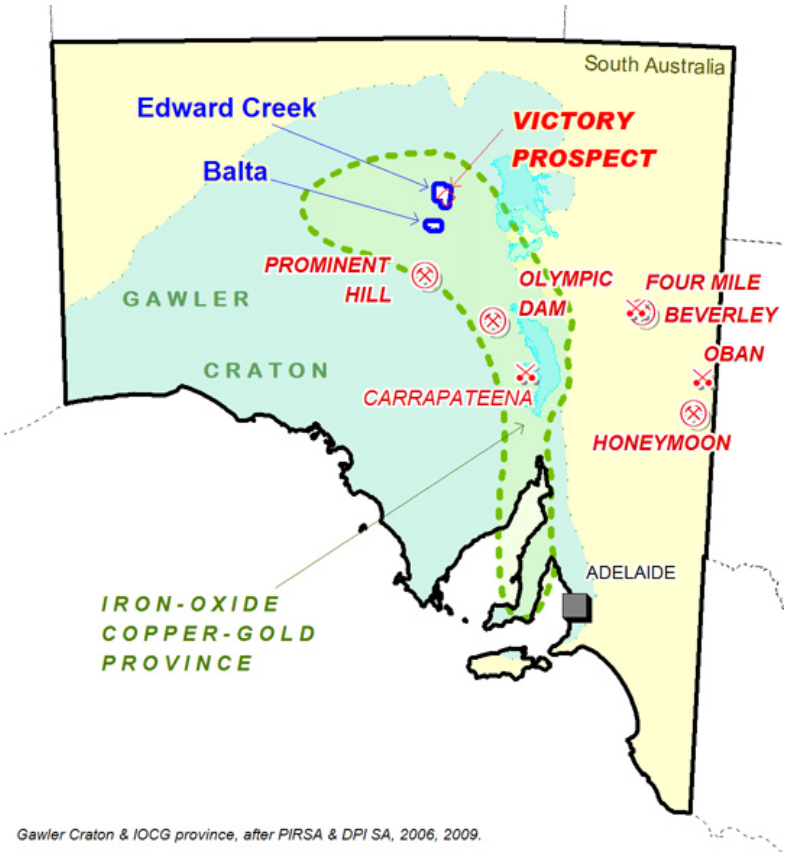

Figure 5. Regional location of Edward Creek project and Balta projects.

Edward Creek Project **URANIUM** **South Australia** **RLC 100%**

Victory prospect

Greenfields exploration during the year identified anomalous uranium and Rare Earth Elements ("REE"). Field mapping, ground spectrometer surveying, surface and auger sampling were conducted. Detailed (50 metre line spaced) airborne survey magnetic and radiometric data were acquired over the prospect area to assist the interpretation of the underlying geology and structure. Surface cover and deep weathering obscure most of the area. In the limited exposed areas elevated radiometric responses and assay results are wide spread, as is evidence of hydrothermal veining (figure 6).

The highest grade uranium mineralisation identified (up to 412 ppm) was from samples which also contained elevated Rare Earth Elements ("REE"). Ground spectrometer survey over these sample locations identified elevated uranium response from a zone nearly 100 metres long with transported cover possibly concealing extensions to the ENE and WSW. The anomalous zone is parallel and adjacent to a narrow quartz vein. The uranium may be related to hydrothermal processes and exploration is being planned to investigate a hydrothermal mineralising system. Low level (0.067 g/t) but anomalous gold was detected in a sample of the quartz vein.

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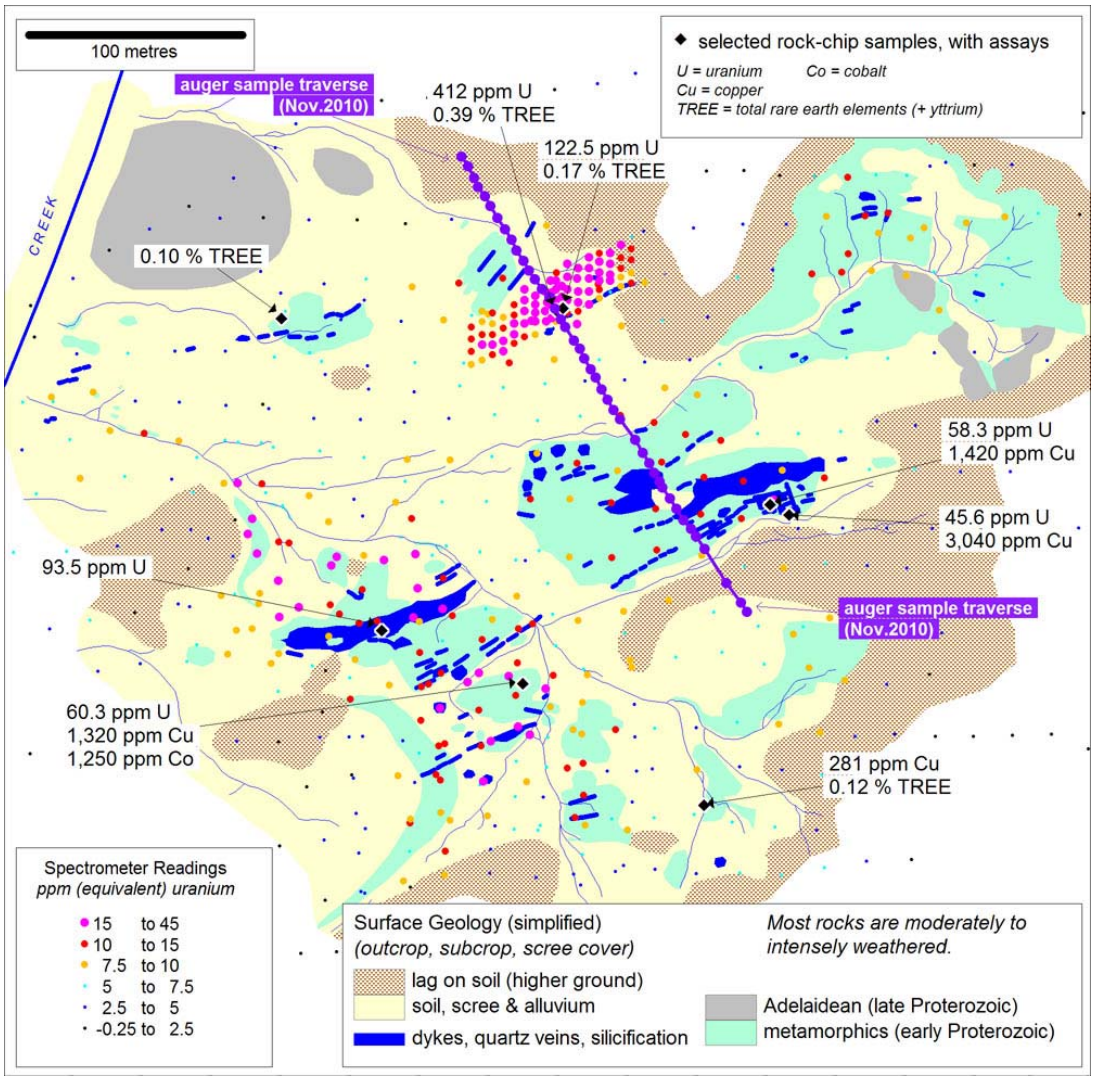

Figure 6. Victory prospect

An unconformity, possibly faulted, with younger rocks including conglomerates and mafic volcanics, lies a few hundred metres east of the anomalous area shown in figure 6, but is obscured by transported cover. The surface mineralisation identified at Victory may be marginal to prospective zones under cover at or near the unconformity.

Edward Creek project **COPPER-GOLD-URANIUM** **South Australia** **RLC 100%**

Drilling at the Santorini gravity anomaly (IOCG-U target) commenced on 21 July 2010. A diamond hole was cored from surface to total depth of 730 metres. No economic mineralisation nor any evidence for the presence of Iron-oxide Copper-gold ("IOCG") type mineralisation was identified. No further investigation of the Santorini target is planned.

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Balta Project **URANIUM** **South Australia** **RLC 100%**

Review of data acquired in the previous period down-graded the project. The Balta project tenement was relinquished on 17 July 2010

Gold Exploration

Kell 1 Project **GOLD** **Western Australia** **RLC 100%**

Gold and base metal exploration planned at Kell 1 was postponed following the commencement of the Bullamine joint venture. No work of significance was directed to gold exploration on Kell 1 during the period.

Tanami Project **GOLD** **Northern Territory** **RLC 100%**

See description under uranium heading.

Geof Fethers
Managing Director

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

TENEMENT SCHEDULE

Tenements owned directly by the Group and tenements in which the Group has an interest at the date of this report and surrendered during the year.

Tenement	Area (km^2)	Status	Minimum Annual Expenditure Commitment $	Group Interest (direct or indirect)
Western Australian Tenements				
E70/2719 Bulla JV *Bullamine project*	134	Current	34,500	100% (iron)[1, 2]
E70/2720 Bulla JV *Bullamine project*	149	Current	37,500	100% (iron)[1, 2]
E70/2846 *Bullamine project*	47	Current	30,000	100%[1]
E70/3462 *Bullamine project*	184	Current	63,000	100%[1]
E70/3766 *Bullamine project*	44	Current	20,000	100%[1]
E70/3767 *Bullamine project*	291	Current	99,000	100%[1]
E70/3768 *Bullamine project*	356	Current	121,000	100%[1]
E70/3769 *Bullamine project*	560	Current	190,000	100%[1]
E70/3770 *Bullamine project*	50	Current	20,000	100%[1]
E70/3771 *Bullamine project*	314	Current	108,000	100%[1]
E70/3772 *Bullamine project*	551	Current	189,000	100%[1]
E70/3773 *Bullamine project*	233	Current	80,000	100%[1]
E70/3774 *Bullamine project*	263	Current	90,000	100%[1]
E70/3805 *Bullamine project*	335	Application	114,000 [5]	100%[1]
E70/3806 *Bullamine project*	151	Application	52,000 [5]	100%[1]
E08/2073 *Winning Hill project*	217	Current	66,000	100%
E09/1702 *Isabella project*	349	Current	150,000	100%
E09/1715 *Genoa project*	125	Current	55,000	100%
Northern Territory Tenements				
ELA 24885 *Tanami (Pedestal Hill)*	272	Application	50,000 [5]	100%
South Australian Tenements				
EL 4377 (previously 3250) *Edward Creek project*	440	Current	150,000	100% [3 & 4]

Refer to following notes that relate to the tenement schedule.

TENEMENT SCHEDULE

Notes to the tenement schedule.

1. *All the Bullamine project tenements including applications are subject to the Bullamine Farm-in and Joint Venture which provides RLC with 25% interest in the tenements. Under the terms of the joint venture any exploration costs which become payable by RLC will be funded and subsequently recouped by the joint venture partner soley from RLC's share of future mine production.*
2. *E70/2719 and E70/2720 are registered in the name of Northern Minerals Limited and are subject to a joint venture agreement, the Bulla JV and a sale agreement, the Joint Venture Interest Sale Agreement (7 February 2007), which provide the Bullamine Farm-in and Joint Venture with 100% interest in iron resources.*
3. *EL 4377 was subject to a joint venture agreement, the Edward Creek Base Metals Joint Venture ("ECBMJV") which Joint Venture was terminated and all interests in the ECBMJV were forfeited to RLC on 9 June 2009. The termination of the joint venture was disputed by the other parties (Wallaby Resources Pty Ltd and Eromanga Hydrocarbons Limited) but RLC considers the dispute to be baseless. Prior to the termination of the joint venture RLC held a 62% interest in the tenements.*
4. *EL 3505 and EL 3886 were and EL 4377 is subject to a joint venture agreement, the Diamond Farm Out Agreement, which transfers all RLC's interest in diamonds in these tenements to DiamondCo Limited.*
5. *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 affected, 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 have been registered in respect of areas of RLC's granted tenements EL4377, E08/2073, E09/1702 and E09/1715.and two areas under application: E70/3805 and E70/3806. EL 24885 (an application) is on Aboriginal Freehold land and there is no guarantee that the owners will give their consent and thereby allow the Company's planned programme to proceed although a draft access agreement has been agreed following the end of the report period and on the 26 July 2011 the Central Land Council gave its consent to the grant of the exploration licence.

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.

Tenements surrendered and granted during the year and to the date of this report were:

Tenement	**Area (km^2)**	**Status**
South Australian Tenements		
EL 3505 *Edward Creek project*	114	Surrendered 17/07/2010
EL 3886 *Edward Creek project*	244	Surrendered 12/08/2010
E08/2073 *Winning Hill project*	217	Granted 15/10/2010
E09/1702 *Isabella project*	349	Granted 7/07/2011
E09/1715 *Genoa project*	125	Granted 7/07/2011

CORPORATE GOVERNANCE STATEMENT

In August 2007, the Australian Securities Exchange (ASX) Corporate Governance Council (Council) published revised Corporate Governance Principles and Recommendations (Recommendations). The Listing Rules of ASX require Australian-listed companies to report on the extent to which they have complied with the Recommendations during the reporting period. Where a company has not followed all of 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. The Recommendations have been amended with first application of the amendments to be included in an Entity's first financial year commencing on or after 1 January 2012. The ASX Corporate Governance Council encourages companies to make an early transition to the amended Recommendations and as such the Board has addressed these amendments in the Corporate Governance Statement for the financial year under review in this report.

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 Chairman (in his non-executive capacity), the Managing Director and the other Executive Director.

As Non-Executive Chairman, the specific executive responsibilities of Mr J M Hamer are:

- ensuring the efficient organisation and conduct of the Board's function,

CORPORATE GOVERNANCE STATEMENT

- 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 quarterly 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 Chairman,
- responding to written or telephonic shareholder enquiries, and
- 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 G Fethers is responsible for ensuring that the Board also receives relevant information and reports (notably on auditing, taxation and legal matters) at its regular meetings and otherwise as appropriate. The Company Secretary 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.

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. 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.

CORPORATE GOVERNANCE STATEMENT

The Board Charter is available on the Company's website (www.reedylagoon.com.au). The Charter outlines details of:

- the role and responsibilities of the Board of directors;
- the role and responsibilities of the Chairman and the Company Secretary;
- delegations of authority;
- membership; and
- Board processes

COMPOSITION OF THE BOARD

During the financial year under review the Board comprised one non-executive Director who was considered by the Board to be independent in terms of Council's definition of an independent director and two executive directors including the Managing Director. The names, qualifications and periods of office of the current directors of the Company as at the date of this statement are set out in the Directors Report on page 17.

During the financial year under review the Board comprised an unequal representation of independent and executive directors and its composition did not comply with Recommendation 2.1 of the ASX Corporate Governance Principles and Recommendations. However, the independent Chairman has a casting vote and the Board has adopted and implemented a number of other 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 non-executive Chairman; 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 intends to appoint another non-executive director to better balance the numbers of non-executive and executive directors and enhance the skills matrix of the Board. The Board believes four directors are adequate given the size, nature and scope of the Company's current operations.

The Board does not intend to establish an audit committee, and consequently does not comply with Recommendations 4.1, 4.2, 4.3 or 4.4 of the ASX Corporate Governance Principles and Recommendations. 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 2.6 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 an independent non-executive Chairman with a casting vote 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.

The Board is responsible for the appointment of the Managing Director and conducts an ongoing review of his performance. The Chairman is responsible for collating the views of the other directors for the purposes of reviewing the performance of the Board.

A formal performance evaluation of the board and its members has not taken place since the end of the last financial period.

CORPORATE GOVERNANCE STATEMENT

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.

Due to changes to the ASX Listing Rules during the year under review, the Company was required to establish an appropriate Trading Policy. This trading policy, which had been established in 2007 was submitted to the Company Announcements Office on 20 December 2010.

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.

The Company actively supports diversity within the organisation including, but not limited to, gender, age, ethnicity and cultural background. The Board of Directors and management are currently in the process of formulating an appropriate Diversity Policy appropriate to the business. This priority will include measureable objectives, procedures to ensure diversity within the business and a review mechanism to assess the effectiveness of the policy.

INTEGRITY OF FINANCIAL REPORTING

The Company'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 Company'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.

The appointment of an external auditor is subject to ratification by shareholders at an Annual General Meeting. The Board:

- reviews the performance of the external auditor on an ongoing basis;
- ensures the external auditor has arrangements in place for the rotation of the audit engagement partner. The audit engagement partner must rotate every five years; and
- ensures any non-audit services provided by the external auditor do not compromise the independence of the external audit function.

CORPORATE GOVERNANCE STATEMENT

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 Chairman, 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 Company'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 Company's risk management and control framework. The Company has implemented a policy framework designed to ensure that the Company'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 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 has provided 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.

REMUNERATION

Details of the remuneration of the directors are disclosed in the Remuneration Report set out on pages 18 to 21.

The Company does not have a policy prohibiting the entering into transactions in associated products which limit the economic risk of participating in uninvested entitlements under relevant equity based remuneration schemes. This is because the only equity based remuneration scheme offered to directors takes the form of options over unissued shares with an exercise price in excess of the current market price.

There is no scheme for retirement benefits, other than superannuation, for non-executive directors

DIRECTORS' REPORT

The Directors present their report, together with the financial report of Reedy Lagoon Corporation Limited for the year ended 30 June 2011 and the auditor's report thereon.

A. DIRECTOR PROFILES

The names and particulars of Directors of the Company at any time during or since the end of the financial year and the date of this report were as follows:

Director	Particulars
Jonathan M. Hamer BA, LLB.	**Chairman – Non Executive:** Aged 56, Appointed 9 May 2007 Period in office: 4 years 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 54, Founding Director Period in office: 15 years 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 is a Member of the Geological Society of Australia and the Australian Institute of Mining and Metallurgy.
Hugh Rutter B.Sc., M.Sc., D.I.C., F.A.I.G.	**Director** Aged 69, Appointed 24 August 2000. Period in office: 11 years 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 and has contributed to RLC's exploration activities since 1988. 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 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 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

Directorships of other listed companies

No Director has held, during the preceding 3 years, any directorships of other listed companies.

DIRECTORS' REPORT

The name and particulars of the Secretary of the Company at any time during or since the end of the financial year and the date of this report was as follows:

Company Secretary	Particulars
Geof H Fethers	Aged 54, appointed 1 April 2009.

DIRECTORS REPORT

B. REMUNERATION REPORT (AUDITED)

This remuneration report outlines the Director and Executive remuneration arrangements of the Company in accordance with the Corporations act 2001 and its Regulations. It also provides the remuneration disclosures required by paragraphs AUS25.4 and AUS 25.7.2 of AASB 124 Related Party Disclosures which have been transferred to the Remuneration Report in accordance with the Corporations Regulation 2M 6.04

This report outlines the remuneration arrangements in place for the Directors (both Executive and Non Executive) and Executives of the Company.

This report is audited as the entity has transferred the disclosures from the financial statements.

For the purposes of this report the term 'Senior Executive' encompasses the Managing Director, Executive Directors and Secretary of the Company and its subsidiary.

Board Policy for determining remuneration of Directors and Executives

Currently, the Company does not have a separate 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 remuneration committee.

The Board as a whole reviews the remuneration packages and policies applicable to the Chairman, Senior Executives and Non-Executive Directors on an annual basis. Remuneration levels are set to attract or retain, as appropriate, qualified and experienced Directors and Senior Executives. From time to time and as required, the Board will seek independent professional advice on the appropriateness of remuneration packages.

The current nature and amount of remuneration payable to Chairman, Senior Executives and Non-Executive Directors is not dependent upon the satisfaction of a performance condition. Instead part of the remuneration takes the form of options which will have value if the Company's share price increases.

DIRECTORS REPORT

B. REMUNERATION REPORT (AUDITED)

Remuneration of Directors for the year ended 30 June 2011

The Directors received the following amounts as compensation for their services as Directors and executives of the Company during the year:

Table RR1– 2011 Director & Executive remuneration

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payment		% of remuneration consisting of options & rights
2011	Salary & fees $	Non-monetary $	Other $	Super-annuation $	$	Options & rights $	Total $	%
Non-executive Directors								
J M Hamer	24,367	-	-	2,301	-	20,516	47,184	43 %
Executive Directors								
G Fethers	78,000	-	-	17,920	-	34,194	130,114	26 %
H Rutter	61,504	-	-	-	-	34,194	95,698	36%
	163,871	-	-	20,221	-	88,903	272,995	33 %

There were no other key executives identified for the year ended 30 June 2011.

Securities issued to Directors and Executives

The following table summarises the value of options issued/granted, exercised or lapsed during the annual reporting period to the identified Directors and Executives:

Table RR2 - 2011 Options Grants, Exercise and Lapse

	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	20,516	-	-	20,516
G Fethers	34,194	-	-	34,194
H Rutter	34,194	-	-	34,194

(i) Details of option grants are set out in table RR3 below. 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) Details of options lapsed during the year are set out in table RR4 below. The options were deemed to have a value at the date of grant of 1.35 cents per option (total value at grant date $17,568)

DIRECTORS REPORT

B. REMUNERATION REPORT (AUDITED)

The options granted during the year and fair value attributed to the options grant is set out in table 3 below :-

Table RR3 – 2011 Options Grant, Vesting and Fair Value

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					
J Hamer	$0.21	31-Dec -13	300,000	300,000	20,516
G Fethers	$0.21	31-Dec-13	500,000	500,000	34,194
H Rutter	$0.21	31-Dec-13	500,000	500,000	34,194
Aggregate Value of Securities issued					88,903

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

The securities issued to Directors are options the exercise price of which was set at a premium to the value of the underlying share at the time of issue. Accordingly, the issue of the option is not dependent on the satisfaction of a performance hurdle but the amount, if any, ultimately realised, is dependent upon the value of the underlying share at the time of exercise of the option.

The valuation of the options granted and vested during the year employed a Hull-White enhanced trinomial lattice options pricing model using the following key data inputs.

Series	21 cents : 31-Dec-13
Deemed date of grant	12 November 2010
Underlying Share Price	13.0 cents
Volatility	140%
Risk Free Rate	5.24%
Dividend Rate	Nil
Employee exit rate	0

At the date of grant, the options were determined to have a fair value of 6.8 cents per option.

Table RR4 – 2011 Director held options lapsed

	Exercise Price	Expiry Date	Number of Shares
J Hamer	$0.20	31 December 2010	300,000
G Fethers	$0.20	31 December 2010	500,000
H Rutter	$0.20	31 December 2010	500,000

Details of Employment and Service Contracts

Executive Directors have been engaged under service contracts the details of which are summarised below.

- Mr G Fethers is employed as the Company's Executive Managing Director under a contract of employment which commenced on 1 May 2007. The contract does not have any fixed term and may be terminated by the Company or Mr Fethers on reasonable notice. No payments or retirement benefits are payable on termination. On 1 April 2009 Mr Fethers agreed to a 50% reduction in his salary as a temporary measure to assist the Company to conserve its cash reserves. On 1 March 2011 his salary was returned to contracted levels.

DIRECTORS REPORT

B. REMUNERATION REPORT (AUDITED)

- In respect of the payments to Mr H Rutter detailed in table 1, Geophysical Exploration Consultants Pty Ltd ("Geophysical"), a company associated with Mr. Rutter, and RLC had previously entered a Consultancy Agreement. Under the Consultancy Agreement Geophysical provided geological, geophysical and management services to RLC for an annual fee of $96,000 paid in monthly instalments of $8,000. The agreement commenced on 1 May 2007 with a term of 12 months, which was renewable on an annual basis. On 1 April 2009 Geophysical agreed to a 50% reduction in the fees payable to it as a temporary measure to assist the Company to conserve its cash reserves. On 1 March 2011 the Consultancy Agreement was terminated and Geophysical commenced invoicing the Company for geophysical services at normal commercial contractor rates and Mr Rutter became entitled to director's fees of $20,000 per annum.

DIRECTORS REPORT

C. PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

Principal Activity

The principal activity of the Company during the course of the financial year was the exploration for minerals.

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

Result of Operations

The net loss of the Company after income tax for the year was $541,746 (2010: consolidated loss $536,980). Further commentary on the operations of the Company during the year is included in the Annual Review on pages 2 to 9 of the Annual Report.

Dividends

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

Significant Changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review except as detailed in this report.

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.

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

Likely Developments

At the date of this report, there are no future developments of the Company which warrant disclosure.

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) 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.

DIRECTORS REPORT

C. PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

Directors' Meetings

The following table sets out the numbers of meetings of the Company's directors held during the year ended 30 June 2011, and the number of meetings attended by each director.

	A	B
G. H. Fethers	3	3
H. Rutter	3	3
J M Hamer	3	3

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

B - number of meetings attended

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:

Table RR5 – 2011 Directors interests in securities

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	7,367,670	3,675,000
H. Rutter	93,890	625,900	1,825,000
J Hamer	184,766	18,780	3,900,000

Share Options

At the date of this report the following options over unissued shares in the Company remain unexercised;

Table RR6 – 2011 Options on Issue

Expiry Date	Exercise Price		Number of Shares
Held by Directors			
31 December 2011	$0.20		1,300,000
31 March 2012	$0.50		2,500,000
30 April 2012	$0.30		3,000,000
31 December 2012	$0.20		1,300,000
31 December 2013	$0.21		1,300,000
			9,400,000
Held by Others			
31 December 2011	$0.20		550,000
30 April 2012	$0.30		3,000,000
31 December 2012	$0.20		350,000
31 December 2013	$0.21		250,000
			4,150,000
Total			13,550,000

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

DIRECTORS REPORT

C. PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

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. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence.

The following fees were paid or payable to the auditor (or associated firms) for non-audit services provided during the year

- Taxation and compliance services $17,200.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 26 of the financial report

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.

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

8 September 2011

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011, there have been:

i. no contraventions of the auditor 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
A.B.N. 16 847 721 257

MARK HAMMERSCHLAG
Partner

Melbourne

8 September 2011

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DIRECTORS' DECLARATION

1. The directors of the Company declare that:

   a) the financial statements and notes, as set out on pages 30 - 53 are in accordance with the Corporations Act 2001 and:

      (i) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company; and

      (ii) comply with Australian Accounting Standards which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS)

   b) the Managing Director, acting as Chief Executive Officer and Chief Financial Officer declares that :

      (i) the financial records of the Company for the financial year have been properly maintained in accordance with S286 of the Corporations Act 2001,

      (ii) the financial statements and notes for the financial year comply with Accounting Standards, and

      (iii) the financial statements and notes for the financial year are true and fair.

   c) 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.

G. H. FETHERS
MANAGING DIRECTOR

8 September 2011

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

Report on the Financial Report

We have audited the accompanying financial report of Reedy Lagoon Corporation Limited (the company), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the entity 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 that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

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. Those 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.

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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Auditor's Opinion

In our opinion:

a. the financial report of Reedy Lagoon Corporation Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2011 and of the performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 19 to 22 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Reedy Lagoon Corporation Limited for the year ended 30 June 2011 complies with s 300A of the *Corporations Act 2001*.

NEXIA ASR

ABN 16 847 721 257

MARK HAMMERSCHLAG

Partner

Melbourne

8 September 2011

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		$	$
Continuing operations			
Other revenue from ordinary activities	4	594,371	84,273
Total revenue		594,371	84,273
Expenses related to ordinary activities			
Corporate Administration costs		(107,388)	(87,249)
Employee and directors benefits expense		(103,608)	(66,481)
Exploration expenditure		(622,090)	(332,215)
Other expenses from ordinary activities		(104,056)	(93,478)
Depreciation expense		(7,997)	(8,028)
Joint Venture dispute costs		-	(33,801)
New Joint Venture costs		(84,978)	-
Share based payments expense		(106,000)	-
Loss before income tax		(541,746)	(536,980)
Income tax expense	9(a)	-	-
Loss from continuing operations		(541,746)	(536,980)
Earnings per share			
Basic (cents per share)		(1.10)	(1.10)
Diluted (cents per share)		(0.87)	(0.84)
Other comprehensive income		-	-
Total comprehensive loss for the year		(541,746)	(536,980)

Notes to the financial statements are set out on pages 34 to 53.
The statement of comprehensive income should be read in conjunction with the notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011	2010
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	10	1,171,002	1,540,026
Trade and other receivables	11	12,770	18,338
Other current assets	12	75,127	76,172
Total Current Assets		1,258,899	1,634,536
Non Current Assets			
Property Plant & Equipment	13	8,624	9,946
Total Assets		1,267,523	1,644,482
LIABILITIES			
Current Liabilities			
Trade and other payables	14	67,785	25,938
Employee entitlements		16,940	-
Total Current Liabilities		84,725	25,938
Non Current Liabilities		-	-
Total Liabilities		84,725	25,938
Net Assets		**1,182,798**	**1,618,544**
Equity			
Issued capital	15	13,606,028	13,606,028
Reserves	17	251,000	145,000
Retained earnings		(12,674,230)	(12,132,484)
Total Equity		**1,182,798**	**1,618,544**

Notes to the financial statements are set out on pages 34 to 53.
The statement of financial position should be read in conjunction with the notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	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
Loss for the year	-	-	(536,980)	(536,980)
Total recognised income and expense	-	-	(536,980)	(536,980)
Issue of options under share option plan	-	-	-	-
Balance at 30 June 2010	13,606,028	145,000	(12,132,484)	**1,618,544**
Loss for the year	-	-	(541,746)	(541,746)
Total recognised income and expense			(541,746)	(541,746)
Issue of options under share option plan	-	106,000	-	106,000
Balance at 30 June 2011	**13,606,028**	**251,000**	**(12,674,230)**	**1,182,798**

Notes to the financial statements are set out on pages 34 to 53.
The statement of changes in equity should be read in conjunction with the notes.

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		$	$
Cash flows from operating activities			
Receipts from customers		535,142	41,200
Payments to suppliers and employees		(257,556)	(273,401)
Payments for exploration activities		(706,695)	(433,420)
Interest received		59,231	79,005
GST adjustments		7,530	(6,116)
Net cash used in operating activities	18(b)	(362,348)	(592,732)
Cash flows from investing activities			
Payments for plant & equipment		(6,676)	-
Net cash from/(used in) investing activities		(6,676)	-
Cash flows from financing activities		-	-
Net cash from/(used in) financing activities		-	-
Net decrease in cash held		(369,024)	(592,732)
Cash at 1 July		1,540,026	2,132,758
Cash at 30 June	18(a)	**1,171,002**	**1,540,026**

Notes to the financial statements are included on pages 34 to 53.
The cash flow statement should be read in conjunction with the notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

1. GENERAL INFORMATION

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

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

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

The financial statements represent the Company as at 30 June 2011 (The Company's only subsidiary was deregistered during the year ended June 2010. The 30 June 2010 comparatives comprise the Company and its subsidiary (together referred to as the "Group").

The principal activity of the Company is the exploration for minerals.

2. BASIS OF PREPARATION

(a) Statement of compliance

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.

(b) Basis of measurement

The financial statements have been prepared in accordance with the historical cost convention and, except where stated, do not take into account changing money values or fair values of non-current assets.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Accounting judgements

In the application of the Company'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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

3. SIGNIFICANT ACCOUNTING POLICIES

The 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) Basis of Consolidation

The accounts for the financial period ended 30 June 2011 comprise the accounts of Reedy Lagoon Corporation Limited

The Company's only subsidiary was deregistered during the financial period ended 30 June 2010

The accounts for the financial period ended 30 June 2010 comprise the accounts of Reedy Lagoon Corporation Limited and its controlled entities. All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the consolidated group 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 change for current income tax expense is based on the profit 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 reporting 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 Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(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 and Cash Equivalents

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.

(g) Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

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.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured.

(i) Employee Benefit Provisions
Wages and Salaries, Annual Leave and Sick Leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of balance sheet date are recognised in respect of employees' services rendered up to balance sheet date and measured at amounts expected to be paid when the liabilities are settled. Liabilities for wages and salaries are included as part of Other Payables and liabilities for annual and sick leave are included as part of Employee Benefit Provisions.

(j) Contributed Equity
Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(k) Share-Based Payments
The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions"). The following plans are currently in place to provide these benefits:

The fair value of options granted is recognised as a share based payment expense with a corresponding increase in equity (share option reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined by an independent valuator using a Hull-White enhanced trinomial lattice option pricing model. Refer to Note 16 for details of the assumptions used in determining the fair value of options.

(l) Earnings Per Share
Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to members of Reedy Lagoon Corporation Limited, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

NOTES TO THE FINANCIAL STATEMENTS
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Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

(m) Interests in Joint Ventures

The Company's shares of the assets, liabilities, revenue and expenses of jointly controlled operations have been included in the appropriate line items of the financial statements. Details of the Company's interests are provided in Note 19.

(n) Comparative figures

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

As disclosed in note 3(a), the comparative information for 30 June 2010 was for the consolidated group, whilst 30 June 2011 is for the Company.

(o) New Standards and Interpretations not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report.

Australian Accounting Standard	Title	Mandatory Application Date[1]	Possible Impact
AASB 9	Financial Instruments	1 January 2013	AASB 9 and AASB 2009-11 address the classification and measurement of financial assets and are likely to affect the Company's accounting for its financial assets. The Company is yet to assess its full impact. However, initial indications are that it may affect the Company's accounting for available-for sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investment that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	2011	2010
	$	$
4. REVENUE		
Other revenue from ordinary activities:		
- Interest – other parties	59,231	79,005
- Proceeds from granting Joint Venture rights	500,000	-
- Labour and office cost recoveries	35,140	5,268
	594,371	84,273

5. LOSS BEFORE INCOME TAX EXPENSE

Significant expenses		
The following significant revenue and expense items are relevant in explaining the statement of financial performance		
- Exploration expenditure		
- Tenement application fees and rents	36,401	145,573
- Other exploration expenditure	585,689	186,642
	622,090	332,215
- Legal costs on establishing new Joint Venture	84,978	-
- Legal costs on joint venture dispute	-	33,801

6. AUDITORS' REMUNERATION

Remuneration paid to the auditor of the Company for:		
- auditing or reviewing the financial reports	11,700	11,150
- taxation and compliance services	17,200	19,400
	28,900	30,550

It is the Company's policy to engage the external auditor to provide services additional to their audit duties where the external auditor's experience and expertise with the Company's are important and it is logical and efficient for them to provide those services. The provision of non-audit services during the year by the external auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001*.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

7. 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		% of remuneration consisting of options & rights
2011	Salary & fees $	Non-monetary $	Other $	Super-annuation $	$	Options & rights $	Total $	%
Non-executive Directors								
J M Hamer	24,367	-	-	2,301	-	20,516	47,184	43 %
Executive Directors								
G Fethers	78,000	-	-	17,920	-	34,194	130,114	26 %
H Rutter	61,504	-	-	-	-	34,194	95,698	36 %
	163,871	-	-	20,221	-	88,903	272,995	33 %
2010								
Non-executive Directors								
J M Hamer	18,200	-	-	1,800	-	-	20,000	0 %
A Griffin	4,167	-	-	-	-	-	4,167	0%
Executive Directors								
G Fethers	66,000	-	-	5,940	-	-	71,940	0%
H Rutter	48,000	-	-	-	-	-	48,000	0%
	136,367	-	-	7,740	-	-	144,107	0%

(1) There are only 2 key management executives (G Fethers and H Rutter) and each of these persons is a Director

(2) Details of the valuation of share based payments are set out in Note 16. All options fully vested on grant date.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Operating segments

For management purposes, the Company is organised into one major operating division – minerals exploration. This is the basis on which the Company reports its financial results. The principal projects in which the Company has an interest in are described in the Annual Review in pages 2 to 9 of this Annual Report

(b) Geographical information

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	2011	2010
	$	$
9. TAXATION		
(a) Income tax expense		
Prima facie income tax benefit calculated at 30% on the (loss) before tax	(162,524)	(161,094)
Increase/decrease in income tax expense		
Tax effect of:		
Capital allowances – share issue costs	(22,976)	(31,785)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	2,206	475
Tax capital losses recouped, for which benefit not previously recognised	(150,000)	-
Prima-facie income tax benefit	(333,294)	(192,404)
Deferred tax asset (on account of losses) not brought to account	333,294	192,404
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 presently probable:

Tax losses carried forward	1,472,575	1,139,281
Unamortised balance of capital allowances	-	22,976
Temporary differences	4,920	2,725
	1,477,495	1,164,982

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

a) The Company derives future assessable income of a nature and amount sufficient to enable the benefit to be realised;

b) The Company continues to comply with the conditions for deductibility imposed by the law; and

c) No changes in tax legislation adversely affect the Company in realising the benefit.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	2011	2010
	$	$

10. CASH AND CASH EQUIVALENTS

Cash at bank	56,851	201,256
Cash management account	702,255	488,770
Term deposits	412,166	850,000
	1,171,002	**1,540,026**

The bank term deposits mature within 12 months and pay interest at a weighted average interest rate of 5% at 30 June 2011.

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	1,171,002	1,540,026

11. TRADE AND OTHER RECEIVABLES

Other receivables	1,962	-
GST receivable	10,808	18,338
	12,770	**18,338**

12. OTHER CURRENT ASSETS

Prepayments	40,846	34,452
Deposits	34,281	41,720
	75,127	**76,172**

13. PROPERTY, PLANT AND EQUIPMENT

	2011	2010
	$	$
(a) Reconciliation of carrying amounts		
Computers and Office equipment		
At cost	10,926	4,250
Accumulated depreciation	(5,056)	(3,670)
	5,870	580
Scientific Equipment		
At cost	26,445	26,445
Accumulated depreciation	(23,690)	(17,079)
	2,755	9,366
	8,624	**9,946**

(b). Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Computer & Office Equipment	Scientific Equipment
Balance at 1 July (net of accumulated depreciation)	580	9,366
Additions	6,676	-
Depreciation expense	(1,386)	(6,611)
Balance at 30 June (net of accumulated depreciation)	**5,870**	**2,755**

14. TRADE AND OTHER PAYABLES

	2011	2010
	$	$
Current		
Trade creditors	47,777	14,919
Other creditors and accruals	20,008	11,019
	67,785	**25,938**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	2011	2010
	$	$

15. ISSUED CAPITAL

a. Issued and paid up share capital of 48,600,000 (2010: 48,600,000) ordinary shares fully paid comprising:	13,606,028	13,606,028

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. *Movement in Share Capital*	Number		
Balance – 30 June 2010	48,600,000	13,988,957	13,988,957
Movements	-	-	-
Balance – 30 June 2011	48,600,000	13,988,957	13,988,957
Share Issue costs		(382,929)	(382,929)
		13,606,028	13,606,028

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

16. OPTIONS OVER UNISSUED SHARES

a. *Options Granted*
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]	$0.21	1,300,000	31 December 2013
Toey Pty Ltd	$0.21	250,000	31 December 2013

[1] Issued pursuant to the Director's Option Scheme replacing options expiring during the year.

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)
31 December 2010	$0.20	1,850,000

c. *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 2011	$0.20	1,850,000
31 March 2012	$0.50	2,500,000
30 April 2012	$0.30	6,000,000
31 December 2012	$0.20	1,650,000
31 December 2013	$0.21	1,550,000
		13,550,000

(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					
J Hamer	$0.21	30-Dec-13	300,000	300,000	20,516
G Fethers	$0.21	31-Dec-13	500,000	500,000	34,194
H Rutter	$0.21	31-Dec-13	500,000	500,000	34,194

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

The exercise price of the options granted was set at a premium to the value of the underlying share at the time of issue. The options are not dependent on the satisfaction of a performance hurdle but no value accrues to the holders unless the share price increases by more than 30% before the expiry of the options.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

The valuation of the options granted and vested during the year employed a Hull-White enhanced trinomial lattice options pricing model using the following key data inputs.

Series	21 cents : 31-Dec-13
Deemed date of grant	12 November 2010
Underlying Share Price	13.0 cents
Volatility	140%
Risk Free Rate	5.24%
Dividend Rate	Nil
Employee exit rate	0

At the date of grant, the options were determined to have a fair value of 6.8 cents per option

		2011	2010
		$	$
17. RESERVES			
Equity settled benefits		**251,000**	**145,000**
Equity-settled benefits reserve			
Balance at beginning of financial year		145,000	145,000
Share-based payment expensed		106,000	-
Balance at end of financial year		251,000	145,000

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

18. CASH FLOW INFORMATION

a. Reconciliation of cash flow from operation with profit after tax.			
Cash assets	10	1,171,002	1,540,026
b. Reconciliation loss for the year to net cash used in operating activities			
Loss from ordinary activities after Income Tax		(541,746)	(536,980)
Non Cash Credits / Charges			
Depreciation		7,997	8,028
Equity settled benefits		106,000	-
Movement in other assets/liabilities			
Decrease (Increase) in receivables		5,568	29,816
Decrease (Increase) in prepayments		(6,393)	2,130
Decrease (Increase) in deposits & bonds		7,438	(41,720)
Increase/(decrease) in accounts payable		41,848	(54,006)
Increase/(decrease) in employee entitlements		16,940	-
Net Cash used in operating activities		**(362,348)**	**(592,732)**

19. INTEREST IN JOINT VENTURE OPERATIONS

Bullamine Farm-in and Joint Venture Agreement:
RLC and Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs"), a wholly owned subsidiary of Cliffs Natural Resources Inc. (NYSE: CLF, Paris: CLF), entered a joint venture on 11 February 2011 under which Cliffs can earn a 75% interest in RLC's iron-ore project located east of Perth in Western Australia. Under the joint venture agreement Cliffs paid $500,000 to RLC on commencement and is spending $5 million on exploration to maintain its 75% interest. Subsequent exploration and development to completion of a feasibility study will be funded by Cliffs with RLC's 25% share of these costs repayable out of RLC's share of future mine production. Cliffs is the manager of the joint venture.

The Bulla joint venture agreement ("Bulla JV") provides the Bullamine joint venture parties with 100% interest in iron resources within tenements E70/2719 and E70/2720 which are registered in the name of Northern Minerals Limited.

EL 4377, EL 3505 and EL 3886 were subject to a joint venture agreement, the Diamond Farm Out Agreement, which transfers all RLC's interest in diamonds in these tenements to DiamondCo Limited.

EL 4377 was subject to a joint venture agreement, the Edward Creek Base Metals Joint Venture ("ECBMJV") which was terminated and all interests in the ECBMJV were forfeited to RLC on 9 June 2009. The termination of the joint venture was disputed by the other parties, but RLC considers the dispute to be baseless. Prior to the termination of the joint venture RLC held a 62% interest in the tenements.

20. 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 2011

21. 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)
J M Hamer	(appointed 9 May 2007)

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

b. Other related party transactions with the Company:

(i) Cropten Pty Ltd, a company of which Mr. Fethers and Mr. Rutter are directors and shareholders, provided until 28 February 2010, office space and equipment, together with services including secretarial to the Company at normal commercial rates. Total fees invoiced by Cropten during the financial year to the Company amounting to nil were paid (2010 consolidated group: $20,489)

(ii) DiamondCo Limited, a company of which Mr. Fethers and Mr. Rutter are directors and shareholders, holds the rights to diamonds located on EL 4377 through a joint venture agreement dated 26 March 2007. Opportunities to reduce mobilisation costs and expand small scale programmes by combining field activities are exploited where possible. Where services for combined RLC & DiamondCo programmes are contracted RLC normally acts as principal and invoices DiamondCo on a cost recovery basis. RLC provides the services of Mr Fethers and office services to DiamondCo at normal commercial rates. Total fees invoiced by RLC during the financial year to DiamondCo amounting to $9,425 were paid (2010 consolidated group: $5,268).

(iii) Flagstaff GeoConsultants Pty Ltd ("Flagstaff"), of which Mr Rutter is a shareholder and director, previously provided geological and geophysical services. The Company ceased making payments to Flagstaff during the prior period and now receives geological and geophysical services directly from members of Flagstaff on an as required basis at normal commercial rates. Payments to Flagstaff during the financial year totalled $nil (2010 consolidated group: $37,357).

(iv) Geophysical Exploration Consultants Pty Ltd ("Geophysical") is a company associated with Mr. Rutter. Geophysical had previously entered a Consultancy Agreement. Under the Consultancy Agreement Geophysical provided geological, geophysical and management services to RLC for an annual fee of $96,000 paid in monthly instalments of $8,000. The agreement commenced on 1 May 2007 with a term of 12 months, which was renewable on an annual basis. On 1 April 2009 Geophysical agreed to a 50% reduction in the fees payable to it as a temporary measure to assist the Company to conserve its cash reserves. On 1 March 2011 the Consultancy Agreement was terminated and Geophysical commenced invoicing the Company for geophysical services at normal commercial contractor rates and Mr Rutter became entitled to director's fees of $20,000 per annum. Total fees invoiced by Geophysical, including director's fees, during the financial year to the Company amounting to $61,504 were paid (2010 consolidated group: $84,000) (the amount has been included in directors remuneration to Mr Rutter).

(vi) Mallesons Stephen Jaques ("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 agreements and other matters. Total payments (excl. GST) to Mallesons during the financial year amounted to $109,895 (2010 consolidated group: $ 43,532).

22. PARENT ENTITY DISCLOSURES

As at 30 June 2011 Reedy Lagoon Corporation Limited ("RLC") did not have any controlled or associated entities.

As at 30 June 2010 the consolidated group comprised Reedy Lagoon Corporation Limited and its controlled entity Osprey Gold Pty Ltd, until the voluntary deregistration of Osprey Gold Pty Ltd on 17 January 2010. Osprey Gold Pty Ltd was a dormant entity and as such the parent results reflect the consolidated results for the financial year ended June 2010.

23. FINANCIAL RISK MANAGEMENT

a. Capital Risk Management

RLC's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and exploit the mineral assets under its control in order to provide future returns for shareholders and benefits for other stakeholders.

The Company continuously reviews the capital structure to ensure:-

- sufficient funds are available to implement its exploration expenditure programs in accordance with forecasted needs; and
- sufficient funds for the other operational needs of the Company is maintained.

b. Financial Risk Management Policies

The Company's financial instruments consist of deposits with banks, accounts receivable and payable.

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

The Company does not have any derivative instruments at 30 June 2011.

Financial Risks

The main risks the Company 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 Company is exposed to interest rate risk. Financial assets interest rate risk is managed by investing only floating rate bank securities.

Liquidity risk

The Company 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.

The Company only invests in listed available-for-sale financial assets issued by Australian trading banks.

The risk for counterparties included in trade and other receivables at 30 June 2011 is detailed below:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

23. FINANCIAL RISK MANAGEMENT (cont'd)

c. Financial Instruments

(i) Derivative Financial Instruments
The Company does not use derivative financial instruments, forward exchange contracts or interest rate swaps

(ii) Composition and Maturity Analysis
The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

2011

2011	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	758,836	412,166	-	-	-	-	-	-	1,171,002
Deposits		-	-	-	-	-	-	-	34,281	34,281
Other receivables		-	-	-	-	-	-	-	12,770	12,770
		758,836	412,166	-	-	-	-	-	47,051	1,218,053
Financial liabilities										
Trade payables		-	-	-	-	-	-	-	67,785	67,785
		-	-	-	-	-	-	-	67,785	67,785

2010

2010	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	4.5	690,026	850,000	-	-	-	-	-	-	1,540,026
Deposits		-	-	-	-	-	-	-	41,720	41,720
Other receivables		-	-	-	-	-	-	-	18,338	18,338
		690,026	850,000	-	-	-	-	-	60,057	1,600,084
Financial liabilities										
Trade payables									25,938	25,938
		-	-	-	-	-	-	-	25,938	25,938

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

23. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk in relation to trade and other receivables is assessed as follows:-

	Company	
	2011	**2010**
	$	**$**
AA rated counterparties (government)	10,808	18,338
Counterparties not rated	1,962	-
Total	12,770	18,338
Trade and sundry payables are expected to be paid as follows:		
Less than 6 months	67,785	25,938
6 months to 1 year		
1 - 5 years		
Over 5 years		
Total	67,785	25,938

iii. Net Fair Values

The net fair values of:

— Term receivables, government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.

— Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.

— Other assets and other liabilities approximate their carrying value.

No financial assets or financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

23. FINANCIAL RISK MANAGEMENT (cont'd)

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at reporting date.

	2011		2010	
	Carrying Amount $	Net Fair Value $	Carrying Amount $	Net Fair Value $
Financial Assets				
Held-to-maturity financial assets	1,171,002	1,171,002	1,540,026	1,540,026
Loans and receivables	12,770	12,770	18,338	18,338
Other assets	34,281	34,281	41,720	41,720
	1,218,053	1,218,053	1,600,084	1,600,084
Financial Liabilities				
Other liabilities	67,785	67,785	25,938	25,938
	1,150,268	1,150,268	25,938	25,938

Interest rate risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk which demonstrates the effect on the current year results and equity which could result from a change in these risks.

At 30 June 2011, the effect on profit(loss) and equity as a result of changes in the interest rates during the year with all other variables remaining constant would be as follows;

	2011 $	2010 $
Change in Loss for the Year		
- Increase interest rates by 1%	13,030	19,750
- Decrease in interest rates by 1%	(13,030)	(19,750)
Change in Equity		
- Increase interest rates by 1%	13,030	19,750
- Decrease in interest rates by 1%	(13,030)	(19,750)

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 have been registered in respect of areas of RLC's granted tenements: EL4377, E08/2073, E09/1702 and E09/1715 and two areas under application: E70/3805 and E70/3806. EL 24885 (an application) is on Aboriginal Freehold land and there is no guarantee that the owners will give their consent and thereby allow the Company's planned programme to proceed although the terms of an Exploration Agreement have been agreed following the end of the report period and on the 26 July 2011 the Central Land Council gave its consent to the grant of the exploration licence.

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 $ 1,665,000 (2010: $1,695,000). Of this amount, $368,000 (2010: $1,258,000) relates to granted tenements not subject to the Bullamine Farm-in and Joint Venture Agreement.

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.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 25 August 2011.

Number of holders of equity securities
Ordinary share capital

48,600,000 fully paid ordinary shares are held by 494 individual shareholders.

All issued ordinary shares are quoted on the Australian Stock Exchange.
No ordinary shares on issue are subject to escrow restrictions.
All issued ordinary shares carry one vote per share and carry the equivalent rights to dividends.

In addition to the ordinary shares on issue there are 13,550,000 options issued (not quoted). Details are of these options are provided in note 16 to the financial statements.

Substantial shareholders

Substantial Shareholders	Number of Fully Paid Ordinary Shares	% of total on issue
Pyrope Holdings Pty Ltd:		
Pyrope Holdings Pty Ltd <G Fethers A/C>	6,039,850	12.43
Pyrope Holdings Pty Ltd <Chromite Staff S/Fund A/C>	753,050	1.55
Ranview Pty Ltd	574,770	1.18
G Fethers	5,010	0.01
	7,372,680	15.17
Sked Pty Ltd:		
Sked Pty Ltd	3,730,000	7.67
Sked Pty Ltd <Super Fund A/C>	1,000,000	2.06
CityCastle Pty Ltd	1,430,180	2.94
Traders Macquarie Pty Ltd	211,000	1.18
	6,371,180	13.11
Brett Armstrong	2,700,000	5.56
Total substantial shareholders	16,443,860	33.84

Distribution of holders of equity securities:

	No. of shareholders	%	No. of Ordinary Shares	Percentage of Issued Shares
1 – 1,000	18	3.64	3,750	0.01
1,001 – 5,000	38	7.69	142,146	0.29
5,001 – 10,000	84	17.00	738,344	1.52
10,001 – 100,000	281	56.88	9,622,919	19.80
100,001 and over	73	14.78	38,092,841	78.38
	494	100.00	48,600,000	100.00

There were 61 shareholders who held less than a marketable parcel of shares. On 25 August 2011 those 61 shareholders collectively held 171,821 shares. A less than marketable parcel of shares at 25 August 2011 was a holding of less than 5,883 shares.

SHAREHOLDER INFORMATION

Twenty largest shareholders
as at 25 August 2011

	No. of Quoted Ordinary Shares	% of total quoted
Pyrope Holdings Pty Ltd	7,372,680	15.17
Sked Pty Ltd	6,371,180	13.11
Mr Brett Armstrong	2,700,000	5.56
Mr Anthony Robert Ramage	1,755,000	3.61
Elstree Holdings Pty Ltd	1,500,000	3.09
Jagen Pty Ltd	1,300,000	2.67
Richall Pty Ltd	1,000,000	2.06
Philip Harold Lewis	813,670	1.67
Mr Anastasios Karafotias	640,686	1.32
Janavid Pty Ltd	625,900	1.29
Mr Robert Reeves & Mrs Mary Reeves	620,140	1.28
Weldbank Pty Ltd	609,000	1.25
Dale Estates Pty Ltd	500,000	1.03
Mr Joseph Lutvey	500,000	1.03
Clinical Cell Culture Limited	488,200	1.00
Mr Adrian Wischer & Mrs Felicity Wischer	480,000	0.99
Pelican Point Superannuation Fund	479,860	0.99
M & K Korkidas Pty Ltd	471,000	0.97
Brodie Cresswell & Walton Pty Ltd	448,031	0.92
Sydwick Pty Ltd	404,000	0.83
Total top 20	29,080,347	59.84
Total Other Investors	19,519,653	40.16
TOTAL:	48,600,000	100.00

Reedy Lagoon Corporation Limited
ABN 41 006 639 514

Directors

Jonathan M. Hamer
Chairman, Non-Executive Director

Geof H. Fethers
Managing Director

Hugh Rutter
Director

Company Secretary

Geof H. Fethers

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Auditor

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Victoria 3000

Share Registry

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Shareholders wishing to receive their Annual Reports and/or other information from the Company in electronic form can elect to do so by visiting www.linkmarketservices.com.au