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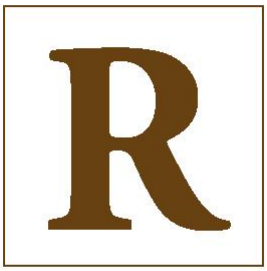

LAGOON

CORPORATION LTD

A.C.N. 006 639 514

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

REEDY LAGOON CORPORATION LIMITED
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Chairman's letter

28 September 2012

Dear Shareholders,

In the last twelve months Reedy Lagoon Corporation Limited (RLC) has made significant progress towards establishing its first resource.

By June 30 2012 the Bullamine Joint Venture had spent $7.2 million on exploration which included 7,700 metres diamond drilling and metallurgical studies on magnetite from the Cleansweep, Wongamine and Chitterberin prospects.

The resource estimate for the Chitterberin magnetite deposit being prepared for the Bullamine Iron Ore Joint Venture is expected to be received later this month. It will be a milestone along the road to potential mining.

The drilling at Burracoppin which commenced in early September is another exciting development as it will give an indication of the potential for Burracoppin to build on the results achieved at Chitterberin .

The Bullamine Joint Venture is relatively well placed to survive and thrive through the current weakness and volatility in the iron ore price. Proximity to labour and infrastructure provide the Bullamine project with capital and operating cost advantages over similar projects in more isolated locations. The target commodity, magnetite, produces a high quality product which ought to attract a premium sales price and is likely to remain marketable when lesser quality product may not be.

In other developments during the year, RLC:

- established the Bullamine Hematite project to explore for iron ore other than magnetite in Western Australia;
- obtained encouraging results from field work at the Winning Hill uranium project in Western Australia;
- commenced field work at the Isabella uranium project in Western Australia;
- was granted EL 24885 for the Tanami uranium and gold project in the Northern Territory; and
- was awarded PACE funding to assist in funding the costs of drilling planned at the Victory uranium prospect (Edward Creek project) in South Australia.

During the last financial year RLC's management restricted RLC's discretionary exploration expenditure in order to conserve shareholder funds. Cash funds applied to exploration expenditure over the financial year was approximately $ 257,000.

We anticipate continued challenging times for raising capital. RLC's current share price (which your directors consider does not reflect the potential value of RLC's interest in the Bullamine Joint Venture) indicates the likely cost in shareholder dilution terms, of raising capital in the current market. The Board intends to continue managing RLC's operations so as to maximise shareholder value. Our success in this endeavour to date is reflected in the number of shares on issue remaining unchanged since listing in 2007 at 48.6 million.

Your directors are looking forward to receiving the Chitterberin resource estimate and results from the drilling now underway at Burracoppin by the Bullamine Joint Venture. Should Burracoppin and Chitterberin prove to be substantial economic deposits then development options for mining may well emerge.

The Directors thank shareholders for their support.

Jonathan Hamer
Chairman

REEDY LAGOON CORPORATION LIMITED
ACN 006 639 514

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CORPORATE DIRECTORY Back Cover

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Mineralisation styles targeted during the period included:

- Iron-ore (Bullamine Joint Venture project (Magnetite) and Bullamine Hematite project)
- Uranium (Tanami, Isabella, Genoa, Winning Hill and Edward Creek projects)
- Gold (Tanami and KEL 1 projects)

Iron Exploration

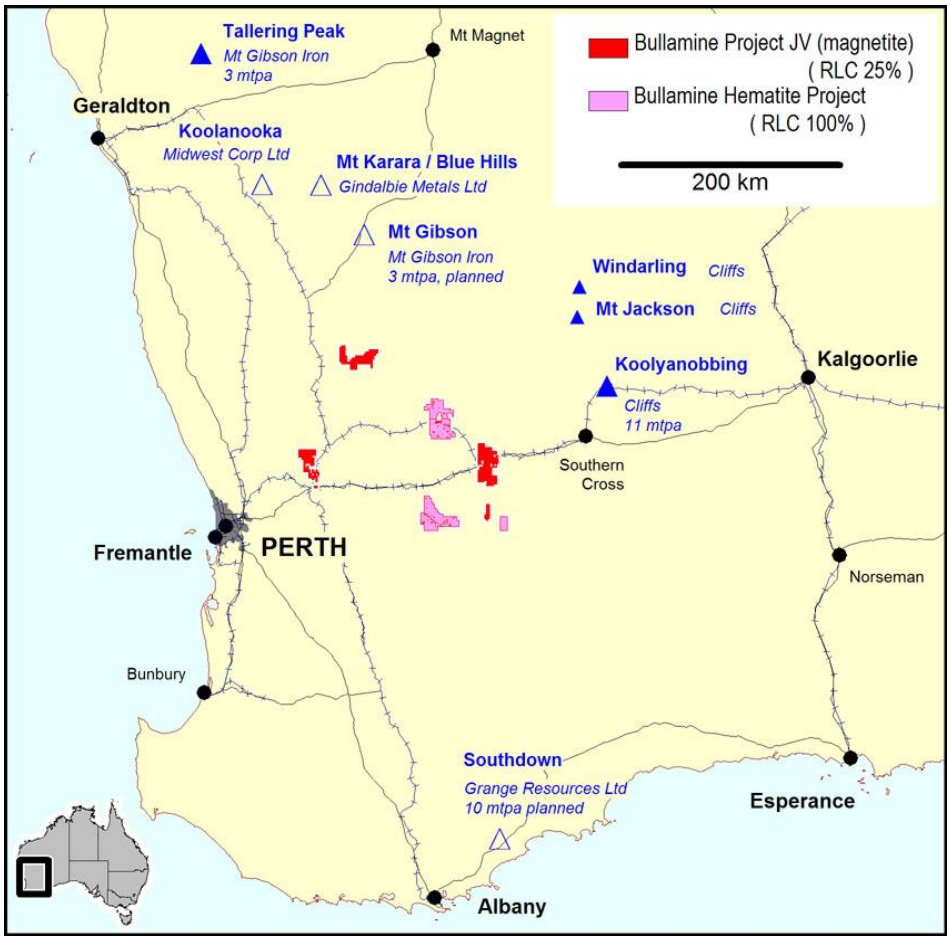

Figure 1: Bullamine JV and Bullamine Hematite project locations and infrastructure.

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Bullamine Joint Venture Project **IRON ORE - MAGNETITE** **Western Australia** **RLC 25%**

The joint venture is investigating opportunities for developing iron mining (magnetite) operations in the south west part of Western Australia, east from Perth. The project covers over 1,000 square kilometres under 6 tenements.

The joint venture comprises RLC and Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs"), a wholly owned subsidiary of Cliffs Natural Resources Inc. (NYSE: CLF, Paris: CLF). Under the terms of the joint venture Cliffs can earn a 75% interest in the Bullamine Joint Venture.

During the report period Cliffs completed its sole funding requirement of $5 million joint venture exploration expenditure. Subsequent exploration and development to completion of a feasibility study and decision to mine are being funded by Cliffs with RLC's 25% share of these costs repayable out of RLC's share of future mine production. At 30 June 2012 the joint venture had expended a total amount of $7.06 million on the project. Cliffs is the manager of the joint venture.

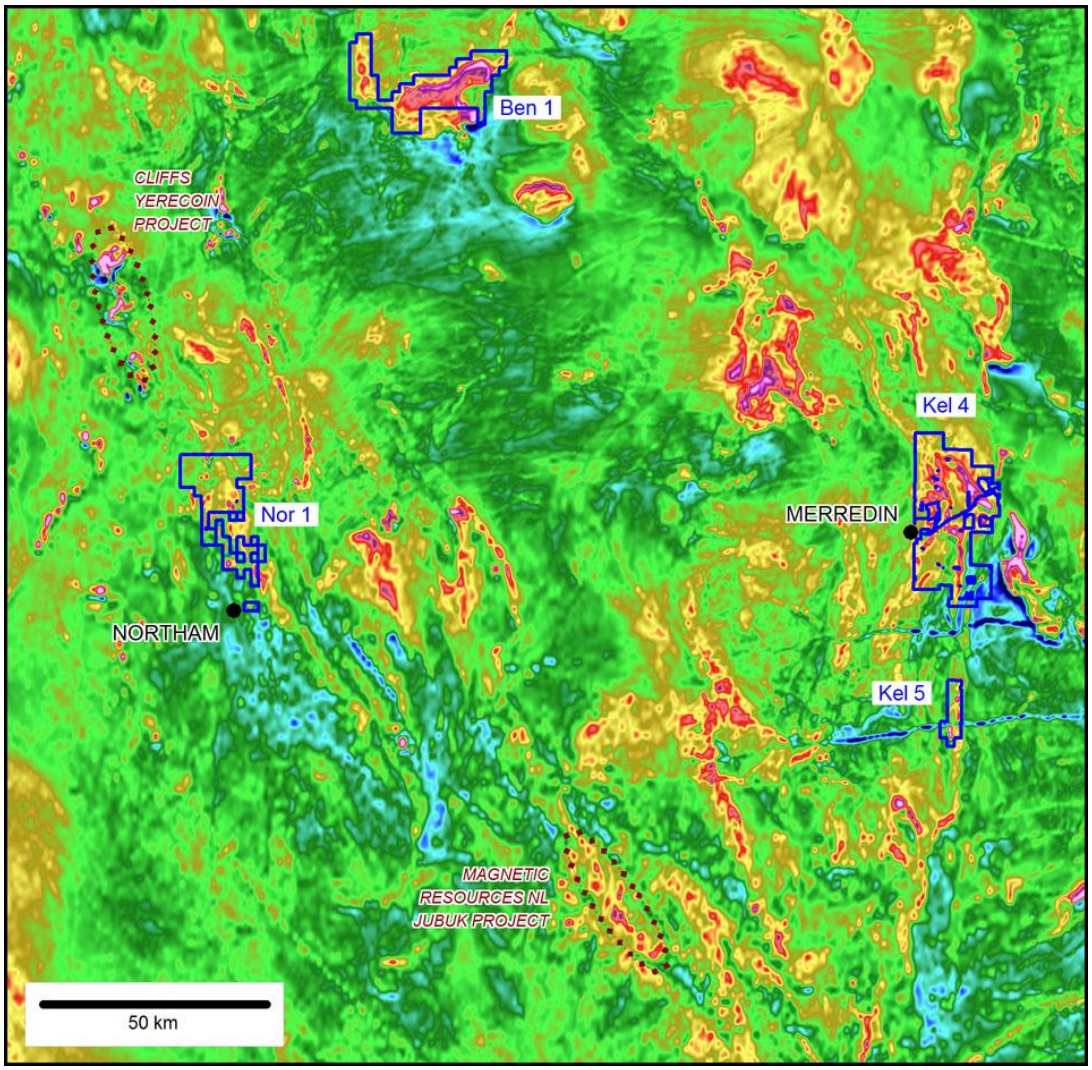

Figure 2. Bullamine Joint Venture project tenements in the Northam area in south west of WA are shown in blue outline (NOR 1, KEL 4, KEL 5 and BEN 1). Tenements are shown draped over regional magnetic data (in places at 1.6 kilometre line spacing – none of the JV detailed geophysical data are included in this figure). Other projects exploring for iron-ore and shown in the area include Yerecoin (Cliffs, 187 Mt iron-ore (magnetite)) and Jubuk (Magnetic Resources NL (ASX:MAU)).

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A feature of the project is its location not far from Perth. Road and rail service the area and provide links to bulk cargo ports at Fremantle and Esperance. Proximity to labour and infrastructure provide the Bullamine project with capital and operating cost advantages over similar projects in more isolated locations

Exploration by the joint venture during the year included 7,703.9 metres of diamond drilling. Significant magnetite mineralisation was intersected at several prospects including at Wongamine (NOR 1) and at Chitterberin (KEL 5) where metallurgical studies are underway to determine a maiden resource estimate.

Metallurgical results for the Wongamine prospect included Davis tube recoveries (DTR) determined on 79 core samples which provided a head grade of 30.1% Fe and at P80 75 micron achieved 31.2% weight recovery and a concentrate grading 70.5% Fe, 2.73% Si and 0.5% S. These data indicate a coarse magnetite concentrate for the Wongamine prospect may be feasible although elevated sulphur will need to be addressed before the prospect could be considered for further evaluation.

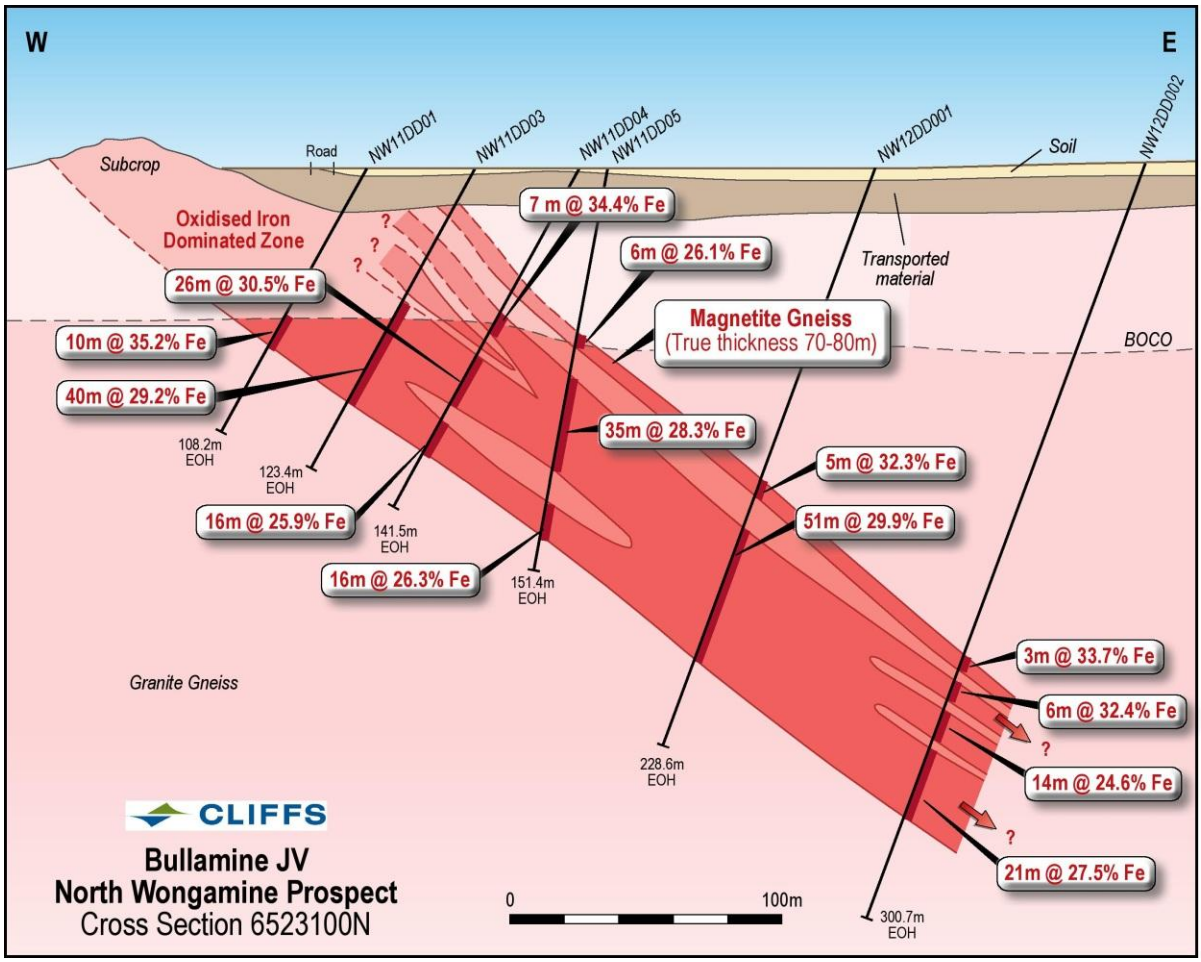

Figure 3. --- Drill results along section 6523100mN from the North Wongamnie prospect.

Results from drilling at the Chitterberin prospect were sufficiently encouraging to warrant determining a resource estimate. Tetra Tech in conjunction with ProMet Engineers has been commissioned to calculate the resource estimate for Chitterberin . The study is using samples and data derived from core from 15 diamond holes (2,819.8 metres) drilled during the December 2011 Quarter and detailed magnetic data. Results from this study were expected in late September.

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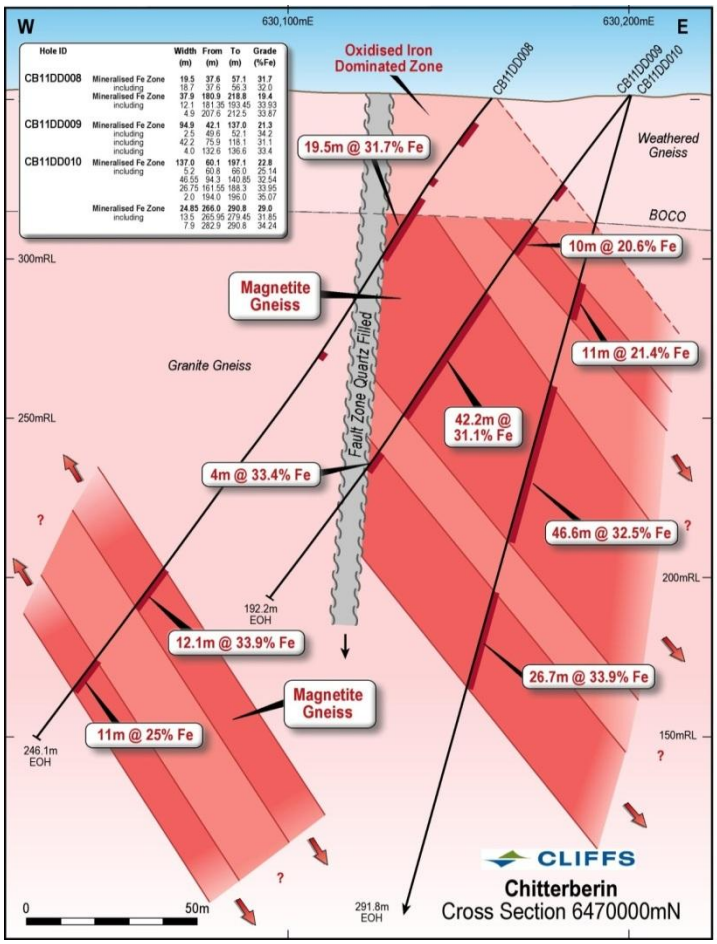
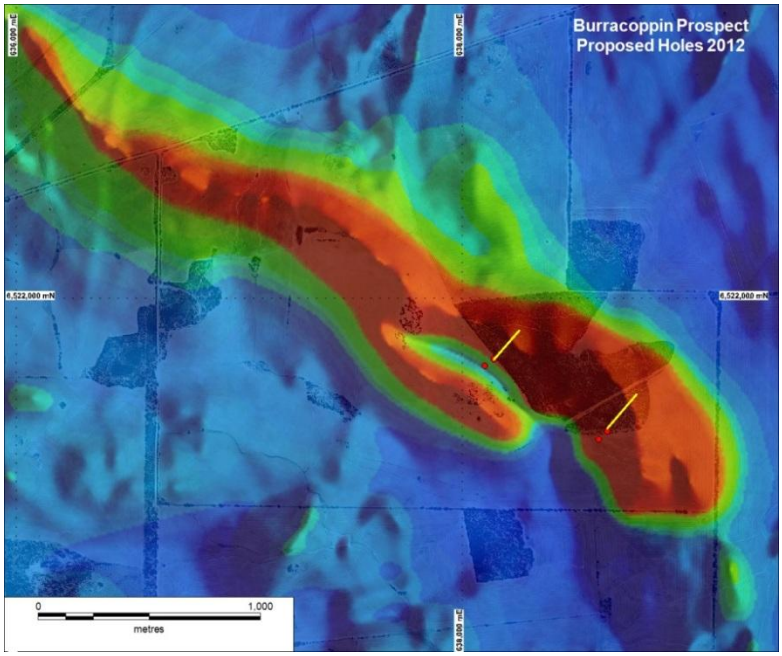


Preliminary findings of the study underway for Chitterberin suggest the prospect has potential to contain about 50 to 70 million tonnes of magnetite bearing rock grading at least 20% Fe and that beneficiation will require grind sizes between 75 micron and 45 micron.

[Note: The estimate provided above of the potential quantity and grade of material at Chitterberin is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource].

Figure 4. Chitterberin prospect (KEL 5). Diamond holes along section 6470000mN.



Joint Venture drilling recommenced in early September 2012 at the Burracoppin prospect (figure 5). Located just 50 kilometres to the north of the Chitterberin prospect, positive results from the planned drilling at Burracoppin could potentially enable the Chitterberin and Burracoppin prospects to contribute to a combined tonnage, increasing the chances of achieving economies of scale in any potential mine development.

Figure 5 Burracoppin prospect (KEL4). The target magnetic anomaly in detailed magnetic survey (airborne at 50 metre line spacing) showing drill sites for program commenced in September 2012.

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Bullamine Hematite Project **IRON ORE - HEMATITE** **Western Australia** **RLC 100%**

The Bullamine Hematite project is investigating opportunities for developing iron ore mining (hematite) operations in the south west part of Western Australia, east from Perth. The project covers over 1,200 square kilometres under three granted tenements and one tenement application. The project was initiated through the retention by the Company of tenements surrendered by the Bullamine Joint Venture which RLC considers are prospective for hematite.

The project is serviced by an extensive network of rail lines and links to bulk cargo ports at Fremantle and Esperance are provided by both rail and road.

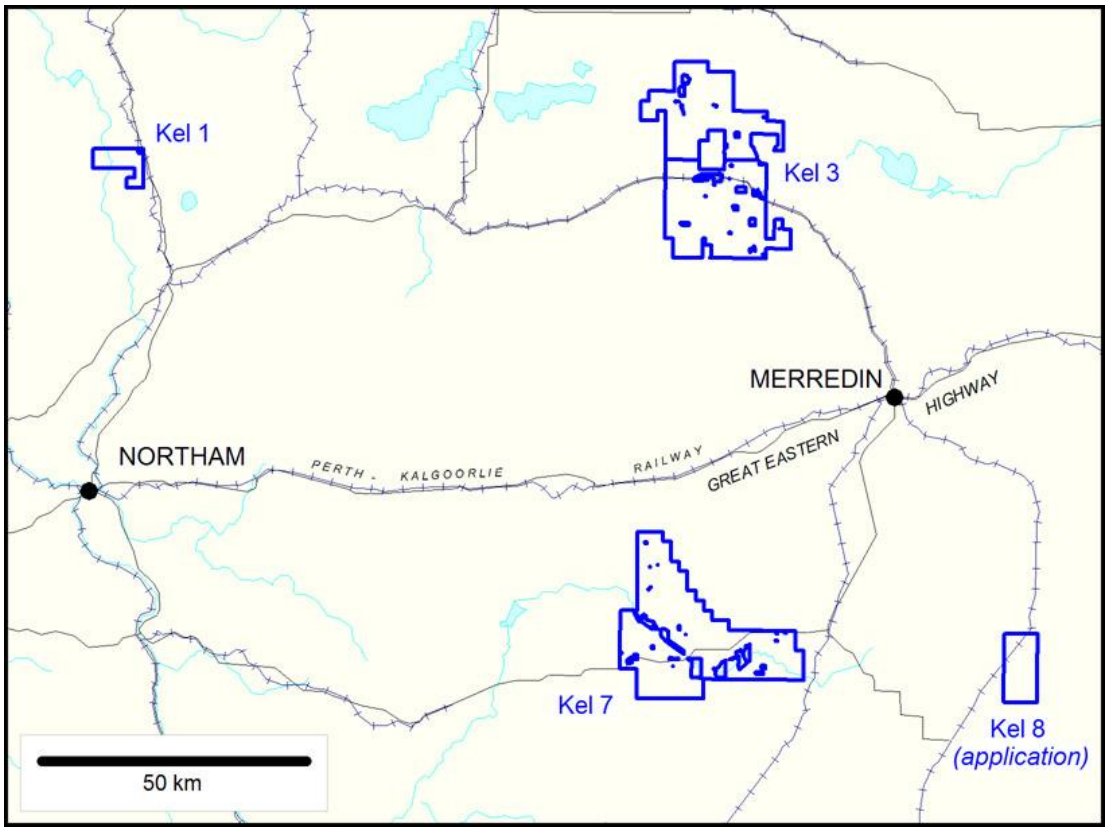

Figure 6 Bullamine Hematite project tenements. The tenements are located in the Northam / Merredin area in the south west of WA and include KEL 3, KEL 7, application KEL 8. KEL 1 (gold) is also shown.

RLC interprets potential for hematite mineralisation within some of the tenements from airborne gravity survey data (Falcon Gravity Gradiometer) acquired by the Bullamine Joint Venture in 2011. These gravity data indicate some of the tenements contain significant, but small scale, volumes of high density rocks.

RLC intends investigating these high density rocks to determine whether they are associated with hematite mineralisation. Hematite is a non-magnetic form of iron mineralisation, which can occur with Fe grades higher than 60%. Where sufficient tonnages of hematite rocks containing concentrations approaching 60% Fe occur they may comprise iron ore capable of being mined and sold with no further beneficiation.

The largest target area identified measures about 2 kilometres by 4 kilometres. Such an area would have potential to contain about 25 million tonnes per vertical metre.

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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 project is exploring for uranium and gold. Uranium mineralisation is known in the Ngalia Basin, a geological setting similar to that for the project area. Uranium has also been identified in the Killi Killi Hills area located 80 kilometres to the north of the project area, where similarities in the mineralisation styles present have been made with the unconformity-associated uranium deposits in the Pine Creek Inlier (Ranger, Jabiluka) and Athabasca Basin (Canada).

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).

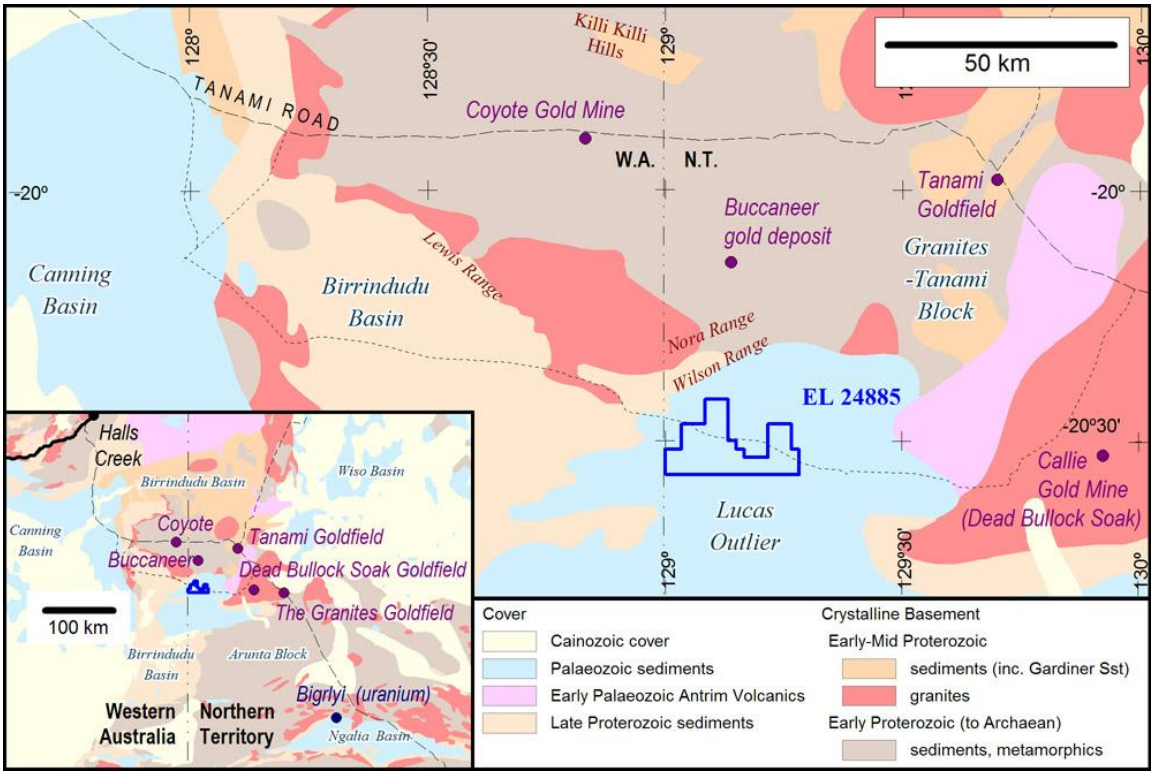

Figure 7. Tanami project. Locations of the Ngalia Basin and Bigrlyi uranium deposit are shown on the insert.

Exploration for stratabound uranium deposits (rollfront and unconformity styles) similar to those in the nearby Ngalia and Amadeus Basins located to the south east, is the current focus. Potential for gold mineralisation will also be investigated. The tenement for the area (EL 24885) was granted in February 2012 and planned sampling and mapping was waiting for access clearances form land owners at the time of this report.

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Isabella Project **URANIUM** **Western Australia** **RLC 100%**

The 'Isabella' project is located in the Gascoyne region in Western Australia. It comprises 166 square kilometres.

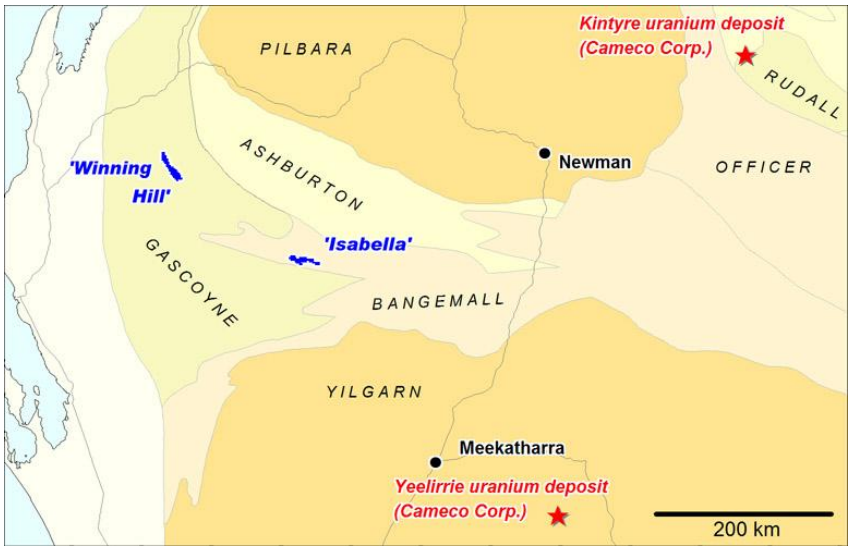

Figure 8. Location of Winning Hill E08/2073), and Isabella (E09/1702) uranium projects.

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.

Three areas, 12 Mile, Isabella and Candolle prospects, are being investigated under the Isabella project.

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

The 'Winning Hill' project is located in the Gascoyne region in Western Australia. It comprises 211 square kilometres.

RLC is targeting zones of intersection between a regional fault and specific sedimentary units in which uranium mineralisation may occur. The target has been developed using the results of exploration conducted in the early 1980's which identified uranium anomalism where the fault juxtaposes younger rocks with Gascoyne Complex basement.

Results from soil sampling and detailed ground gravity survey data are being used to better define the location of the fault and assist in determining optimal drill sites.

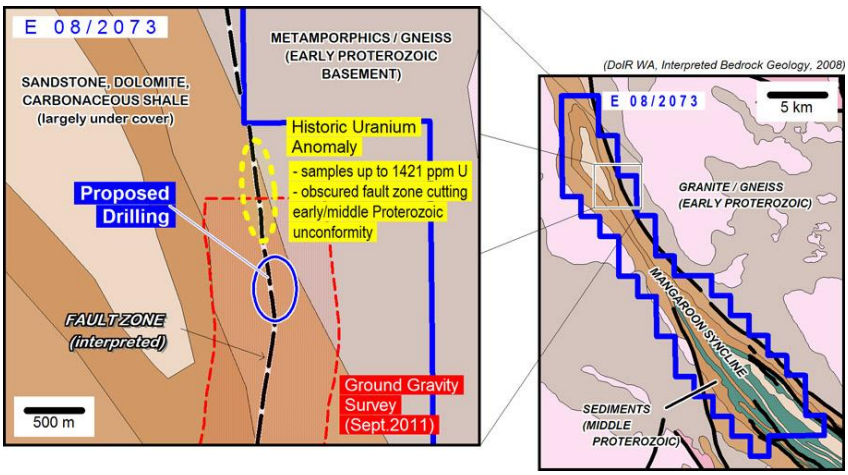

Figure 9. Winning Hill uranium project.

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

Exploration at Edward Creek is being conducted for 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.

Figure 10. Regional location of Edward Creek project.

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

Victory prospect

The Victory prospect was identified by greenfields exploration conducted in 2010. Ground spectrometer survey investigating an airborne radiometric anomaly identified anomalous uranium in an area measuring about 6.5 hectares. Within this area a strongly anomalous linear zone measuring approximately 20 metres by 100 metres has been identified.

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 (fig 11).

The highest grade uranium mineralisation identified (up to 412 ppm) has been 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 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.

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 11, 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.

Work planned includes drilling to investigate the surface uranium anomalism associated with quartz veining, and along strike where a concealed unconformity is interpreted.

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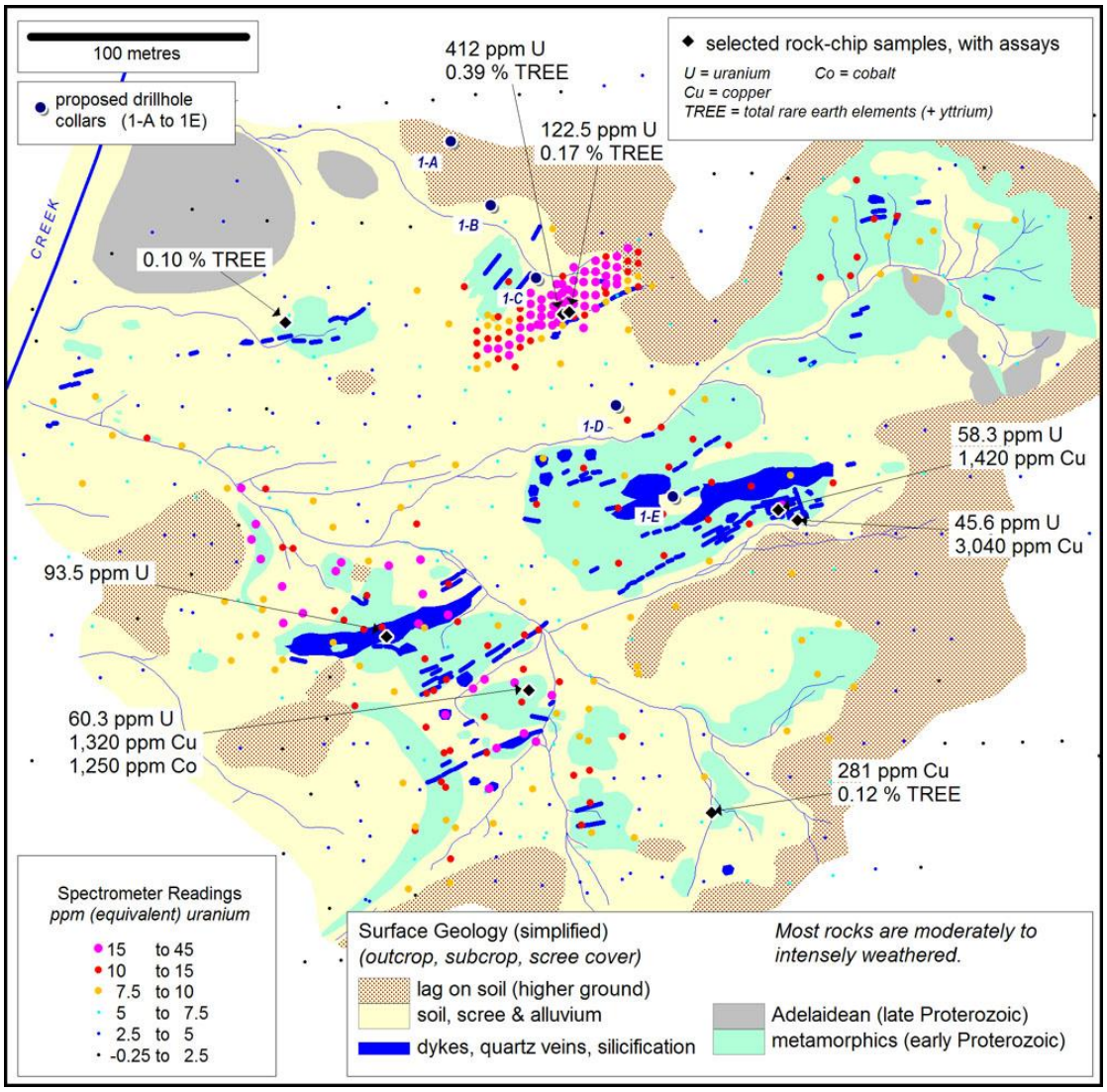

Figure 11. Victory prospect showing planned drill sites at 1-A, 1-B, 1-C, 1-D and 1-E.

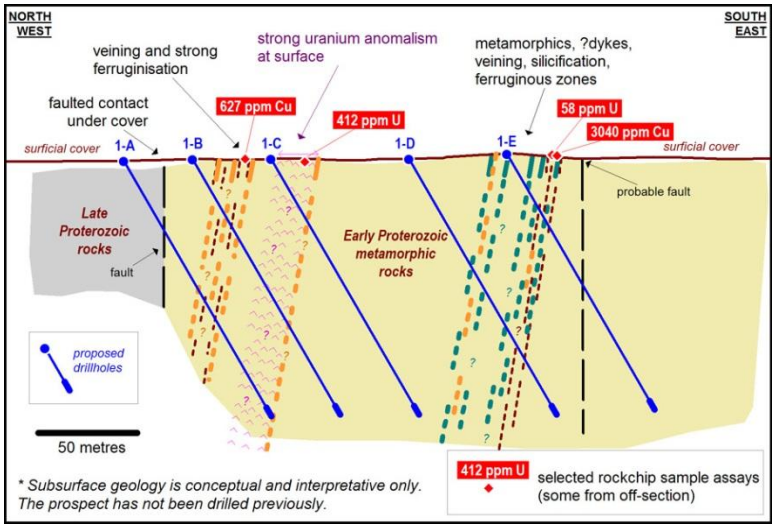

Figure 12. Schematic section for the planned drilling at the Victory uranium prospect.

The planned drilling at Victory has been awarded government funding under the South Australian Government's initiative to encourage exploration by contributing funding towards exploration drilling. Whilst not yet finalised, the Company has been advised it is to be granted, subject to conditions, up to $50,000 towards drilling costs of two RC drill traverses to test for uranium mineralisation.

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Gold Exploration

KEL 1 Project **COPPER - GOLD** **Western Australia** **RLC 100%**

Gold and base metal exploration is planned at KEL 1. The project (E70/3766, see figure 6) was previously part of the Bullamine Joint Venture but was surrendered back to RLC on 19 April 2012

KEL 1 is located adjacent to Kingsgate Consolidated Limited's Calingiri Project where copper sulphide mineralisation has been intersected in 3 bore holes. One of these bore holes is located within 1,500 metres of the western boundary of KEL 1.

Three styles of mineralisation are being considered at KEL 1. Rocks similar to those hosting Kingsgate's adjacent prospect are present along the western margin of KEL 1 and are thought therefore to be prospective for copper sulphide mineralisation. Copper nickel mineralisation may occur within ultramafic greenstone rocks interpreted to occur where higher amplitude magnetic signal response in airborne data forms a linear trend in the western half of the tenement. This target area is almost completely concealed by alluvial cover associated with the Mortlock River. Additionally, magnetic anomalies located in the eastern half of the project area may be prospective for copper-zinc-lead in volcanic massive sulphide (VMS) type ore settings.

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 Company and tenements in which the Company has an interest at the date of this report and surrendered during the year.

Tenement	Area (km^2)	Status	Minimum Annual Expenditure Commitment $	Company Interest (direct or indirect)
Western Australian Tenements				
E70/2719 Bulla JV *Bullamine JV project*	134	Current	34,500	25% (iron)[1, 2]
E70/2846 *Bullamine JV project*	47	Current	30,000	25%[1]
E70/3462 *Bullamine JV project*	184	Current	63,000	25%[1]
E70/3766 *Bullamine Hematite project*	44	Current	20,000	100%
E70/3767 *Bullamine Hematite project*	291	Current	99,000	100%
E70/3768 *Bullamine Hematite project*	356	Current	121,000	100%
E70/3769 *Bullamine JV project*	560	Current	190,000	25%[1]
E70/3770 *BullamineJV project*	50	Current	20,000	25%[1]
E70/3772 *Bullamine Hematite project*	551	Current	189,000	100%
E70/3805 *Bullamine JV project*	335	Current	114,000	25%[1]
E70/4412 *Bullamine Hematite project*	82	Application	28,000	100%
E08/2073 *Winning Hill project*	217	Current	66,000	100%
E09/1702 *Isabella project*	166	Current	63,000	100%
Northern Territory Tenements				
EL 24885 *Tanami project*	272	Current	50,000	100%
South Australian Tenements				
EL 4377 *Edward Creek project*	440	Current	150,000	100% [3 & 4]

Refer to following notes that relate to the tenement schedule.

Notes to the tenement schedule.

1. *All the Bullamine JV project tenements 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 solely from RLC's share of future mine production.*
2. *E70/2719 is and E70/2720 was 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 World Oil Resources 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.*

TENEMENT SCHEDULE

4. EL 4377 is subject to a joint venture agreement, the Diamond Farm Out Agreement, which transfers all RLC's interest in diamonds in the tenement to DiamondCo Limited. The minimum expenditure on EL 4377 for the 24 months ending 11 November 2012 is $300,000.

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 E08/2073, and E09/1702. Native Title has been determined for the land covered by EL 4377 and a native title mining agreement is being documented to enable exploration to continue. EL 24885 is on Aboriginal Freehold land and exploration is subject to the terms and conditions detailed in a Deed for Exploration agreed by the Company and the Central Land Council.

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

Tenement	Area (km^2)	Status	Date
Western Australian Tenements			
E70/3805 *Bullamine JV (RLC 25%)*	336	Granted	6/07/2011
E70/3806 *Bullamine JV (RLC 25%)*	153	Granted Surrendered	6/07/2011 5/07/2012
E09/1702 *Isabella project*	166 (*after partial surrender*)	Granted	7/07/2011
E09/1715 *Genoa project*	125	Granted Surrendered	7/07/2011 18/06/2012
E70/3771 *Bulamine JV (RLC 25%)*	309	Surrendered	2/05/2012
E70/3773 *Bulamine JV (RLC 25%)*	231	Surrendered	2/05/2012
E70/3774 *Bulamine JV (RLC 25%)*	256	Surrendered	2/05/2012
E70/2720 *Bulamine JV (RLC 25%)*	73	Surrendered	8/06/2012
E70/3766	44	Acquired (1)	19/04/12
E70/3767	268	Acquired (1)	19/04/12
E70/3768	338	Acquired (1)	19/04/12
E70/3772	518	Acquired (1)	19/04/12
E70/4412	82	Application	3/09/12
Northern Territory Tenements			
EL 24885 *Tanami project*	272	Granted	28/02/2012

(1) 100% interest transferred to RLC from Bullamine JV.

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 were 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 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 of 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 directors (including the Managing Director) who were not considered by the Board to be independent in terms of Council's definition of an independent 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 19.

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 believes three directors are adequate given the size, nature and scope of the Company's current operations but intends to appoint a fourth and independent director when activities increase.

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 19.

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.

The Company established a trading policy in 2007 which all directors, ifficers and employees are required to observe and is available on the Company's website (www.reedylagoon.com.au). A copy 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.

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.

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.

CORPORATE GOVERNANCE STATEMENT

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 Company 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 Company.

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 20 to 23.

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 2012 and the auditor's report thereon.

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 57, Appointed 9 May 2007 Period in office: 5 years A former partner of King & Wood Mallesons where he practiced 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.(Hons), M AusIMM	**Managing Director** Aged 55, Founding Director Period in office: 16 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 70, Appointed 24 August 2000**.** Period in office: 12 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 participation in the discovery of the Olympic Dam Mine, development of the Wilga Deposit and redevelopment of the Stawell Gold Mine. 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.

Company Secretary

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:

Name Mr Geof H Fethers

Particulars: Aged 55; Appointed 1 April 2009.

DIRECTORS REPORT

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.

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, 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

REMUNERATION REPORT (AUDITED)

Remuneration of Directors for the year ended 30 June 2012

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

Table RR1– 2012 Director & Executive remuneration

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payment		% of remuneration consisting of options & rights
	Salary & fees $		Non-monetary $	Other $	Super-annuation $	$	Options & rights $	Total $	%
2012									
J M Hamer	36,696		-	-	3,304	-	18,000	58,000	31%
G Fethers	94,070		-	-	49,810	-	30,000	173,880	17%
H Rutter	20,000		-	-	-	-	30,000	50,000	60%
	150,766		-	-	53,114	-	78,000	281,880	28%

Mr Fethers was the sole executive employee of the company for the year ended 30 June 2012.

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 - 2012 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 (ii) $
J Hamer	18,000	-	(60,000) (iii)
G Fethers	30,000	-	-
H Rutter	30,000	-	-

(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.

(iii) Amount relates to options that were granted in the previous years and expired during 2012. These options were initially valued at $60,000.

DIRECTORS REPORT

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 – 2012 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	$0.20	31-Dec -14	300,000	300,000	18,000
G Fethers	$0.20	31-Dec-14	500,000	500,000	30,000
H Rutter	$0.20	31-Dec-14	500,000	500,000	30,000
Aggregate Value of Securities issued					78,000

(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 Black-Scholes Binomial pricing model using the following key data inputs.

Series	20 cents : 31-Dec-14
Deemed date of grant	9 November 2011
Underlying Share Price	11.0 cents
Volatility	130%
Risk Free Rate	4.5%
Dividend Rate	Nil

At the date of grant, the options were determined to have a fair value of 6.0 cents per option.

Table RR4 – 2012 Director held options lapsed

	Exercise Price	Expiry Date	Number of Shares	Value at Grant Date $
J Hamer	$0.20	31 December 2011	300,000	-
G Fethers	$0.20	31 December 2011	500,000	-
H Rutter	$0.20	31 December 2011	500,000	-
G Fethers	$0.50	31 March 2012	2,175,000	(1)
H Rutter	$0.50	31 March 2012	325,000	(1)
J Hamer	$0.30	30 April 2012	3,000,000	60,000

(1) Issued March 2007 - in consideration for extinguishment of $388,504 debt owed to them and their related companies by RLC

DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

Details of Employment and Service Contracts

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 with no increase since 1 May 2007.

- 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. 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.

- Mr J Hamer is employed as the Company's Non- executive Chairman. His employment commenced on his appointment as a Director on 9 May 2007 with agreed annual director fees payable at an annual rate of $40,000 plus options under the terms of the Directors Options Scheme. There is no fixed term and no set retirement benefits are payable on termination. On 1 April 2009 Mr Hamer 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 director fee was returned to the 2007 level.

DIRECTORS REPORT

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 $639,488 (2011: loss $541,746). Further commentary on the operations of the Company during the year is included in the Annual Review on pages 2 to 11 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

Directors' Meetings

The following table sets out the numbers of meetings of the Company's directors held during the year ended 30 June 2012, 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 – 2012 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	99,910	7,610,170	1,500,000
H. Rutter	93,890	625,900	1,500,000
J Hamer	296,621	18,780	900,000

Share Options

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

Table RR6 – 2012 Options on Issue

Expiry Date	Exercise Price	Number of Shares
Held by Directors		
31 December 2012	$0.20	1,300,000
31 December 2013	$0.21	1,300,000
31 December 2014	$0.20	1,300,000
		3,900,000
Held by Others		
31 December 2012	$0.20	350,000
31 December 2013	$0.21	250,000
31 December 2014	$0.20	250,000
		850,000
Total		4,750,000

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

DIRECTORS REPORT

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 $17,800.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 27 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

28 September 2012

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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 2012, 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

28 September 2012

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. in the directors' opinion, the financial statements and accompanying notes set out on pages 31 to 59 are in accordance with the Corporations Act 2001 and:

    (a) comply with Accounting Standards and the Corporations Regulations 2001; and

    (b) give a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date;

2. note 2 confirms that the financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);

3. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

4. the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

G. H. FETHERS
MANAGING DIRECTOR

28 September 2012

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 2012, 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 notes and the directors' declaration of the company 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 (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Reedy Lagoon Corporation Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

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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 and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

NEXIA MELBOURNE
ABN 16 847 721 257

MARK HAMMERSCHLAG
Partner

Melbourne

28 September 2012

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		$	$
Other revenue from ordinary activities	4	96,064	594,371
Expenses related to ordinary activities			
Corporate administration costs		(120,772)	(107,388)
Employee and directors benefits expense		(169,596)	(103,608)
Exploration expenditure	5	(257,204)	(622,090)
Depreciation expense		(5,784)	(7,997)
New joint venture costs		-	(84,978)
Share based payments expense		(93,000)	(106,000)
Other expenses from ordinary activities		(89,196)	(104,056)
Loss before income tax		(639,488)	(541,746)
Income tax expense	9(a)	-	-
Loss from continuing operations		(639,488)	(541,746)
Other comprehensive income		-	-
Total comprehensive loss for the year		(639,488)	(541,746)
Earnings per share			
Basic (cents per share)		(1.31)	(1.10)
Diluted (cents per share)		(1.13)	(0.87)

Notes to the financial statements are set out on pages 35 to 59.
The statement of comprehensive income should be read in conjunction with the notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	2012	2011
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	10	622,796	1,171,002
Trade and other receivables	11	12,078	12,770
Other current assets	12	38,710	75,127
Total Current Assets		673,584	1,258,899
Non Current Assets			
Property plant & equipment	13	7,366	8,624
Total Assets		680,950	1,267,523
LIABILITIES			
Current Liabilities			
Trade and other payables	14	33,192	67,785
Employee entitlements		11,448	16,940
Total Current Liabilities		44,640	84,725
Non Current Liabilities		-	-
Total Liabilities		44,640	84,725
Net Assets		**636,310**	**1,182,798**
Equity			
Issued capital	15	13,606,028	13,606,028
Reserves	17	344,000	251,000
Retained earnings		(13,313,718)	(12,674,230)
Total Equity		**636,310**	**1,182,798**

Notes to the financial statements are set out on pages 35 to 59.
The statement of financial position should be read in conjunction with the notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Fully paid ordinary shares $	Equity-settled benefits reserve $	Retained earnings $	Total $
Balance at 1 July 2010	13,606,028	145,000	(12,132,484)	1,618,544
Total comprehensive loss for the year	-	-	(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**
Total comprehensive loss for the year			(639,488)	(639,488)
Issue of options under share option plan	-	93,000	-	93,000
Balance at 30 June 2012	**13,606,028**	**344,000**	**(13,313,718)**	**636,310**

Notes to the financial statements are set out on pages 35 to 59.
The statement of changes in equity should be read in conjunction with the notes.

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		52,770	535,142
Payments to suppliers and employees		(384,893)	(257,556)
Payments for exploration activities		(257,204)	(706,695)
Interest received		43,985	59,231
GST adjustments		1,661	7,530
Net cash used in operating activities	18(b)	(543,681)	(362,348)
Cash flows from investing activities			
Payments for plant & equipment		(4,525)	(6,676)
Net cash from/(used in) investing activities		(4,525)	(6,676)
Cash flows from financing activities		-	-
Net cash from/(used in) financing activities		-	-
Net decrease in cash held		(548,206)	(369,024)
Cash at 1 July		1,171,002	1,540,026
Cash at 30 June	18(a)	**622,796**	**1,171,002**

Notes to the financial statements are included on pages 35 to 54.
The statement of cash flows should be read in conjunction with the notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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 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 Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report complies with IFRS.

(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 2012

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) 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.

(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) 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.

(e) Other receivables

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

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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

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.

(l) 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.

(m) Comparative figures

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

(n) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the financial instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less repayments made and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

For the purpose of financial statements, the Company does not designate any interests in subsidiaries, associates or jointly controlled entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

For the purpose of the parent entity's separate financial statements, investments in subsidiaries, jointly controlled entities and associates are accounted for at cost.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (with any remeasurements other than impairment losses and foreign exchange gains and losses) recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if the directors establish that the carrying amount cannot be recovered by any means, at that point the anticipated loss is charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss event that has occurred is duly considered.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as financial liabilities at fair value on initial recognition.

The fair value of financial guarantee contracts is assessed using the probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

Guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(o) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of Fixed Asset	Depreciation Rate
Computer and Office Equipment	14% - 33%
Scientific Equipment	25% - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(p) Critical accounting estimates and judgments

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - removing the tainting rules associated with held-to-maturity assets;

- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Company has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

- AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

- AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Company.

  To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Company.

(q) Key judgements and estimates

Fair value of share based payments

Equity-settled share-based payments are measured at fair value of the equity instrument at the grant date. Fair value is measured by the use of a binomial model as described at Note 16(f). The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Exploration expenditures

The Company expenses expenditures relating to exploration as they are not considered likely to be recoverable. The Company has not extracted any reserves and therefore all of the exploration expenses should be expensed. Management assessed such judgement in light of no mineral reserves being founded as of yet.

Unrecognized deferred tax asset

Management has determined not to recognize the deferred tax asset that is disclosed at Note 9. This is due to management taking a conservative approach and not recognizing any deferred tax asset given the fact that the Company has experienced losses, on an historical basis, and also due to no mineral reserves being discovered. This is appropriate and conservative.

	2012 $	2011 $
4. REVENUE		
Revenue from ordinary activities:		
- Interest – other parties	43,985	59,231
- Proceeds from granting Joint Venture rights	-	500,000
- Labour and office cost recoveries	50,789	35,140
- Other Income	1,290	-
	96,064	594,371
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	57,560	36,401
- Other exploration expenditure	199,644	585,689
	257,204	622,090
- Legal costs on establishing new Joint Venture	-	84,978
6. AUDITORS' REMUNERATION		
Remuneration paid to the auditor of the Company for:		
- auditing or reviewing the financial reports	11,000	11,700
- taxation and compliance services	17,800	17,200
	28,800	28,900

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 2012

7. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payment	Total	% of remuneration consisting of options & rights
	Salary & fees $	Non-monetary $	Other $	Super-annuation $	$	Options & rights $	$	%
2012								
J M Hamer	36,696	-	-	3,304	-	18,000	58,000	31%
G Fethers	94,070	-	-	49,810	-	30,000	173,880	17%
H Rutter	20,000	-	-	-	-	30,000	50,000	60%
	150,766	-	-	53,114	-	78,000	281,880	
2011								
J M Hamer	24,367	-	-	2,301	-	20,516	47,184	43 %
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%

(1) Mr Fethers is the only key management executive and he 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 11 of this Annual Report

(b) Geographical information

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

	2012 $	2011 $
9. TAXATION		
(a) Income tax expense		
Prima facie income tax benefit calculated at 30% on the (loss) before tax	(191,846)	(162,524)
Increase/decrease in income tax expense		
Tax effect of:		
Capital allowances – share issue costs	-	(22,976)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(1,320)	2,206
Tax capital losses recouped, for which benefit not previously recognised	-	(150,000)
Prima-facie income tax benefit	(193,166)	(333,294)
Deferred tax asset (on account of losses) not brought to account	193,166	333,294
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	1,665,741	1,472,575
Unamortised balance of capital allowances	-	-
Temporary differences	3,600	4,920
	1,669,341	1,477,495

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.

	2012 $	2011 $
10. CASH AND CASH EQUIVALENTS		
Cash at bank	14,394	56,851
Cash management account	171,945	702,255
Term deposits	436,457	412,166
	622,796	**1,171,002**

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	622,796	1,171,002

11. TRADE AND OTHER RECEIVABLES		
Other receivables	2,931	1,962
GST receivable	9,147	10,808
	12,078	**12,770**

12. OTHER CURRENT ASSETS		
Prepayments	38,710	40,846
Deposits	-	34,281
	38,710	**75,127**

13. PROPERTY, PLANT AND EQUIPMENT

	2012 $	2011 $
(a) Reconciliation of carrying amounts		
Computers and Office equipment		
At cost	12,558	10,926
Accumulated depreciation	(8,085)	(5,056)
	4,473	5,870
Scientific Equipment		
At cost	29,338	26,444
Accumulated depreciation	(26,445)	(23,690)
	2,893	2,754
	7,366	**8,624**

(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)	5,870	2,755
Additions	1,632	2,893
Depreciation expense	(3,029)	(2,755)
Balance at 30 June (net of accumulated depreciation)	**4,473**	**2,893**

14. TRADE AND OTHER PAYABLES

	2012 $	2011 $
Current		
Trade creditors	17,728	47,777
Other creditors and accruals	15,464	20,008
	33,192	**67,785**

	2012	2011
	$	$

15. ISSUED CAPITAL

a.	Issued and paid up share capital of 48,600,000 (2011: 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 2011	48,600,000	13,606,028	13,606,028
	Movements	-	-	-
	Balance – 30 June 2012	48,600,000	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)]	$0.20	1,300,000	31 December 2014
Toey Pty Ltd	$0.20	250,000	31 December 2014

[(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 2011	$0.20	1,850,000
31 March 2012	$0.50	2,500,000
30 April 2012	$0.30	6,000,000
		10,350,000

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:

Expiration Date	Exercise Price	Number of Options (i)
31 December 2012	$0.20	1,650,000
31 December 2013	$0.21	1,550,000
31 December 2014	$0.20	1,550,000
		4,750,000

(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.

Expiration 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	$0.20	31-Dec-14	300,000	300,000	18,000
G Fethers	$0.20	31-Dec-14	500,000	500,000	30,000
H Rutter	$0.20	31-Dec-14	500,000	500,000	30,000

(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.

The valuation of the options granted and vested during the year employed a Black-Scholes Binomial pricing model using the following key data inputs.

Series	20 cents : 31-Dec-14
Deemed date of grant	9 November 2011
Underlying Share Price	11.0 cents
Volatility	130%
Risk Free Rate	4.5%
Dividend Rate	Nil

At the date of grant, the options were determined to have a fair value of 6.0 cents per option

		2012 $	2011 $
17. RESERVES			
Equity settled benefits		**344,000**	**251,000**
Equity-settled benefits reserve			
Balance at beginning of financial year		251,000	145,000
Share-based payment expensed		93,000	106,000
Balance at end of financial year		344,000	251,000

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	622,796	1,171,002
b. Reconciliation loss for the year to net cash used in operating activities			
Loss from ordinary activities after Income Tax		(639,488)	(541,746)
Non Cash Credits / Charges			
Depreciation		5,784	7,997
Equity settled benefits		93,000	106,000
Movement in other assets/liabilities			
Decrease / (Increase) in receivables		691	5,568
Decrease / (Increase) in prepayments		2,136	(6,393)
Decrease / (Increase) in deposits & bonds		34,281	7,438
Increase/(decrease) in accounts payable		(34,593)	41,848
Increase/(decrease) in employee entitlements		(5,492)	16,940
Net Cash used in operating activities		**(543,681)**	**(362,348)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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, has spent $5 million on exploration to complete stages 1 and 2 expenditures and maintain its 75% interest. Subsequent exploration and development to completion of a feasibility study and until decision to mine 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. During the report period E70/2720 was surrendered.

EL 4377 is subject to a joint venture agreement, the Diamond Farm Out Agreement, which transfers all RLC's interest in diamonds in this tenement 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 2012

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) DiamondCo Limited, a company of which Mr. Fethers, Mr. Rutter and Mr Hamer 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 and 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 to DiamondCo for services provided by Mr Fethers ($14,552) and for office services ($5,040) provided during the financial year amounted to $19,592 (2011 - $9,425) with an additional amount of $9,799 invoiced for shared contractor expenses incurred during the period.

(ii) Geophysical Exploration Consultants Pty Ltd ("Geophysical") is a company associated with Mr. Rutter. Geophysical had previously entered a Consultancy Agreement. 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 amounted to $20,000 (2011- $60,084) The amount has been included in directors remuneration to Mr Rutter).

(ii) King & Wood Mallesons ("Mallesons"), a firm of which Mr J M Hamer was a partner until December 2011, 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 $1,355 (2011 - $ 109,895).

22. 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 2012.

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 2012 is detailed below

22. 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.

2012

2012	Weighted average effective interest rate %	Variable interest rate $	Fixed maturity dates: Less than 1 year $	1-2 years $	2-3 years $	3-4 years $	4-5 years $	5+ years $	Non interest bearing $	Total $
Financial assets										
Cash and cash equivalents	5.5	186,339	436,457	-	-	-	-	-	-	622,796
Other receivables		-	-	-	-	-	-	-	12,078	12,078
		186,339	436,457	-	-	-	-	-	12,078	634,874
Financial liabilities										
Trade payables		-	-	-	-	-	-	-	33,192	33,192
		-	-	-	-	-	-	-	33,192	33,192

2011

2011	Weighted average effective interest rate %	Variable interest rate $	Fixed maturity dates: Less than 1 year $	1-2 years $	2-3 years $	3-4 years $	4-5 years $	5+ years $	Non interest bearing $	Total $
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

22. FINANCIAL RISK MANAGEMENT (cont'd)

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

	Company	
	2012	**2011**
	$	**$**
AA rated counterparties (government)	9,147	10,808
Counterparties not rated	2,931	1,962
Total	12,078	12,770
Trade and sundry payables are expected to be paid as follows:		
Less than 6 months	33,192	67,785
6 months to 1 year		
1 - 5 years		
Over 5 years		
Total	33,192	67,785

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.

22. FINANCIAL RISK MANAGEMENT (cont'd)

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

	2012		2011	
	Carrying Amount $	Net Fair Value $	Carrying Amount $	Net Fair Value $
Financial Assets				
Held-to-maturity financial assets	622,796	622,796	1,171,002	1,171,002
Loans and receivables	12,078	12,078	12,770	12,770
Other assets	-	-	34,281	34,281
	634,874	634,874	1,218,053	1,218,053
Financial Liabilities				
Other liabilities	33,192	33,192	67,785	67,785
	601,682	601,682	1,150,268	1,150,268

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.

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;

	2012 $	2011 $
Change in Loss for the Year		
- Increase interest rates by 1%	7,997	13,030
- Decrease in interest rates by 1%	(7,997)	(13,030)
Change in Equity		
- Increase interest rates by 1%	7,997	13,030
- Decrease in interest rates by 1%	(7,997)	(13,030)

23. 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 Aboriginal freehold, Native Title and Native Title claims. At the date of this report EL 24885 is on Aboriginal Freehold land and entry onto that land and all work on it are subject to the consent of the Aboriginal owners, Native Title has been determined in respect of land covering EL 4377 and all work on it is subject to the consent of the Native Title holders and claims for Native Title have been registered in respect of areas of RLC's tenements: E08/2073, E09/1702 and E70/3805

The Statutory minimum expenditure requirement for the current twelve month tenures in relation to each of the tenements, excluding applications, listed in the Tenement Schedule on page 12 of the Annual report is $ 1,209,500 (2011: $1,665,000). Of this amount, $758,000 (2011: $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 19 September 2012.

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 4,750,000 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>	953,050	1.96
Ranview Pty Ltd	617,270	1.27
G Fethers	99,910	0.21
	7,710,080	15.86
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	1,530,180	3.15
Traders Macquarie Pty Ltd	211,000	0.43
	6,471,180	13.32
Brett Armstrong		
Citicorp Nominees Pty Limited	2,600,000	5.35
Brett Armstrong	100,000	0.21
	2,700,000	5.56
Total substantial shareholders	16,881,260	34.74

Distribution of holders of equity securities:

	No. of shareholders	%	No. of Ordinary Shares	Percentage of Issued Shares
1 – 1,000	20	4.22	3,945	0.01
1,001 – 5,000	34	7.17	131,149	0.27
5,001 – 10,000	81	17.09	711,012	1.46
10,001 – 100,000	260	54.85	8,945,546	18.41
100,001 and over	79	16.67	38,808,348	79.85
	474	100.00	48,600,000	100.00

There were 65 shareholders who held less than a marketable parcel of shares. On 19 September 2012 those 65 shareholders collectively held 196,557 shares. A less than marketable parcel of shares at 19 September 2012 was a holding of less than 6,250 shares.

SHAREHOLDER INFORMATION

Twenty largest shareholders
as at 19 September 2012

	No. of Quoted Ordinary Shares	% of total quoted
Pyrope Holdings Pty Ltd	6,039,850	12.43
Sked Pty Ltd	3,730,000	7.67
Citicorp Nominees Pty Limited	2,600,000	5.35
Citicastle Pty Ltd	1,530,180	3.15
Elstree Holdings Pty Ltd	1,500,000	3.09
Jagen Pty Ltd	1,300,000	2.67
Mr Robert Reeves & Mrs Mary Reeves	1,253,438	2.58
Sked Pty Ltd <Super Fund A/C>	1,000,000	2.06
RFCJ Pty Ltd	1,000,000	2.06
Pyrope Holdings Pty Ltd <Chromite Staff S/Fund A/C>	953,050	1.96
Philip Harold Lewis	813,670	1.67
Janavid Pty Ltd	625,900	1.29
Ranview Pty Ltd	617,270	1.27
Weldbank Pty Ltd	609,000	1.25
Brodie Cresswell & Walton Pty Ltd	548,031	1.13
Mr Anastasios Karafotias	510,686	1.05
Mr Anthony Robert Ramage	500,000	1.03
Dale Estates Pty Ltd	500,000	1.03
Mr Joseph Lutvey	500,000	1.03
Mr Adrian Wischer & Mrs Felicity Wischer	500,000	1.03
Total top 20	26,631,075	54.80
Total Other Investors	21,968,925	45.20
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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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