

# **Reedy Lagoon Corporation Ltd**

**ACN 006 639 514**

## **Half-year Financial Report - 31 December 2012**

**Reedy Lagoon Corporation Ltd**  
**Corporate directory**  
**31 December 2012**

Directors	Jonathan M. Hamer Chairman, Non Executive Director Geof H. Fethers Managing Director Hugh Rutter Director
Contact details	Phone : 03 8420 6280 Fax : 03 8420 6299 Email : <a href="mailto:info@reedylagoon.com.au">info@reedylagoon.com.au</a>
Company secretary	Geof H. Fethers
Registered office	Suite 2, 337a Lennox Street Richmond Victoria 3121
Principal place of business	Suite 2, 337a Lennox Street Richmond Victoria 3121
Share register	Link Market Services Limited (ABN 54 063 214 537) Level 1, 333 Collins Street Melbourne, Victoria 3000 Telephone : 1300 554 474 <a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a>
Auditor	Nexia Melbourne Level 18, 530 Collins Street Melbourne Victoria 3000 <a href="http://www.nexiaasr.com.au">www.nexiaasr.com.au</a>
Solicitors	King & Wood Mallesons Level 50, 600 Bourke Street Melbourne Victoria 3000
Stock exchange listing	Reedy Lagoon Corporation Ltd shares are listed on the Australian Securities Exchange (ASX code: RLC)
Website	<a href="http://www.reedylagoon.com.au">www.reedylagoon.com.au</a>

**Reedy Lagoon Corporation Ltd**  
**Directors' report**  
**31 December 2012**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Reedy Lagoon Corporation Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2012.

**Directors**

The following persons were directors of Reedy Lagoon Corporation Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Jonathan M. Hamer  
Geof H. Fethers  
Hugh Rutter

**Principal activities**

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- exploration for minerals in Australia.

**Financial performance and position**

The loss for the consolidated entity after providing for income tax amounted to \$313,828 (31 December 2011: \$404,609), including exploration expenditure for the period of \$ 93,493 (2011 - \$162,289).

In the half-year to 31 December 2012 the net assets of the Company decreased by \$0.287 million to \$0.349 million. Cash reserves decreased by \$0.242 million to \$0.381 million at period end.

The Company's cash position enabled it to remain free of any borrowings during the period and the directors believe the Company to be in a position to continue its planned exploration programmes in Australia subject to completion of the planned capital raising announced on 8 March 2013.

The directors have included in note 11 to the financial report details of options over Company shares still on issue at the reporting date. The directors consider full details in respect of the Company's current capital structure would assist shareholders in the reading of the half year financial report.

**Review of operations**

Refer to the detailed review of operations that directly follows this directors' report.

**Significant changes in the state of affairs**

On 1 October 2012, the Company incorporated Bullamine Magnetite Pty Ltd, a fully owned subsidiary.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

**Reedy Lagoon Corporation Ltd**  
**Directors' report**  
**31 December 2012**

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

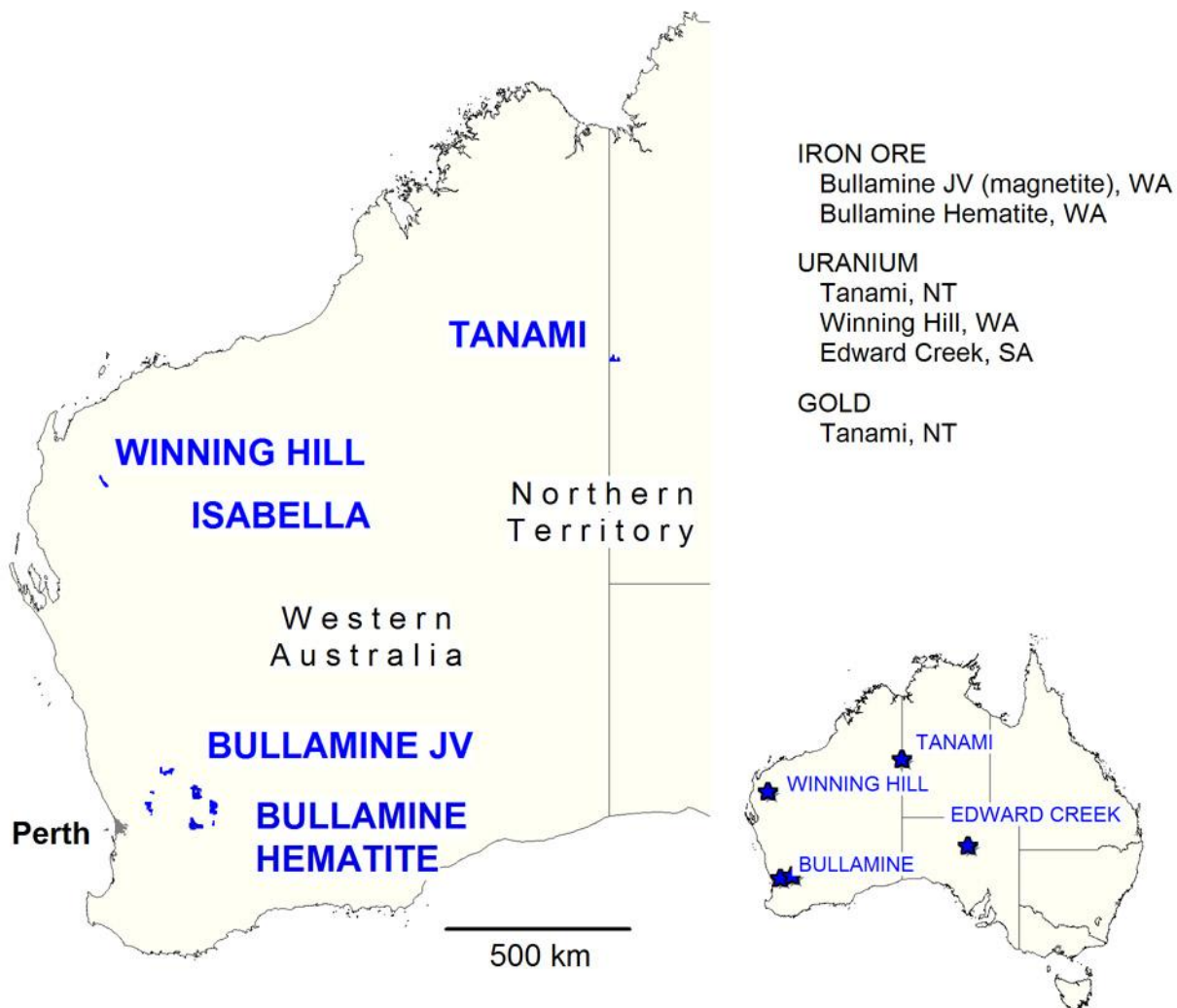
On behalf of the directors

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G.H. Fethers  
Managing Director

14 March 2013  
Melbourne

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



At the Bullamine JV Iron (Magnetite) (WA – RLC 25%) the Company's maiden resource was established (Chitterberin prospect) and the joint venture's most significant magnetite deposit discovered to date was intersected by drilling at the Burracoppin prospect.

A JORC compliant Resource Estimate of 53.6 Mt @ 29.3% Fe at the Chitterberin prospect was announced on 22 October 2012 and established Reedy Lagoon's first resource.

Diamond drilling at the Burracoppin prospect, located 55 kilometres to the north of Chitterberin, intersected steeply dipping magnetite-bearing units with combined horizontal widths of between 150 metres and 200 metres. Subsequent metallurgical studies on core samples produced favourable Davis Tube concentrate compositions with high iron levels (67% to 70% Fe) and low levels of impurities after a relatively coarse grind (P80 -150 micron) (ASX release dated 23 November 2012). The September 2012 drilling discovered the Burracoppin deposit, although it was recognised as a prominent target in airborne magnetic surveys acquired in 2011. The substantial widths intersected by the drilling and favourable metallurgical results, whilst not definitive as insufficient drilling has been conducted, indicate Burracoppin is likely to be the most significant magnetite deposit discovered by the joint venture to date.

## Reedy Lagoon Corporation Ltd

### Review of Operations

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At December 31 the joint venture held tenements with magnetite deposits it was continuing to investigate at Wongamine (NOR 1), Burracoppin (KEL 4) and Chitterberin (KEL 5). It also held a tenement with targets identified in detailed airborne magnetic data for which access to explore was still being negotiated (BEN 1).

At the date of this report exploration funding for the project had not been determined by our joint venture partners. As a consequence, immediate forward work planned by the Manager was restricted to reviews of results and data collected to date. Whilst we expect field work, including further drilling at Burracoppin, to resume we have no information on its timing.

The Bullamine JV Iron (Magnetite) project is a joint venture between Bullamine Magnetite Pty Ltd, a wholly owned subsidiary of Reedy Lagoon Corporation ("RLC") and Cliffs Magnetite Holdings Pty Ltd ("Cliffs"), a wholly owned subsidiary of Cliffs Natural Resources Inc., NS Iron Ore Development Pty Ltd and Sojitz Mineral Development Pty Ltd. RLC retains a 25 % interest fully funded by the other joint venture parties until a decision to mine with funding repayable only out of its portion of production. Joint venture operations are managed by Cliffs.

At the Bullamine Hematite project (100% RLC) prominent gravity anomalies identified in Falcon survey data (airborne gravity gradiometer data) were further refined. A number of land owners were visited and work towards gaining access to conduct exploration was commenced.

At the Edward Creek project (SA) regulatory approvals for drilling planned to investigate uranium targets at the Victory prospect were sought and this work included negotiations to determine a Native Title Mining Agreement. No field work was conducted.

At the Tanami project (NT) a requirement to obtain a Central Land Council Sacred Site Clearance certificate prior to gaining access to drive along existing station tracks precluded a field trip planned prior to summer. An airborne geophysical survey considered during November was postponed due to adverse weather conditions. No field work was conducted.

At the Winning Hill project (WA) studies of the results from the sediment sampling previously conducted were continued together with continued review of the interpreted fault structures using our soil geochemical data together with airborne magnetic and radiometric and ground gravity data. No field work was conducted.

Project reviews of the Isabella and Genoa projects resulted in the termination of both projects.

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

*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 mineralization 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.*

**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 period ended 31 December 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

**NEXIA MELBOURNE**  
ABN 16 847 721 257



**ANDREW JOHNSON**  
**Partner**  
**Audit & Assurance Services**

Melbourne

14 March 2013

**Nexia Melbourne**

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**Reedy Lagoon Corporation Ltd**  
**Financial report**  
**31 December 2012**

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**Reedy Lagoon Corporation Ltd**  
**Statement of comprehensive income**  
**For the half-year ended 31 December 2012**

	<b>Consolidated</b>	
	<b>31/12/2012</b>	<b>31/12/11</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	27,815	55,746
<b>Expenses</b>		
Administration expenses	(69,733)	(35,417)
Employee benefits expense	(94,089)	(86,478)
Exploration expenditure	(93,493)	(162,289)
Depreciation and amortisation expense	(1,661)	(4,977)
Share based payments	(27,000)	(93,000)
Other expenses	(55,667)	(78,194)
	<u>(313,828)</u>	<u>(404,609)</u>
<b>Loss before income tax expense</b>	(313,828)	(404,609)
Income tax expense	-	-
	<u>-</u>	<u>-</u>
<b>Loss after income tax expense for the half-year attributable to the owners of Reedy Lagoon Corporation Ltd</b>	(313,828)	(404,609)
Other comprehensive income for the half-year, net of tax	-	-
	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the half-year attributable to the owners of Reedy Lagoon Corporation Ltd</b>	<u>(313,828)</u>	<u>(404,609)</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.65)	(0.83)
Diluted earnings per share	(0.59)	(0.67)

*The above statement of comprehensive income should be read in conjunction with the accompanying notes*

**Reedy Lagoon Corporation Ltd**  
**Statement of financial position**  
**As at 31 December 2012**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31/12/2012</b>	<b>30/06/2012</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		380,770	622,796
Trade and other receivables		5,467	12,078
Other		24,686	38,710
Total current assets		<u>410,923</u>	<u>673,584</u>
<b>Non-current assets</b>			
Property, plant and equipment		1,180	7,366
Total non-current assets		<u>1,180</u>	<u>7,366</u>
<b>Total assets</b>		<u>412,103</u>	<u>680,950</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		38,723	33,192
Employee benefits		23,898	11,448
Total current liabilities		<u>62,621</u>	<u>44,640</u>
<b>Total liabilities</b>		<u>62,621</u>	<u>44,640</u>
<b>Net assets</b>		<u>349,482</u>	<u>636,310</u>
<b>Equity</b>			
Issued capital	5	13,606,028	13,606,028
Reserves	6	226,000	344,000
Accumulated losses		<u>(13,482,546)</u>	<u>(13,313,718)</u>
<b>Total equity</b>		<u>349,482</u>	<u>636,310</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Reedy Lagoon Corporation Ltd**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2012**

	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Retained profits \$</b>	<b>Total equity \$</b>
<b>Consolidated</b>				
Balance at 1 July 2011	13,606,028	251,000	(12,672,268)	1,184,760
Loss after income tax expense for the half-year	-	-	(404,609)	(404,609)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(404,609)	(404,609)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 11)	-	93,000	-	93,000
Balance at 31 December 2011	<u>13,606,028</u>	<u>344,000</u>	<u>(13,076,877)</u>	<u>873,151</u>
	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Retained profits \$</b>	<b>Total equity \$</b>
<b>Consolidated</b>				
Balance at 1 July 2012	13,606,028	344,000	(13,313,718)	636,310
Loss after income tax expense for the half-year	-	-	(313,828)	(313,828)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(313,828)	(313,828)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 11)	-	27,000	-	27,000
Expiry of options	-	(145,000)	145,000	-
Balance at 31 December 2012	<u>13,606,028</u>	<u>226,000</u>	<u>(13,482,546)</u>	<u>349,482</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Reedy Lagoon Corporation Ltd**  
**Statement of cash flows**  
**For the half-year ended 31 December 2012**

	<b>Consolidated</b>	
	<b>31/12/2012</b>	<b>31/12/11</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	25,524	34,348
Payments to suppliers and employees	(176,348)	(220,048)
Interest received	2,291	25,322
Payments for exploration activities	<u>(93,493)</u>	<u>(138,307)</u>
Net cash used in operating activities	<u>(242,026)</u>	<u>(298,685)</u>
<b>Cash flows from investing activities</b>		
Net cash from investing activities	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(242,026)	(298,685)
Cash and cash equivalents at the beginning of the financial half-year	<u>622,796</u>	<u>1,171,002</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>380,770</u></u>	<u><u>872,317</u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Reedy Lagoon Corporation Ltd**  
**Notes to the financial statements**  
**31 December 2012**

**Note 1. General information**

The financial report covers Reedy Lagoon Corporation Ltd as a consolidated entity consisting of Reedy Lagoon Corporation Ltd and the entities it controlled. The financial report is presented in Australian dollars, which is Reedy Lagoon Corporation Ltd's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Reedy Lagoon Corporation Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 2, 337a Lennox Street  
Richmond  
Victoria 3121

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 14 March 2013. The directors have the power to amend and reissue the financial report.

**Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

**Note 2. Significant accounting policies (continued)**

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Reedy Lagoon Corporation Ltd ('Company' or 'parent entity') as at 31 December 2012 and the results of all subsidiaries for the year then ended. Reedy Lagoon Corporation Ltd and its subsidiary together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions

*Going Concern*

The interim financial report has been prepared using the going concern basis. The Company has no debt and its exploration expenditures are either funded under joint venture arrangements or discretionary. It has sufficient funds to meet overheads and be a going concern for the current financial year. It has announced ( 8 March 2013) a capital raising which if successful will provide the Company with up to \$1.25 million for discretionary exploration as well as increasing its working capital to meet overheads for the next financial year.

**Reedy Lagoon Corporation Ltd**  
**Notes to the financial statements**  
**31 December 2012**

**Note 4. Operating segments**

*Identification of reportable operating segments*

The Company is organised into one operating segments: mineral exploration in Australia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

**Note 5. Equity - issued capital**

	Consolidated		Consolidated	
	31/12/2012	30/06/2012	31/12/2012	30/06/2012
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>48,600,000</u>	<u>48,600,000</u>	<u>13,606,028</u>	<u>13,606,028</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

**Note 6. Equity - reserves**

	Consolidated	
	31/12/2012	30/06/2012
	\$	\$
Share-based payments reserve	<u>226,000</u>	<u>344,000</u>
	Share based payments \$	Total \$
<b>Consolidated</b>		
Balance at 1 July 2012	344,000	344,000
Share based payments (refer to note 11)	27,000	27,000
Expiry of options	<u>(145,000)</u>	<u>(145,000)</u>
Balance at 31 December 2012	<u>226,000</u>	<u>226,000</u>

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

**Note 7. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

**Reedy Lagoon Corporation Ltd**  
**Notes to the financial statements**  
**31 December 2012**

**Note 8. Contingent liabilities**

The Company had no contingent liabilities at end of the current or previous financial half-year.

**Note 9. Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2:

Name of entity	Country of incorporation	Equity holding	
		31/12/2012	30/06/2012
		%	%
Bullamine Magnetite Pty Ltd *	Australia	100.00	-

\* On 1 October 2012, the Company incorporated Bullamine Magnetite Pty Ltd, a fully owned subsidiary.

**Note 10. Events after the reporting period**

Planned capital raising

On 8 March 2103 RLC announced on ASX that it proposed to make a 1 for 3.888 non-renounceable pro rata entitlement offer of RLC ordinary shares at an offer price of \$ 0.10 per new share to raise \$ 1.25 million for exploration and general working capital.

No other matter or circumstance has arisen since 31 December 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 11. Share-based payments**

A share option plan has been established by the Company and approved by shareholders at a general meeting, whereby the Company may, at the discretion of the board, grant options over ordinary shares in the Company to certain key management personnel.

Remuneration arrangements of key management personnel are disclosed in the annual financial report. In addition, on 15 November 2012, after approval at the Company's annual general meeting, a total of 900,000 were issued to directors as part of their remuneration packages. Each director received the below options:-

- Geof. H. Fethers – 500,000 options, exercise price 20 cents, expiring on 31 December 2012 with a value \$15,000;
- Hugh Rutter – 100,000 options, exercise price 20 cents, expiring on 31 December 2012 with a value \$3,000; and
- Jonathan Hamer – 300,000 options, exercise price 20 cents, expiring on 31 December 2012 with a value \$9,000.



**Reedy Lagoon Corporation Ltd**  
**Notes to the financial statements**  
**31 December 2012**

**Note 11. Share-based payments (continued)**

Set out below are summaries of options granted under the plan:

**31/12/2012**

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
1/12/2009	31/12/2012 *	\$0.20	1,650,000	-	-	(1,650,000)	-
17/10/2010	31/12/2013	\$0.21	1,550,000	-	-	-	1,550,000
2/12/2012	31/12/2014	\$0.20	1,550,000	-	-	-	1,550,000
15/11/2012	31/12/2015	\$0.20	-	900,000	-	-	900,000
			<u>4,750,000</u>	<u>900,000</u>	<u>-</u>	<u>(1,650,000)</u>	<u>4,000,000</u>

\* expired unexercised during the current period.

For the options granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
13/11/2012	31/12/2015	\$0.07	\$0.20	105.00%	0.00%	3.50%	\$0.030

An expense of \$27,000 has been recognised in the statement of comprehensive income for the current period in relation to the above options.

**Reedy Lagoon Corporation Ltd**  
**Directors' declaration**

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

---

G.H. Fethers  
Managing Director

14 March 2013  
Melbourne

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS  
OF REEDY LAGOON CORPORATION LIMITED & CONTROLLED ENTITIES**

**Report on the Financial Report**

We have reviewed the accompanying half-year financial report of Reedy Lagoon Corporation Limited & controlled entities (the company), which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the independent Auditor of the Entity*, in order to state whether on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the company's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and
- b. Complying with the Accounting Standards AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the company, ASRE 2410 required that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Nexia Melbourne**

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*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Reedy Lagoon Corporation Limited & controlled entities, would be in the same terms if provided to the directors as at the date of this auditor's report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the company is not in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b. Complying with AASB 134: Interim Financial Reporting and the Companies Regulations 2001.

*Inherent Uncertainty Regarding Continuation as a Going Concern*

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As a result of the matters described in the section entitled "Critical accounting judgements, estimates and assumptions - Going Concern" in Note 3 to the financial statements for the period ended 31 December 2012, the ability to continue the exploration and development of the company's mining tenements is dependent upon future capital raising.

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14 March 2013