

Reedy Lagoon Corporation Ltd

ACN 006 639 514

Half-year Financial Report - 31 December 2013

Reedy Lagoon Corporation Ltd
Corporate directory
31 December 2013

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 : info@reedylagoon.com.au
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 www.linkmarketservices.com.au
Auditor	Nexia Melbourne Level 18, 530 Collins Street Melbourne Victoria 3000 www.nexiaasr.com.au
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	www.reedylagoon.com.au

Reedy Lagoon Corporation Ltd
Directors' report
31 December 2013

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 2013.

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.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$317,178 (31 December 2012: \$313,828).

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

Significant changes in the state of affairs

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

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

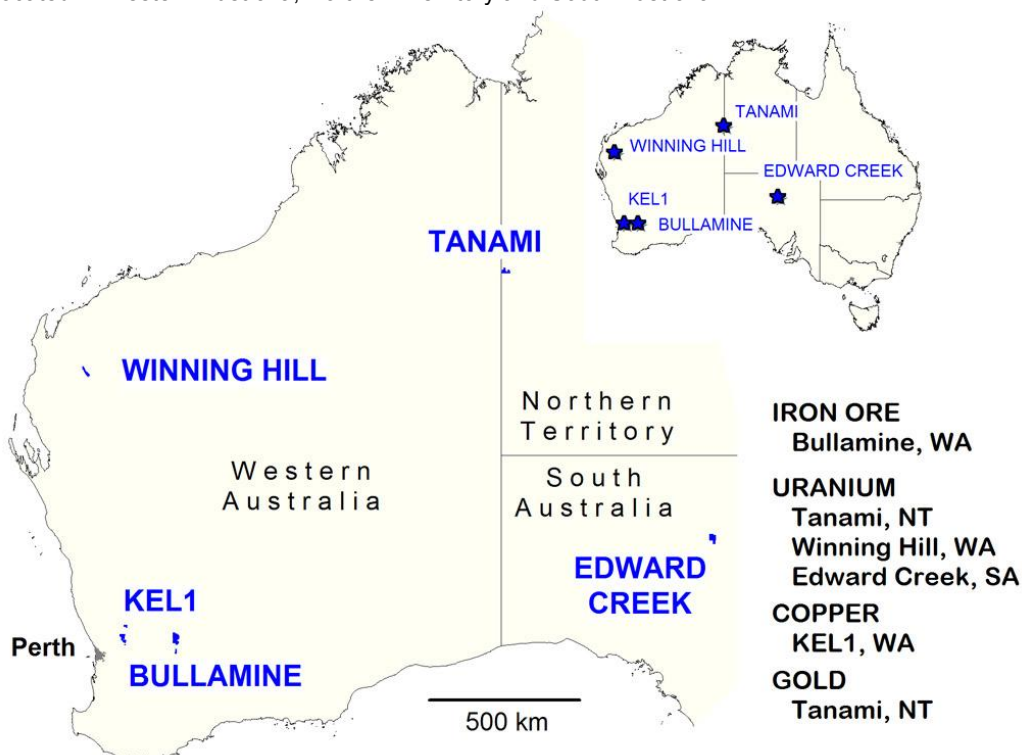


G.H. Fethers
Managing Director

27 February 2014
Melbourne

REVIEW OF OPERATIONS

Exploration primarily for iron-ore and also for uranium, copper and gold, was conducted at the company's projects located in Western Australia, Northern Territory and South Australia



The company's most significant project is the Bullamine JV Iron (Magnetite) (WA – RLC 25%) located to the east of Perth. The principal prospects within the Bullamine project are:

- Burracoppin prospect, where RLC estimates between 140 and 220 Mt of magnetite mineralisation is located within 2 kilometres of the Perth – Kalgoorlie rail line (refer ASX releases 23 November 2012, 31 January 2013).
- Chitterberin prospect, where a JORC compliant Resource Estimate of 53.6 Mt @ 29.3% Fe has been identified (refer ASX release 22 October 2012).
- Wongamine prospect, where diamond drilling intersected shallow dipping magnetite mineralisation in thicknesses up to 90 metres (refer ASX release 16 March 2012).

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. A requirement of the joint venture terms is that exploration commitments for the Bullamine Joint Venture tenements, currently \$489,500 per annum, are met. Joint venture operations are managed by Cliffs.

Cliffs and the other joint venture partners notified RLC on 13 November 2013 that they were seeking expressions of interest in acquiring their 75% farm-in interest in the Bullamine Joint Venture (ASX release 13 November 2013). RLC has a pre-emptive right over that 75% interest.

The company is not aware of any further development in respect of the Bullamine joint venture parties' endeavours to sell their interest and no field work was conducted by the joint venture. During the period RLC commissioned Mineral Engineering Technical Services Pty Ltd ("METS") in collaboration with Golder Associates Pty Ltd – Perth to report on the

potential mining and processing options for the Burracoppin prospect in order that RLC might be in a position to evaluate the value of the interest being offered by the other joint venture parties.

At the Winning Hill uranium project (WA) geophysical survey data (ground Electromagnetic "EM") acquired in the prior period was processed and interpretation commenced. The project is supported by results from high concentrations of uranium recovered in soil and trench samples reported by prior explorers and additional results from RLC's work comprising soil sampling (partial selective leach) and ground gravity survey. Work is directed to better understand the fault structure and its interplay with selected sedimentary layers in order to predict favourable sites for uranium mineralisation.

At the Tanami project (NT) an airborne geophysical survey acquired 2,365 line kilometres of magnetic and radiometric data during the period. The data was mostly processed during the year although its interpretation was delayed until after the period under review. At the date of this report RLC considers uranium and gold mineralisation, the two main commodities being searched for, are not likely to be present at depths shallow enough to warrant RLC's continued exploration. Elevated uranium and thorium concentrations have been identified in the geophysical data acquired during the period and it is planned to assess these occurrences for their REE and phosphate potential.

At the KEL 1 copper project ongoing interpretation of previously acquired geophysical data assisted the identification of targets for copper and possibly associated cobalt and nickel within RLC's project area.

At the Edward Creek project (SA) a Native Title Mining Agreement for exploration was entered into with the Arabana Aboriginal Corporation, the Prescribed Body Corporate for the Arabana Native Title Holders.

Review of the Bullamine Hematite project resulted in the termination of the project.

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 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 2012 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. Where Exploration Results have been reported in earlier RLC ASX Releases referenced in this report, neither Geof Fethers nor Hugh Rutter has any information at the date of this report which would suggest that those Exploration Results have changed in any material respect.

**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 half-year ended 31 December 2013, 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 MELBOURNE
ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne

27 February 2014

Nexia Melbourne

Level 18, 530 Collins Street, Melbourne VIC 3000
p +61 3 9608 0100, f +61 3 9608 0192
info@nexiamelbourne.com.au, www.nexia.com.au

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Reedy Lagoon Corporation Ltd
Financial report
31 December 2013

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Reedy Lagoon Corporation Ltd
Statement of comprehensive income
For the half-year ended 31 December 2013

	Consolidated	
	31/12/2013	31/12/2012
	\$	\$
Revenue	22,198	27,815
Expenses		
Administration expenses	(54,116)	(69,733)
Employee benefits expense	(83,040)	(94,089)
Exploration expenditure	(148,963)	(93,493)
Depreciation and amortisation expense	(1,227)	(1,661)
Share based payments	(12,635)	(27,000)
Other expenses	(39,395)	(55,667)
	<u>(317,178)</u>	<u>(313,828)</u>
Loss before income tax expense	(317,178)	(313,828)
Income tax expense	-	-
	<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year attributable to the owners of Reedy Lagoon Corporation Ltd	(317,178)	(313,828)
Other comprehensive income for the half-year, net of tax	-	-
	<u>-</u>	<u>-</u>
Total comprehensive income for the half-year attributable to the owners of Reedy Lagoon Corporation Ltd	<u>(317,178)</u>	<u>(313,828)</u>
	Cents	Cents
Basic earnings per share	(0.59)	(0.65)
Diluted earnings per share	(0.59)	(0.65)

Reedy Lagoon Corporation Ltd
Statement of financial position
As at 31 December 2013

	Note	Consolidated	
		31/12/2013	30/06/2013
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		313,142	607,122
Trade and other receivables		3,090	11,229
Other		20,405	24,291
Total current assets		<u>336,637</u>	<u>642,642</u>
Non-current assets			
Property, plant and equipment		<u>7,173</u>	<u>8,400</u>
Total non-current assets		<u>7,173</u>	<u>8,400</u>
Total assets		<u>343,810</u>	<u>651,042</u>
Liabilities			
Current liabilities			
Trade and other payables		20,586	30,483
Employee benefits		26,015	19,965
Total current liabilities		<u>46,601</u>	<u>50,448</u>
Non-current liabilities			
Employee benefits		<u>10,841</u>	<u>9,683</u>
Total non-current liabilities		<u>10,841</u>	<u>9,683</u>
Total liabilities		<u>57,442</u>	<u>60,131</u>
Net assets		<u>286,368</u>	<u>590,911</u>
Equity			
Issued capital		14,097,381	14,097,381
Reserves	5	132,635	226,000
Accumulated losses		<u>(13,943,648)</u>	<u>(13,732,470)</u>
Total equity		<u>286,368</u>	<u>590,911</u>

Reedy Lagoon Corporation Ltd
Statement of changes in equity
For the half-year ended 31 December 2013

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Consolidated				
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 9)	-	27,000	-	27,000
Lapse 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>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Consolidated				
Balance at 1 July 2013	14,097,381	226,000	(13,732,470)	590,911
Loss after income tax expense for the half-year	-	-	(317,178)	(317,178)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(317,178)	(317,178)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 9)	-	12,635	-	12,635
Lapse of options	-	(106,000)	106,000	-
Balance at 31 December 2013	<u>14,097,381</u>	<u>132,635</u>	<u>(13,943,648)</u>	<u>286,368</u>

Reedy Lagoon Corporation Ltd
Statement of cash flows
For the half-year ended 31 December 2013

	Consolidated	
	31/12/2013	31/12/2012
	\$	\$
Cash flows from operating activities		
Receipts from customers	14,672	25,524
Payments to suppliers and employees	(177,959)	(176,348)
Interest received	7,526	2,291
Payments for exploration activities	(134,723)	(93,493)
Net cash used in operating activities	<u>(290,484)</u>	<u>(242,026)</u>
Cash flows from investing activities		
Net cash from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Share issue transaction costs	(3,496)	-
Net cash used in financing activities	<u>(3,496)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(293,980)	(242,026)
Cash and cash equivalents at the beginning of the financial year	<u>607,122</u>	<u>622,796</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>313,142</u></u>	<u><u>380,770</u></u>

Reedy Lagoon Corporation Ltd
Notes to the financial statements
31 December 2013

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 27 February 2014. 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 2013 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 2013 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.

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.

Reedy Lagoon Corporation Ltd
Notes to the financial statements
31 December 2013

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 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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. The Directors have prepared a cash flow forecast for the next 12 months and the company does not currently have sufficient funds to meet all expected overheads for the next 12 months.

The ability of the company to continue as a going concern is dependent upon the company raising additional capital sufficient to meet the company's exploration commitments and overhead expenditure. The Directors have stated their intention to raise capital sufficient to meet the company's requirements for the next 12 months. Should there be no funding available, exploration of the areas of interest may be put on hold and the Directors will forgo their director fees and salaries.

Share-based payment transactions

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 9. 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. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 4. Operating segments

Identification of reportable operating segments

The company is organised into one operating segment, 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 - reserves

	Consolidated	
	31/12/2013	30/06/2013
	\$	\$
Share-based payments reserve	132,635	226,000

Reedy Lagoon Corporation Ltd
Notes to the financial statements
31 December 2013

Note 5. Equity - reserves (continued)

	Share based payments \$	Total \$
Consolidated		
Balance at 1 July 2013	226,000	226,000
Share based payments	12,635	12,635
Expiry of options	<u>(106,000)</u>	<u>(106,000)</u>
Balance at 31 December 2013	<u>132,635</u>	<u>132,635</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 6. Equity - dividends

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

Note 7. Contingent liabilities

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

Note 8. Events after the reporting period

No matter or circumstance has arisen since 31 December 2013 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 9. 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 30 October 2013, 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 2016 with a value \$7,020;
- Hugh Rutter – 100,000 options, exercise price 20 cents, expiring on 31 December 2016 with a value \$1,404; and
- Jonathan Hamer – 300,000 options, exercise price 20 cents, expiring on 31 December 2016 with a value \$4,211.

Reedy Lagoon Corporation Ltd
Notes to the financial statements
31 December 2013

Note 9. Share-based payments (continued)

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

31/12/2013

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
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
29/11/2013	31/12/2016	\$0.20	-	900,000	-	-	900,000
			<u>4,000,000</u>	<u>900,000</u>	<u>-</u>	<u>(1,550,000)</u>	<u>3,350,000</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
27/11/2013	31/12/2016	\$0.05	\$0.20	87.00%	0.00%	3.00%	\$0.014

An expense of \$12,635 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 2013 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



G.H. Fethers
Managing Director

27 February 2014
Melbourne

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

Report on the Financial Report

We have audited the accompanying half-year financial report of Reedy Lagoon Corporation, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-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 half-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 financial report that gives a true and fair view in accordance with Accounting Standard 134: Interim Financial Reporting and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, 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 company's preparation 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*, which has been given 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.

Nexia Melbourne

Level 18, 530 Collins Street, Melbourne VIC 3000
p +61 3 9608 0100, f +61 3 9608 0192
info@nexiamelbourne.com.au, www.nexia.com.au

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Auditor's Opinion

In our opinion:

- a. the half-year 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 consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of Matter – Going Concern

Without modifying the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in the section entitled Going Concern in Note 3 to the half-year financial report, the ability of the Group to meet its day to day obligations is dependent upon future capital raising. Should there be no funding available, exploration of the areas of interest may be put on hold and the Directors will forgo their director fees and salaries.

Nexia

NEXIA MELBOURNE
ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne

27 February 2014