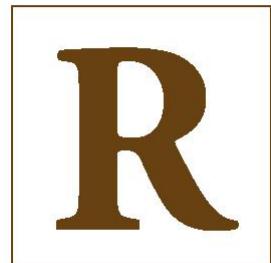


R E E D Y



LAGOON
CORPORATION LTD

A.C.N. 006 639 514

**ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016**



Chairman's letter

29 September 2016

Dear Shareholders,

Despite considerable effort being made to assist Cassilis Mining obtain the relevant clearances and regulatory approvals to enable the project to progress little headway was made.

Your directors have been assessing alternative projects. We hope that in the near future we will be able to give shareholders a clearer view of where the Company is headed next.

In the meantime RLC has reduced its overheads and exploration expenditure. No fees have been paid to directors since October 2015.

These are extremely difficult times for the mining industry in general, and for exploration companies in particular, and the directors thank shareholders for their continued support.

Yours sincerely

Jonathan Hamer
Chairman

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Mineralisation styles targeted during the period included:

- Iron-ore (Bullamine Magnetite project)
- Uranium (Edward Creek project)
- Gold (Cassilis project)

Overview

The Company changed its focus from building exploration projects for mining companies to seeking projects which the Company can develop into mines in the short term.

In June 2015 the Company entered an agreement to purchase 100% of Cassilis Mining Pty Ltd. If sufficient resources can be identified within tenements held by Cassilis Mining Pty Ltd then the purchase of Cassilis Mining Pty Ltd may provide Reedy Lagoon with an opportunity to develop a profitable mining operation and a base from which to explore the Cassilis Goldfield for additional resources.

Attempts during the year to find a partner to assist in developing the Bullamine Magnetite project were unsuccessful and the project was terminated.

The depressed market for uranium discouraged committing resources to explore for this commodity. Planned work to investigate the anomalous uranium mineralisation at the Victory prospect on the Edward Creek project was postponed pending a market recovery for uranium and the company securing funding or a joint venture partner.

Exploration

Iron Ore Exploration

Bullamine Project

IRON ORE - MAGNETITE

Western Australia

RLC 100%

No field activities were undertaken during the report period. Attempts to find a partner to assist with developing the Burracoppin iron-ore magnetite prospect were not successful.

The prevailing market prices for iron concentrates, the estimated holding costs of the tenements and the Company's limited cash resources resulted in a decision to relinquish the two remaining Bullamine Iron (Magnetite) Project tenements.

E70/3769 and E70/3770 were surrendered on 14 April 2016.

Uranium Exploration

Edward Creek Project

URANIUM

South Australia

RLC 100%

All diamond interest farmed out to DiamondCo Limited which conducts diamond exploration independently from RLC. RLC retains nil interest in diamond.

Exploration for uranium was postponed because of the low uranium price. DiamondCo's maintaining of minimum exploration expenditure on the tenement enabled RLC to postpone its planned exploration for uranium without penalty.

RLC's past exploration at Edward Creek has identified uranium on the north eastern margin of the Gawler Craton in South Australia. The project area comprises EL 5580 (343 square kilometres).

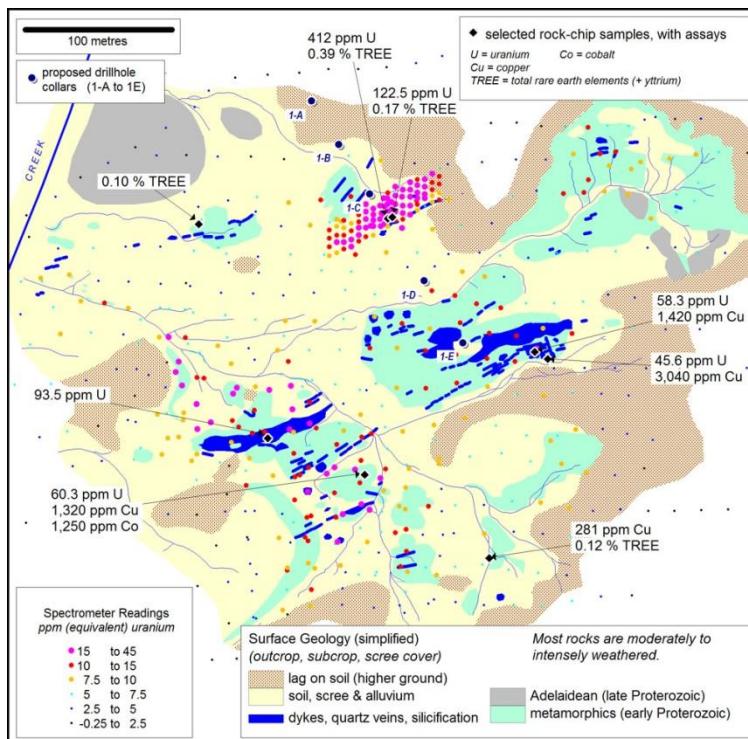
Figure 2. Regional location of Edward Creek project.



Victory prospect

Part of the Edward Creek Project

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 (figure 3).

An unconformity with younger rocks including conglomerates and volcanics, lies a few hundred metres east of the anomalous area shown in figure 3, 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.

*Figure 3. Victory prospect showing planned future drill sites at 1-A, 1-B, 1-C, 1-D and 1-E.
(For sample details refer ASX release 12/10/2010 and September 2010 Quarterly Report).*

No field work was conducted by RLC on the Victory prospect during the report period.

Work planned, in the event the uranium market improves, includes drilling to investigate the surface uranium anomalism and along strike where the concealed unconformity is interpreted.

Gold Exploration

Cassilis Project GOLD

Victoria

RLC option to purchase 100%

During the year field investigations confirmed or identified potential for surface gold mineralisation at a number of sites in the Cassilis gold project located near Omeo in Eastern Victoria. Areas of interest comprise mullock dumps left by previous miners and potential open-cut targets where multiple vein systems were observed or surface sampling results from previous workers indicate potential for such systems. Potential for recovery of ore accessible from existing underground development also exists. Evaluation work was hampered by continued uncertainty resulting from protracted delays by the Victorian Department of Economic Development, Jobs, Transport and Resources ("DEDJTR") associated with the processing of tenement applications and with the application for transfer of MIN 5335 to Cassilis Mining Pty Ltd.

In June 2015 the Company entered into an agreement giving it the right to purchase 100% of Cassilis Mining Pty Ltd. Cassilis Mining has an exploration licence (EL 5504), an exploration licence application (ELA 5427), a retention licence application (RLA 2005) and had an agreement to acquire mining licence (MIN 5335) from Rocky Mining Pty Ltd (in Liquidation). However the application for the transfer of MIN 5335 to Cassilis Pty Ltd which had been lodged with the Department in 2013 had not been processed.

Under Reedy Lagoon's agreement :

- RLC issued 1 million shares in RLC to the 2 shareholders of Cassilis Mining on signing
 - RLC is entitled to investigate the assets of Cassilis Mining including conducting geochemical sampling to confirm reported gold grades and mullock tonnages held by Cassilis Mining ("Preliminary Works")
 - If RLC decides to proceed with the acquisition RLC will issue a further 3 million shares in RLC to the 2 shareholders in Cassilis Mining and Cassilis Mining will grant each of those shareholders a 1% gold royalty.

If sufficient resources can be identified in the mullock dumps, the purchase of Cassilis Mining Pty Ltd provides RLC with an opportunity to develop a profitable mining operation and a base from which to explore the Cassilis Goldfield for additional resources.

Subsequent to the report period the liquidator of Rocky Mining Pty Ltd (in liquidation) brought actions which led to the expiry of MIN 5335.

Geof Fethers

Managing Director

The information in this report that relates to Exploration Results is based on information compiled by Geof Fethers, who is a member of the Australian Institute of Mining and Metallurgy (AusIMM). Geof Fethers is a director of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to 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 consents to the inclusion in the report of the matters based on his 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, those releases are available to view on the NEWS page of reedylagoon.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in those earlier releases and, in the case of the estimate of the Mineral Resource, all material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

TENEMENT SCHEDULE

Tenements owned directly by the Company and tenements in which the Company has an interest at the date of this report :

| Tenement | Area (km ²) | Status | Minimum Annual Expenditure Commitment | Company Interest (direct or indirect) |
|--|----------------------------|---------|---|---|
| <i>South Australian Tenements</i> | | | | |
| EL 5580 <i>Edward Creek project</i> | 343 | Current | 130,000 | 100% ^{1 & 2} |
| | | | | \$130,000 |

Refer to following notes that relate to the tenement schedule (for both the table above detailing current tenements and the table below which details changes in tenement holdings during the period).

Notes to the tenement schedule.

1. *Tenements which pre-date and carry through to EL 5580 were subject to a joint venture agreement, the Edward Creek Base Metals Joint Venture ("ECBMJV") which Joint Venture was terminated and all interests in the ECBM JV 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.*
2. *EL 5580 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 5580 for the 24 months ending 11 November 2016 is \$260,000. At the date of this report more than \$140,000 had been expended on exploration on EL 5580 during the current 24 month term.*

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 Native Title has been determined for the land covered by EL 5580 and a native title mining agreement provides protocols for obtaining clearances to enable exploration to continue. 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 |
|--|----------------------------|-------------|------------|
| <i>Western Australian Tenements</i> | | | |
| E70/3769 <i>Bullamine</i> | 14.2 | Surrendered | 14/04/2016 |
| E70/3770 <i>Bullamine</i> | 8.7 | Surrendered | 14/04/2016 |

CORPORATE GOVERNANCE STATEMENT

In July 2014, the Australian Securities Exchange (ASX) Corporate Governance Council (Council) published revised Corporate Governance Principles and Recommendations (ASX Recommendations). The Listing Rules of ASX require Australian-listed companies to report on the extent to which they have complied with the ASX Recommendations during the reporting period. Where a company has not followed all of the ASX Recommendations, it must identify the ASX 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.

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,
- 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

CORPORATE GOVERNANCE STATEMENT

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.

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 two non-executive Directors (Mr J Hamer and Mr A Griffin) who were considered by the Board to be independent in terms of Council's definition of an independent director, and one director (Mr G Fethers) who was 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 11.

CORPORATE GOVERNANCE STATEMENT

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. There is no formal program for inducting new directors due to the size of the Company which does not comply with recommendation 2.6 of the ASX Recommendations.

The Company does not have a nomination committee and consequently does not comply with recommendations 2.1 of the ASX Recommendations. The Board is of a size and composition which is conducive to making the relevant decisions itself efficiently and expeditiously.

The Board does not intend to establish an audit committee and consequently does not comply with Recommendation 4.1 of the ASX Recommendations. The Board does not intend to establish a risk committee and consequently does not comply with Recommendation 7.1 of the ASX Recommendations. The Board does not intend to establish a remuneration committee and consequently does not comply with Recommendation 8.1 of the ASX Recommendations. Instead the Board will discharge its responsibilities in respect of audit, risk management and remuneration of directors and senior executives. 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 11.

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.

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, officers 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. However, the Company does not have a specific policy for gender diversity and consequently does not comply with recommendation 1.5 of the ASX Recommendations. Directors consider the number of people within the Company to be too small to benefit from such a policy.

CORPORATE GOVERNANCE STATEMENT

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 have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the Company's financial position and performance and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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.

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.

CORPORATE GOVERNANCE STATEMENT

The Company does not have an internal audit function. The Company evaluates and continually improves the effectiveness of its risk management and internal control processes through arrangements put in place by the Board to monitor risk management which 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.

The Company has considered its economic, environmental and social sustainability risks by way of internal review and has concluded that it is not subject to material economic, environmental and social sustainability risks.

REMUNERATION

Details of the remuneration of the directors are disclosed in the Remuneration Report set out on pages 13 to 16.

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 and consequently does not comply with recommendation 8.3 of the ASX Recommendations. 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 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 year ended 30 June 2016.

Directors

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

Jonathan M Hamer
Geof H Fethers
Adrian C Griffin

Principal Activity

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

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

Review of Operations

The net loss for the consolidated entity after income tax for the year was \$386,255 (2015: loss \$528,189). Further commentary on the operations of the Company during the year is included in the Annual Review on pages 1 to 9 of the Annual Report.

Dividends

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

Significant Changes in the State of Affairs

During the year, the Company issued 34,839,772 fully paid shares raising \$278,718 before costs. In addition a total of 2,807,880 fully paid shares were issued to directors in lieu of current and prior year director's fees of \$19,168.

Environmental Regulation

The Company's operations are subject to environmental regulations under State legislation in relation to its exploration activities.

The directors are not aware of any breaches of regulations during the period covered by this report.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2016 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.

Likely Developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

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

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

DIRECTORS REPORT

Information on directors

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 61, Appointed 9 May 2007 Period in office: 7 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. Other current directorships: Nil Former directorships (last 3 years): Nil Interests in shares: 6,871,819 fully paid ordinary shares Interests in options: 900,000 options |
| Geof H. Fethers B.Sc.(Hons) M. AusIMM | Managing Director Aged 59, Founding Director Period in office: 18 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. Other current directorships: Nil Former directorships (last 3 years): Nil Interests in shares: 14,335,058 fully paid ordinary shares Interests in options: 1,500,000 options |
| Adrian C. Griffin B.Sc.(Hons) M. AusIMM | Director Aged 63, Appointed 30 June 2014. Adrian has accumulated extensive experience in the resource sector over the past 35 years. During that time he has held directorships in a number of private and listed resource companies and overseen the operation of large, integrated mining and processing facilities, including the Bulong nickel-cobalt operation in the late 1990s to his current position as Managing Director of Lithium Australia NL, a company developing lithium extraction and recovery technologies. Mr Griffin was a director of Reedy Lagoon from 9 May 2007 until resigning on 27 November 2009 to act as technical director of Ferrum Crescent, an iron-ore developer in South Africa. He re-joined RLC as a director on 30 June 2014. Other current directorships: Lithium Australia NL (formerly Cobre Montana NL), Northern Minerals Ltd and Potash West NL. Former directorships (last 3 years): Nil Interests in shares: 2,769,388 fully paid ordinary shares Interests in options: 200,000 |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Interests in shares and options' quoted above are as at the date of this report.

DIRECTORS REPORT

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 59
Appointed 1 April 2009

Directors' Meetings

The following table sets out the numbers of meetings of the Company's Board of Directors ("the Board") held during the year ended 30 June 2016, and the number of meetings attended by each director were:

| | Full Board | |
|-------------------|------------|------|
| | Attended | Held |
| Jonathan M. Hamer | 7 | 9 |
| Geof H. Fethers | 9 | 9 |
| Adrian C. Griffin | 6 | 9 |

Held represents the number of meetings held during the time the director held office during the year.

Shares under option

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

| Grant date | Expiry date | Exercise price | Number under option |
|------------------|------------------|----------------|---------------------|
| 30 October 2013 | 31 December 2016 | \$0.20 | 900,000 |
| 13 November 2014 | 31 December 2017 | \$0.20 | 900,000 |
| 30 December 2015 | 31 December 2018 | \$0.011 | 900,000 |
| | | | 2,700,000 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no shares of Reedy Lagoon Corporation Ltd issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

Indemnification and Insurance of Officers

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.

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.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share based compensation
- E Additional disclosures relating to key management personnel

A Principles used to determine the nature and amount of remuneration

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.

Use of remuneration consultants

The Company did not make use of remuneration consultants during the 2016 financial year

Voting and comments made at the company's 2015 Annual General Meeting ('AGM')

At the 2015 AGM held on 17 November 2015, 99.8% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

DIRECTORS REPORT

B Details of remuneration

Amounts of Remuneration

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Reedy Lagoon Corporation Limited:

- J Hamer
- G Fethers
- A Griffin

| | Short-term employee benefits | | | Post-employment benefits | Other long-term employee benefits \$ | Share-based payment | Total \$ | | |
|--------------------------------|------------------------------------|--------------------|-------------|--------------------------------------|--------------------------------------|------------------------|----------|--|--|
| | Salary & fees ⁽¹⁾ \$ | Non-monetary \$ | Other \$ | Super-annuation ⁽¹⁾ \$ | | Options & rights \$ | | | |
| 2016 | | | | | | | | | |
| <i>Non-Executive Directors</i> | | | | | | | | | |
| J M Hamer | 35,832 | - | - | - | - | 4,798 | 40,630 | | |
| A Griffin | 35,000 | - | - | - | - | 5,201 | 40,201 | | |
| <i>Executive Directors</i> | | | | | | | | | |
| G Fethers * | 126,000 | - | - | 12,540 | 9,475 | 7,050 | 155,065 | | |
| | 196,832 | - | - | 12,540 | 9,475 | 17,049 | 235,896 | | |
| 2015 | | | | | | | | | |
| <i>Non-Executive Directors</i> | | | | | | | | | |
| J M Hamer | 40,000 | - | - | - | - | 322 | 40,322 | | |
| A Griffin | 40,000 | - | - | - | - | 108 | 40,108 | | |
| <i>Executive Directors</i> | | | | | | | | | |
| G Fethers * | 122,060 | - | - | 22,480 | 2,316 | 540 | 147,396 | | |
| | 202,060 | - | - | 22,480 | 2,316 | 970 | 227,826 | | |

(1) includes \$159,000 accrued but not paid as at the balance date (2015: \$40,389) – refer note 13 to financial statements

* Mr Fethers was the sole executive employee of the company for the years ended 30 June 2016 and 2015.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---------------------------------|--------------------|------|---------------|------|---------------|------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| <i>Non-Executive Directors:</i> | | | | | | |
| J Hamer | 87% | 99% | - % | - % | 13% | 1% |
| A Griffin | 87% | 100% | -% | -% | 13% | -% |
| <i>Executive Directors:</i> | | | | | | |
| G Fethers | 95% | 99% | - % | - % | 5% | 1% |

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

| | |
|----------------------|-------------------|
| Name: | G Fethers |
| Title: | Managing Director |
| Agreement commenced: | 1 May 2007 |

REEDY LAGOON CORPORATION LIMITED

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DIRECTORS REPORT

Details:

Mr G Fethers is the Company's Executive Managing Director under a contract of employment which commenced on 1 May 2007. Under the contract Mr Fethers is entitled to \$132,000 per annum plus statutory superannuation. 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.

Name:

J Hamer

Title:

Chairman - Non Executive

Agreement commenced:

9 May 2007

Details:

Mr J Hamer is employed as the Company's Non- executive Chairman. His appointment as a Director commenced on 9 May 2007 with agreed 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.

Name:

A Griffin

Title:

Director

Agreement commenced:

30 June 2014

Details:

Mr Griffin is employed as a Non-executive Director. His appointment as a Director commenced on 30 June 2014 with agreed 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

Key management personnel have no entitlement to termination payments, other than accrued leave balances, in the event of removal for misconduct.

D Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2016. Shares were issued to each director in lieu of cash payable for fees/salary/super.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Grant Date | Vesting and exercisable date | Expiry date | Exercise price | Fair Value per option at grant date |
|------------------|------------------------------|------------------|----------------|-------------------------------------|
| 30 December 2015 | 30 December 2015 | 31 December 2018 | \$0.011 | \$0.021 |

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

| Name | Number of options granted during the year | | Number of options vested during the year | |
|-----------|---|--------------|--|--------------|
| | 30 June 2016 | 30 June 2015 | 30 June 2016 | 30 June 2015 |
| J Hamer | 300,000 | 300,000 | 300,000 | 300,000 |
| G Fethers | 500,000 | 500,000 | 500,000 | 500,000 |
| A Griffin | 100,000 | 100,000 | 100,000 | 100,000 |

REEDY LAGOON CORPORATION LIMITED

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DIRECTORS REPORT

E Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| Name | Balance at start of the year | Received in lieu of cash for remuneration ⁽¹⁾ | Additions (excluding received in lieu of cash for fees) | Held on appointment | Balance at the end of the year |
|-----------|------------------------------|--|---|---------------------|--------------------------------|
| J Hamer | 3,116,207 | 630,612 | 3,125,000 | - | 6,871,819 |
| G Fethers | 10,302,178 | 907,880 | 3,125,000 | - | 14,335,058 |
| A Griffin | 750,000 | 1,269,388 | 750,000 | - | 2,769,388 |
| | <u>14,168,385</u> | <u>2,807,870</u> | <u>7,000,000</u> | - | <u>23,976,265</u> |

(1) including 625,000 in respect to remuneration of prior year payable as at 30 June 2015

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| Name | Balance at start of the year | Granted | Exercised | Expired/Forfeited | Balance at the end of the year |
|-----------|------------------------------|----------------|-----------|-------------------|--------------------------------|
| J Hamer | 900,000 | 300,000 | - | (300,000) | 900,000 |
| G Fethers | 1,500,000 | 500,000 | - | (500,000) | 1,500,000 |
| A Griffin | 100,000 | 100,000 | - | - | 200,000 |
| | <u>2,500,000</u> | <u>900,000</u> | <u>-</u> | <u>(800,000)</u> | <u>2,600,000</u> |

This concludes the remuneration report, which has been audited

Non Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 20 to the financial statements

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 directors are of the opinion that the services as disclosed in note 20 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former audit partners of Moore Stephens Audit (Vic)

There are no officers of the Company who are former audit partners of Moore Stephens Audit (Vic).

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.

DIRECTORS REPORT

Auditor

Moore Stephens Audit (Vic) (formerly Nexia Melbourne Audit) continues in office in accordance with section 327 of the Corporations Act 2001.

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

29 September 2016

MOORE STEPHENS

Moore Stephens Audit (Vic)
Level 18, 530 Collins Street
Melbourne Victoria 3000
T +61 (0)3 9608 0100
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www.moorestephens.com.au

**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 2016, 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.



MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

29 September 2016

DIRECTORS DECLARATION

The directors of the company declare that:

1. in the directors' opinion, the financial statements and accompanying notes set out on pages 22 to 48 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 2016 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
29 September 2016

MOORE STEPHENS

Moore Stephens Audit (Vic)

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**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, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other 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 financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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 consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of Matter – Going Concern

Without modifying our opinion, we draw to Note 2 "Significant Accounting Policies – Going Concern" which indicates the company incurred a loss for the year ended 30 June 2016 of \$386,255 and has a net asset deficiency of \$186,920 as at 30 June 2016. Furthermore, the company's ability to continue the exploration and development of its mining tenements, continue to assess new projects and meet operational expenditure at current levels is dependent upon future capital raising. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the remuneration report included in pages 13 to 16 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Reedy Lagoon Corporation Limited for the year ended 30 June 2016 complies with s 300A of the *Corporations Act 2001*.

Mark Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

29 September 2016

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

| | | Consolidated | |
|--|-------------|---------------------|-------------------|
| | Note | 2016 \$ | 2015 \$ |
| Revenue | 5 | 27,903 | 55,414 |
| Expenses | | | |
| Corporate and administration expenses | | (93,148) | (98,732) |
| Employee and director benefits expense | | (191,591) | (205,284) |
| Exploration expenditure | 6 | (72,418) | (187,892) |
| Depreciation and amortisation expense | 6 | (1,217) | (3,210) |
| Share based payments expense | | (1,865) | (970) |
| Equity settled option fee | | - | (20,000) |
| Other expenses | | (53,919) | (67,515) |
| Loss before income tax expense | | (386,255) | (528,189) |
| Income tax expense | 7 | - | - |
| Loss after income tax expense for the year attributable to the owners of Reedy Lagoon Corporation Ltd | | (386,255) | (528,189) |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year attributable to the owners of Reedy Lagoon Corporation Ltd | | (386,255) | (528,189) |

| | Cents | Cents |
|----------------------------|--------------|-----------------|
| Basic earnings per share | 29 | (0.358) (0.760) |
| Diluted earnings per share | 29 | (0.349) (0.760) |

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

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

| | | Consolidated | |
|--------------------------------|-------------|---------------------|---------------------|
| | Note | 2016 | 2015 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 48,223 | 6,852 |
| Trade and other receivables | 9 | 4,596 | 1,715 |
| Other | 10 | 11,851 | 13,224 |
| Total current assets | | <u>64,670</u> | <u>21,791</u> |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 394 | 1,611 |
| Total non-current assets | | <u>394</u> | <u>1,611</u> |
| Total assets | | <u>65,064</u> | <u>23,402</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 12 | 8,090 | 15,531 |
| Employee benefits | 13 | 220,105 | 84,857 |
| Total current liabilities | | <u>228,195</u> | <u>100,388</u> |
| Non-current liabilities | | | |
| Employee benefits | 14 | 23,789 | 14,314 |
| Total non-current liabilities | | <u>23,789</u> | <u>14,314</u> |
| Total liabilities | | <u>251,984</u> | <u>114,702</u> |
| Net assets | | <u>(186,920)</u> | <u>(91,300)</u> |
| Equity | | | |
| Issued capital | 15 | 14,778,609 | 14,489,839 |
| Reserves | 16 | 15,470 | 40,605 |
| Accumulated losses | | <u>(14,980,999)</u> | <u>(14,621,744)</u> |
| Total equity | | <u>(186,920)</u> | <u>(91,300)</u> |

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

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

| Consolidated | Issued capital \$ | Accumulated Losses \$ | Reserves \$ | Total equity \$ |
|--|--------------------------|------------------------------|----------------------|------------------------|
| Balance at 1 July 2014 | 14,097,381 | (14,186,555) | 132,635 | 43,461 |
| Loss after income tax expense for the year | - | (528,189) | - | (528,189) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | (528,189) | - | (528,189) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 15) | 392,458 | - | - | 392,458 |
| Share-based payments (note 30) | - | - | 970 | 970 |
| Lapse of options | - | 93,000 | (93,000) | - |
| Balance at 30 June 2015 | <u>14,489,839</u> | <u>(14,621,744)</u> | <u>40,605</u> | <u>(91,300)</u> |

| Consolidated | Issued capital \$ | Accumulated losses \$ | Reserves \$ | Total deficiency \$ |
|--|--------------------------|------------------------------|----------------------|----------------------------|
| Balance at 1 July 2015 | 14,489,839 | (14,621,744) | 40,605 | (91,300) |
| Loss after income tax expense for the year | - | (386,255) | - | (386,255) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | (386,255) | - | (386,255) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 15) | 288,770 | - | - | 288,770 |
| Share-based payments (note 30) | - | - | 1,865 | 1,865 |
| Lapse of options | - | 27,000 | (27,000) | - |
| Balance at 30 June 2016 | <u>14,778,609</u> | <u>(14,980,999)</u> | <u>15,470</u> | <u>(186,920)</u> |

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

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2016**

| | | Consolidated | |
|--|-------------|---------------------|-------------|
| | Note | 2016 | 2015 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 24,398 | 52,847 |
| Payments to suppliers and employees (inclusive of GST) | | (213,234) | (332,212) |
| Interest received | | 1,298 | 2,567 |
| Payments for exploration activities | | (37,336) | (189,206) |
| Net cash used in operating activities | 28 | (224,874) | (466,004) |
| Cash flows from investing activities | | | |
| Net cash used in investing activities | | - | - |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 15 | 275,361 | 380,448 |
| Capital raiding costs | | (9,116) | (7,990) |
| Net cash from /(used in) financing activities | | 266,245 | 372,458 |
| Net decrease in cash and cash equivalents | | 41,371 | (93,546) |
| Cash and cash equivalents at the beginning of the financial year | | 6,852 | 100,398 |
| Cash and cash equivalents at the end of the financial year | 8 | 48,223 | 6,852 |

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016****1. General information**

The financial report, consisting of the financial statements, notes to the financial statements and the directors' declaration, covers Reedy Lagoon Corporation Limited ("the Company" or "RLC") as a consolidated entity consisting of the Company and the entities it controlled. The financial report is presented in Australian dollars, which is RLC functional and presentation currency.

RLC is a listed public company, incorporated in Australia with mineral projects in the Northern Territory, West Australia and South Australia. Its registered office and its principal place of business is:

Suite 2, 337A Lennox Street, Richmond, Vic, 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 29 September 2016. The directors have the power to amend and reissue the financial report.

2. Significant accounting policies**Basis of preparation**

(I) Statement of compliance and New, revised or amending Accounting Standards and Interpretations adopted. These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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.

(II) Historical Cost Convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

(III) Going Concern

For the year ended 30 June 2016 the Group made a loss of \$386,255 (2015: loss of \$528,189) and has a net asset deficiency of \$186,920 (2015 : deficiency \$91,300) . Notwithstanding this the financial report has been prepared on a going concern basis. The director(s) have provided an undertaking to financially support the Company for non-discretionary expenditure for the next twelve months if capital cannot be raised. If the group is to continue to explore and develop its prospects it will require further funds and will need to raise further capital. In the event that the group is not able to raise additional funding it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial report.

(IV) Critical accounting judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

(V) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 24.

(VI) Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Specific Policies

The following 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) 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 30 June 2016 and the results of all subsidiaries for the year then ended. Reedy Lagoon Corporation Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or "the Group").

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.

(b) 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.

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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.

(c) 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.

(d) 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.

(e) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Other receivables

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

(g) Revenue Recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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 recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest

**NOTES TO THE FINANCIAL STATEMENTS
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rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(h) Trade & Other Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 60 days of recognition.

(i) Employee Benefit Provisions*Wages and Salaries, Annual Leave and Sick Leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(j) Contributed Equity

Ordinary shares are classified as equity.

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

(k) Share-Based Payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees, including directors.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are:

- (i) initially on grant date, and at each reporting date until vested measured at fair value. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions. Refer to Note 30 for details of the assumptions used in determining the fair value of options granted and/or vested during the reporting period,
- (ii) recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

**NOTES TO THE FINANCIAL STATEMENTS
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If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

If vested equity-settled awards, in the form of options over unissued shares, are not exercised by the expiry date the cumulative amount previously recognised as an expense is transferred as a direct credit from the share based payment reserve to retained earnings.

(l) Earnings Per Share

Basic earnings per share

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

Diluted earnings per share

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

(m) Interests in Joint Ventures

The Company's shares of the assets, liabilities, revenue and expenses of jointly controlled operations have been included in the appropriate line items of the financial statements. Details of the Company's interests are provided in Note 26.

(n) Comparative figures

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

(o) 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 (i.e. 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.

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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 re-measurements 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.

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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.

De-recognition 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

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and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(p) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows.

| <i>Class of Fixed Asset</i> | <i>Expected Useful life</i> |
|-------------------------------|-----------------------------|
| Plant & equipment | 5-10 years |
| Computer and Office Equipment | 3-7 years |
| Scientific Equipment | 3-4 years |

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(q) 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

(r) New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the consolidated entity, together with an assessment of the potential impact of such pronouncements on the consolidated entity when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

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The key changes that may affect the consolidated entity on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the consolidated entity's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the consolidated entity's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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 (refer to the respective notes) within the next financial year are discussed below.

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 either a Binomial or Black-Scholes model as described at Note 30 taking into account the terms and conditions upon which the instruments were granted. 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.

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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.

Employee benefits provision - Long service leave

As discussed in note 2, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Exploration expenditures

The Group expenses expenditures relating to exploration as they are incurred as they are not considered likely to be recoverable. The Group 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 recognise the deferred tax asset that is disclosed at Note 7. This is due to management taking an appropriate and conservative approach and not recognising any deferred tax asset given the fact that the Group has experienced losses, on an historical basis, and also due to no mineral reserves being discovered.

4. Operating segments

Identification of reportable operating segments

The Group 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.

5. Revenue

| | Consolidated | |
|-----------------------------------|--------------|--------|
| | 2016 | 2015 |
| | \$ | \$ |
| Interest | 1,298 | 2,567 |
| Labour and office cost recoveries | 26,605 | 52,847 |
| Total Revenue | 27,903 | 55,414 |

6. Expenses

Loss before income tax includes the following specific expenses:

Depreciation

| | | |
|-------------------------------|-------|-------|
| Plant and equipment | 1,137 | 1,849 |
| Computer and office equipment | - | 928 |
| Scientific equipment | 80 | 433 |
| Total depreciation | 1,217 | 3,210 |

Exploration

| | | |
|--------------------------------------|--------|---------|
| Tenement applications fees and rents | 11,232 | 25,834 |
| Other exploration expenditure | 61,186 | 162,058 |
| Total exploration | 72,418 | 187,892 |

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| | Consolidated | |
|--|---------------------|------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| 7. Income tax expense | | |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Loss before income tax expense | (386,255) | (528,189) |
| Tax at the statutory tax rate of 30% | (115,877) | (158,457) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Capital allowances share issue costs | (1,257) | (662) |
| Non deductible equity settled benefits expense | 560 | 291 |
| Other non-deductible (deductible) expenses | (1,110) | |
| | (117,684) | (158,828) |
| Deferred tax asset (on account of losses) not brought to account | <u>117,684</u> | <u>158,828</u> |
| Income tax expense (benefit) | - | - |
| <i>Deferred tax assets not recognised</i> | | |
| Deferred tax assets not recognised comprises temporary differences attributable to: | | |
| Tax losses carried forward | 1,647,253 | 1,529,569 |
| Temporary differences | 2,490 | 4,725 |
| Unamortised balance of capital allowances | 3,703 | 1,985 |
| Total deferred tax assets not recognised | <u>1,653,446</u> | <u>1,536,279</u> |

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

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.

8. Current assets - cash and cash equivalents

| | | |
|-------------------------|---------------|--------------|
| Cash at bank | 7,686 | 6,852 |
| Cash management account | <u>40,537</u> | - |
| | <u>48,223</u> | <u>6,852</u> |

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| | Consolidated | | | |
|---|-------------------|--------------------|----------------------|---------|
| | 2016 | 2015 | | |
| 9. Current assets - trade and other receivables | \$ | \$ | | |
| Other receivables | 2,518 | 313 | | |
| GST receivable | 2,078 | 1,402 | | |
| | <hr/> | <hr/> | | |
| | 4,596 | 1,715 | | |
| | <hr/> | <hr/> | | |
| 10. Current assets - other | | | | |
| Prepayments | <hr/> | <hr/> | | |
| | 11,851 | 13,224 | | |
| | <hr/> | <hr/> | | |
| 11. Non-current assets - property, plant and equipment | | | | |
| Plant and equipment - at cost | 4,524 | 4,524 | | |
| Less: Accumulated depreciation | (4,130) | (2,993) | | |
| | <hr/> | <hr/> | | |
| | 394 | 1,531 | | |
| Computer equipment - at cost | 16,419 | 16,419 | | |
| Less: Accumulated depreciation | (16,419) | (16,419) | | |
| | <hr/> | <hr/> | | |
| | - | - | | |
| Scientific equipment - at cost | 29,338 | 29,338 | | |
| Less: Accumulated depreciation | (29,338) | (29,258) | | |
| | <hr/> | <hr/> | | |
| | - | 80 | | |
| Total Property, Plant & Equipment | <hr/> | <hr/> | | |
| | 394 | 1,611 | | |
| | <hr/> | <hr/> | | |
| <i>Reconciliations</i> | | | | |
| Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below: | | | | |
| | Plant & Equipment | Computer Equipment | Scientific Equipment | Total |
| | \$ | \$ | \$ | \$ |
| Consolidated | | | | |
| Balance at 30 June 2014 | 3,380 | 928 | 513 | 4,821 |
| Depreciation expense | (1,849) | (928) | (433) | (3,210) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 30 June 2015 | 1,531 | - | 80 | 1,611 |
| Depreciation expense | (1,137) | - | (80) | (1,217) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 30 June 2016 | 394 | - | - | 394 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

| | Consolidated | |
|---|--------------|--------|
| | 2016 | 2015 |
| | \$ | \$ |
| 12. Current liabilities - trade and other payables | | |
| Other payables and accruals | 8,090 | 15,531 |
| | <hr/> | <hr/> |
| | 8,090 | 15,531 |
| | <hr/> | <hr/> |

Refer to note 18 for further information on financial instruments.

13. Current liabilities - employee benefits

| | | |
|-----------------------------------|---------|--------|
| Accrued directors' wages/fees (a) | 159,000 | 40,389 |
| Annual leave | 61,105 | 44,468 |
| | <hr/> | <hr/> |
| | 220,105 | 84,857 |

- (a) each of the directors have provided the Company an undertaking that undertaking that they do not intend to call on payment of accrued salaries or fees until the Company has adequate liquidity to be able to pay these amounts and remain solvent.

14. Non-current liabilities - employee benefits

| | | |
|--------------------|--------|--------|
| Long service leave | 23,789 | 14,314 |
| | <hr/> | <hr/> |

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15. Equity - issued capital

| | 2016 Shares | 2015 Shares | 2016 \$ | 2015 \$ |
|------------------------------|--------------------|-------------------|-------------------|-------------------|
| Ordinary shares - fully paid | <u>111,026,946</u> | <u>73,379,295</u> | <u>14,778,609</u> | <u>14,489,839</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|--|------------------|--------------------|-------------|-------------------|
| Balance | 1 July 2014 | 53,548,491 | | 14,097,381 |
| Entitlement offer | 8 August 2014 | 17,064,404 | \$0.020 | 341,288 |
| Director issue | 31 December 2014 | 766,400 | \$0.025 | 19,160 |
| Director issue | 20 March 2015 | 1,000,000 | \$0.020 | 20,000 |
| Option fee | 4 June 2015 | 1,000,000 | \$0.020 | 20,000 |
| Cost of capital raising | | - | \$0.000 | (7,990) |
| | | | | |
| Balance | 30 June 2015 | 73,379,295 | | 14,489,839 |
| Issue of shares | 9 July 2015 | 27,706,115 | \$0.008 | 221,649 |
| Shares issued in lieu of directors' fees | 13 July 2015 | 625,000 | \$0.006 | 4,000 |
| Issue of shares | 17 July 2015 | 7,133,657 | \$0.008 | 57,069 |
| Shares issued in lieu of directors' fees | 5 October 2015 | 2,182,880 | \$0.007 | 15,168 |
| Cost of capital raising | | - | \$0.000 | (9,116) |
| | | | | |
| Balance | 30 June 2016 | <u>111,026,946</u> | | <u>14,778,609</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 and the company does not have a limited amount of authorised capital.

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.

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.

The capital risk management policy remains unchanged from the 30 June 2015 annual report

REEDY LAGOON CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

| | Consolidated | |
|--|---------------------|-------------|
| | 2016 | 2015 |
| | \$ | \$ |
| 16. Equity - reserves | | |
| Share-based payments reserve | 15,470 | 40,605 |
| <i>Reconciliation - Share-based payments reserve</i> | | |
| Balance at beginning of financial year | 40,605 | 132,635 |
| Share based payments (refer to note 30) | 1,865 | 970 |
| Expiry of options | (27,000) | (93,000) |
| Balance at end of financial year | 15,470 | 40,605 |

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.

17. Equity - dividends

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

18. Financial instruments

Financial risk management objectives

The consolidated entity'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 consolidated entity's operations.

The consolidated entity does not have any derivative instruments at 30 June 2016.

The main risks the consolidated entity is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity is not exposed to significant interest rate risk.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

18. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity trade and other receivables consist of GST receivable and interest receivable. For this reason the consolidated entity is not exposed to significant credit risk.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds are maintained.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated 30 June 2016 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|------------------------------|---|----------------------|--------------------------------|--------------------------------|--------------------|--|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | -% | 8,090 | - | - | - | 8,090 |
| Total non-derivatives | | 8,090 | - | - | - | 8,090 |

| Consolidated 30 June 2015 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|------------------------------|---|----------------------|--------------------------------|--------------------------------|--------------------|--|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | -% | 55,920 | - | - | - | 55,920 |
| Total non-derivatives | | 55,920 | - | - | - | 55,920 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

REEDY LAGOON CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

19. Key management personnel disclosures

Compensation

The aggregate compensation payable to directors and other members of key management personnel of the consolidated entity is set out below. As set out in note 13 at the balance date \$159,000 of short-term and post-term employee benefit remains unpaid (2015: \$40,389)

| | Consolidated | |
|---|---------------------|----------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Short-term employee benefits | 195,832 | 163,000 |
| Post-employment benefits | 12,540 | 22,480 |
| Long-term benefits | 9,475 | 2,316 |
| Share-based payments – shares (in lieu of director fees/salary) | 15,184 | 39,160 |
| Share-based payments – options (Directors Option Plan) | 1,865 | 970 |
| | 234,896 | 227,826 |

Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| 30 June 2016 | Balance at the start of the year | Received as part of Remuneration ⁽¹⁾ | Additions | Disposals/other | Balance at the end of the year |
|------------------------|---|--|------------------|------------------------|---------------------------------------|
| <i>Ordinary shares</i> | | | | | |
| G Fethers | 10,302,178 | 907,880 | 3,125,000 | - | 14,335,058 |
| J Hamer | 3,116,207 | 630,612 | 3,125,000 | - | 6,871,819 |
| A Griffin | 750,000 | 1,269,388 | 750,000 | - | 2,769,388 |
| | 14,168,385 | 2,807,880 | 7,000,000 | - | 23,976,265 |

(1) including 625,000 in respect to remuneration of prior year payable as at 30 June 2015

| 30 June 2015 | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/other | Balance at the end of the year |
|------------------------|---|---|------------------|------------------------|---------------------------------------|
| <i>Ordinary shares</i> | | | | | |
| G Fethers | 8,635,778 | 666,400 | 1,000,000 | - | 10,302,178 |
| J Hamer | 1,599,724 | 450,000 | 1,066,483 | - | 3,116,207 |
| A Griffin | 100,000 | 650,000 | - | - | 750,000 |
| | 10,335,502 | 1,766,400 | 2,066,483 | - | 14,168,385 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

19. Key management personnel disclosures (continued)

Option holding

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| 30 June 2016 | Balance at the start of the year | Granted | Exercised | Expired/ Forfeited | Balance at the end of the year |
|-------------------------------------|--|----------------|-----------|-----------------------|--------------------------------------|
| <i>Options over ordinary shares</i> | | | | | |
| G Fethers | 1,500,000 | 500,000 | - | (500,000) | 1,500,000 |
| J Hamer | 900,000 | 300,000 | - | (300,000) | 900,000 |
| A Griffin | 100,000 | 100,000 | - | - | 200,000 |
| | <u>2,500,000</u> | <u>900,000</u> | <u>-</u> | <u>(800,000)</u> | <u>2,600,000</u> |

| 30 June 2015 | Balance at the start of the year | Granted | Exercised | Expired/ Forfeited | Balance at the end of the year |
|-------------------------------------|--|----------------|-----------|-----------------------|--------------------------------------|
| <i>Options over ordinary shares</i> | | | | | |
| G Fethers | 1,500,000 | 500,000 | - | (500,000) | 1,500,000 |
| J Hamer | 900,000 | 300,000 | - | (300,000) | 900,000 |
| A Griffin | - | 100,000 | - | - | 200,000 |
| | <u>2,400,000</u> | <u>900,000</u> | <u>-</u> | <u>(800,000)</u> | <u>2,500,000</u> |

Related party transactions

Related party transactions are set out in note 23.

20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Moore Stephens Audit (Vic) , the auditor of the consolidated entity:

| | Consolidated | 30 June 2016 | 30 June 2015 |
|--|--------------|-----------------|-----------------|
| | \$ | \$ | \$ |
| <i>Audit services – Moore Stephens Audit (Vic)</i> | | | |
| Audit or review of the financial statements | | 15,423 | 15,200 |
| <i>Other services – Moore Stephens (Vic) Pty Ltd</i> | | | |
| Tax and compliance services | | 12,839 | 18,000 |
| | | <u>28,262</u> | <u>33,200</u> |

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 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 2016****21. Contingent liabilities**

The consolidated entity had no contingent liabilities at end of the current or previous financial year.

22. Exploration expenditure commitments

Ongoing annual exploration expenditure is required to maintain title to the consolidated entity'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 consolidated entity.

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.

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 10 of the Annual report is \$130,000 (2015: \$190,000). Of this amount, \$11,900 had been spent on EL 5580 by joint venture partner DiamondCo Limited by the date of this report.

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.

23. Related party transactions*Parent entity*

Reedy Lagoon Corporation Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 25.

Joint ventures

Interests in joint ventures are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in note 19 and the remuneration report in the directors' report.

Transactions with related parties

DiamondCo Limited, a company of which Mr. Fethers and Mr Hamer are directors and shareholders, holds the rights to diamonds located on EL 5580 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 during the financial year to DiamondCo amounting to \$13,171 (2015 - \$33,258).

Receivable from and payable to related parties

The amount of \$2,208 (2015: nil) was payable by DiamondCo Limited at 30 June 2016 and no trade payables to related parties at the current and previous reporting date.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

24. Parent entity information

Set out below is the supplementary information about the parent entity.

| | 2016 | 2015 |
|---|---------------------|---------------------|
| | \$ | \$ |
| <i>Statement of profit or loss and other comprehensive income</i> | | |
| Loss after income tax | <u>(386,255)</u> | <u>(528,189)</u> |
| Total comprehensive income | <u>(386,255)</u> | <u>(528,189)</u> |
| <i>Statement of financial position</i> | | |
| Total current assets | <u>64,670</u> | <u>21,791</u> |
| Total assets | <u>65,064</u> | <u>23,402</u> |
| Total current liabilities | <u>228,195</u> | <u>100,388</u> |
| Total liabilities | <u>251,984</u> | <u>114,702</u> |
| Equity | | |
| Issued capital | 14,778,609 | 14,489,839 |
| Share-based payments reserve | 15,470 | 40,605 |
| Accumulated losses | <u>(14,980,999)</u> | <u>(14,621,744)</u> |
| Total equity | <u>(186,920)</u> | <u>(91,300)</u> |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment

All commitments disclosed in Note 22 relate to parent entity.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

25. 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 | Principal place of business / Country of incorporation | 2016 | 2015 |
|-----------------------------|---|-------------|-------------|
| | | % | % |
| Bullamine Magnetite Pty Ltd | Australia | 100.00% | 100.00% |

26. Interests in Joint Ventures

EL 5580 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.

Tenements which pre-date and carry through to EL 5580 were subject to a joint venture agreement, the Edward Creek Base Metals Joint Venture ("ECBMJV") which was terminated and all interests in the ECBM JV 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

27. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 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.

REEDY LAGOON CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

28. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|--|---------------------|------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Loss after income tax expense for the year | (386,255) | (528,189) |
| Adjustments for: | | |
| Depreciation and amortisation | 1,217 | 3,210 |
| Share-based payments | 1,865 | 970 |
| Payables relating to equity | - | - |
| Equity settled option fee | 22,526 | 20,000 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (2,881) | 2,932 |
| Decrease/(increase) in prepayments | 1,373 | (13,224) |
| Increase/(decrease) in trade and other payables | (7,441) | 32,974 |
| Increase/(decrease) in employee benefits | <u>144,723</u> | <u>15,323</u> |
| Net cash used in operating activities | <u>(224,873)</u> | <u>(466,004)</u> |

29. Earnings per share

| | | |
|---|--------------------|-------------------|
| Loss after income tax attributable to the owners of Reedy Lagoon Corporation Ltd | (386,255) | (528,189) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>108,005,941</u> | <u>69,512,734</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>110,821,832</u> | <u>69,512,734</u> |
| | Cents | Cents |
| Basic earnings per share | (0.358) | (0.76) |
| Diluted earnings per share | (0.349) | (0.76) |

The rights to options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 'Earnings per Share'. The rights to options are non-dilutive as the Company has generated a loss for the financial year.

REEDY LAGOON CORPORATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

30. 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 December 2015, after approval at the Company's annual general meeting, a total of 900,000 options were issued to directors as part of their remuneration packages. Each director received the below options:-

- Geof H Fethers – 500,000 options, exercise price 1.1 cents, expiring on 31 December 2018 with a value \$1,036
- Adrian C Griffin – 100,000 options, exercise price 1.1 cents, expiring on 31 December 2018 with a value \$207; and
- Jonathan M Hamer – 300,000 options, exercise price 1.1 cents, expiring on 31 December 2018 with a value \$622.

Set out below are summaries of options granted under the plan during the current financial year:

| Grant date | Expiry Date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired* | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|---------|-----------|-----------|--------------------------------|
| 15/11/2012 | 31/12/2015 | \$0.200 | 900,000 | - | - | (900,000) | - |
| 30/10/2013 | 31/12/2016 | \$0.200 | 900,000 | - | - | - | 900,000 |
| 13/11/2014 | 31/12/2017 | \$0.200 | 900,000 | - | - | - | 900,000 |
| 30/12/2015 | 31/12/2018 | \$0.011 | - | 900,000 | - | - | 900,000 |
| | | | 2,700,000 | 900,000 | - | (900,000) | 2,700,000 |

* expired unexercised during the current period.

For the options granted during the current financial 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 |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 30/12/2015 | 31/12/2018 | \$0.006 | \$0.011 | 75.10% | - | 1.90% | \$0.0021 |

An expense of \$1,865 (2015: \$970) has been recognised in the statement of comprehensive income for the current period in relation to the above options.

REEDY LAGOON CORPORATION LIMITED

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SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 1 September 2016

Number of holders of equity securities

Ordinary share capital

111,026,946 fully paid ordinary shares were held by 397 individual shareholders.

All issued ordinary shares were quoted on the Australian Stock Exchange.

No ordinary shares on issue were 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 were 2,700,000 options issued (not quoted). Details are of these options are provided in the Directors' Report (page 16).

Substantial shareholders

| Substantial Shareholders | Number of Fully Paid Ordinary Shares | % of total on issue |
|---|--------------------------------------|---------------------|
| Sked Pty Ltd: | | |
| Sked Pty Ltd | 11,191,368 | 10.08 |
| Sked Pty Ltd <Super Fund A/C> | 2,514,404 | 2.26 |
| CityCastle Pty Ltd | 6,212,484 | 5.60 |
| Traders Macquarie Pty Ltd | 884,234 | 0.80 |
| Traders Macquarie Pty Ltd <Trading A/C> | 419,070 | 0.38 |
| | 21,221,560 | 19.11 |
| Pyrope Holdings Pty Ltd: | | |
| Pyrope Holdings Pty Ltd <G Fethers A/C> | 10,064,850 | 9.07 |
| Pyrope Holdings Pty Ltd <Chromite Staff S/Fund A/C> | 3,427,330 | 3.09 |
| Ranview Pty Ltd | 617,270 | 0.56 |
| G Fethers | 225,608 | 0.20 |
| | 14,335,058 | 12.91 |
| Jagen Pty Ltd | 9,666,667 | 8.71 |
| Jonathan M Hamer: | | |
| Jonathan M Hamer | 6,832,467 | 6.15 |
| Trenine Pty Ltd | 39,352 | 0.04 |
| | 6,871,819 | 6.19 |
| Total substantial shareholders | 52,095,104 | 46.92 |

Distribution of holders of equity securities:

| | No. of shareholders | % | No. of Ordinary Shares | Percentage of Issued Shares |
|------------------|---------------------|--------|------------------------|-----------------------------|
| 1 – 1,000 | 20 | 5.04 | 4,107 | 0.00 |
| 1,001 – 5,000 | 21 | 5.29 | 75,829 | 0.07 |
| 5,001 – 10,000 | 59 | 14.86 | 503,271 | 0.45 |
| 10,001 – 100,000 | 210 | 52.90 | 7,301,154 | 6.58 |
| 100,001 and over | 87 | 21.91 | 103,142,585 | 92.90 |
| | 397 | 100.00 | 111,026,946 | 100.00 |

There were 262 shareholders who held less than a marketable parcel of shares. On 1 September 2016 those 262 shareholders collectively held 4,389,240 shares. A less than marketable parcel of shares at 1 September 2016 was a holding of less than 50,000 shares.

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

SHAREHOLDER INFORMATION

Twenty largest shareholders

as at 1 September 2016

| | No. of Quoted Ordinary Shares | % of total quoted |
|--|-------------------------------|-------------------|
| Sked Pty Ltd | 11,191,368 | 10.08 |
| Pyrope Holdings Pty Ltd | 10,064,850 | 9.07 |
| Jagen Pty Ltd | 9,666,667 | 8.71 |
| Mr Jonathan Mark Hamer | 6,832,467 | 6.15 |
| Citicastle Pty Ltd | 6,212,484 | 5.60 |
| Park Road SF Pty Ltd | 4,000,000 | 3.60 |
| M & K Korkidas | 3,993,661 | 3.60 |
| Mr Alan Brien & Mrs Melinda Brien | 3,534,058 | 3.18 |
| Dale Estates Pty Ltd | 3,500,000 | 3.15 |
| Pyrope Holdings Pty Ltd <Chromite Staff S/Fund A/C> | 3,427,330 | 3.09 |
| WIFAM Investments Pty Ltd <Wischer Family S/F A/C> | 3,000,000 | 2.70 |
| Adrian Christopher Griffin | 2,769,388 | 2.49 |
| Mr Clarke Barnett Dudley | 2,664,334 | 2.40 |
| Sked Pty Ltd <Super Fund A/C> | 2,514,404 | 2.26 |
| RFCJ Pty Ltd <RCJ Super Fund A/C> | 1,999,999 | 1.80 |
| Tromso Pty Ltd | 2,125,000 | 1.62 |
| Janavid Pty Ltd | 1,439,580 | 1.30 |
| Brodie Cresswell & Walton Pty Ltd <JS Chambers Super Fund A/C> | 1,360,061 | 1.22 |
| DBR Corporation Pty Ltd | 1,257,203 | 1.13 |
| TOEY Pty Ltd <Superannuation Fund A/C> | 1,020,280 | 0.92 |
| Total top 20 | 82,248,134 | 74.08 |
| Total Other Investors | 28,778,812 | 25.92 |
| TOTAL: | 111,026,946 | 100.00 |

REEDY LAGOON CORPORATION LIMITED

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CORPORATE DIRECTORY

Reedy Lagoon Corporation Limited
ABN 41 006 639 514

ASX Code : RLC

Directors

Jonathan M. Hamer
Chairman, Non-Executive Director

Geoffrey H. Fethers
Managing Director

Adrian C. Griffin
Non-Executive Director

Legal Adviser

King & Wood Mallesons
Level 50, 600 Bourke Street
Melbourne
Victoria 3000

Company Secretary

Geof H. Fethers

Accountants

Moore Stephens (Vic) Pty Ltd
Level 18, 530 Collins Street
Melbourne
Victoria 3000
PH: (03) 9608 0100
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Ph: 03 8420 6280
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Auditor

Moore Stephens Audit (Vic)
Level 18, 530 Collins Street
Melbourne
Victoria 3000

Share Registry

Link Market Services Limited (ABN 54 083 214 537)
Tower 4, Collins Square
727 Collins Street
Melbourne VIC 3008
Telephone: 1300 554 474
www.linkmarketservices.com.au

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