

R E E D Y



**LAGOON
CORPORATION LTD**

A.C.N. 006 639 514

**ANNUAL REPORT AND
FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2003**

CONTENTS

CORPORATE DIRECTORY	1
ANNUAL REVIEW	2
Diamond Exploration	2
Copper – Gold Exploration	3
PGM/Copper – Nickel Exploration	4
Gold Exploration	4
Other developments	5
Subsequent to the end of the reporting period	6
TENEMENT SCHEDULE	8
DIRECTORS' REPORT	9
STATEMENTS OF FINANCIAL PERFORMANCE	14
STATEMENTS OF FINANCIAL POSITION	15
STATEMENTS OF CASH FLOWS	16
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	17
DIRECTORS' DECLARATION	32
INDEPENDENT AUDIT REPORT	33
SHAREHOLDER INFORMATION	34
NOTICE OF ANNUAL GENERAL MEETING	35
PROXY FORM	36

CORPORATE DIRECTORY

DIRECTORS

Geof Fethers (executive chairman & managing director)
Hugh Rutter (executive)
Andrew Watson (non-executive)
Adrian Wischer (non- executive)

COMPANY SECRETARY

Dermot Coleman

REGISTERED OFFICE

Suite 2, 337A Lennox Street
Richmond, Victoria 3121

Telephone: (03) 8420 6280
Facsimile: (03) 8420 6299
Website: www.reedylagoon.com.au
E-mail: info@reedylagoon.com.au

SHARE REGISTRY

Alexander & Spencer
12A/440 Collins Street
Melbourne, Victoria 3000

Telephone: (03) 9602 2388
Facsimile: (03) 9670 8325

Registers of issued ordinary shares and options held at this address

ANNUAL GENERAL MEETING

The Company's 2003 Annual General Meeting will be held at the Company's office
Suite 2, 337A Lennox Street
Richmond, Victoria

On **Thursday 30 October 2003**
Commencing at **5.30 pm**

SOLICITORS

Mallesons Stephen Jaques
Level 28 Rialto
525 Collins Street
Melbourne, Victoria 3000

TAX AGENTS AND ADVISERS

Alexander and Spencer
Level 12A
440 Collins Street
Melbourne, Victoria 3000

AUDITOR

KPMG
Level 4
161 Collins Street
Melbourne, Victoria 3000

BANKERS

Bank Of Melbourne Limited
360 Collins Street
Melbourne, Victoria, 3000

ANNUAL REVIEW

During the seventeenth Annual Report period Reedy Lagoon ("RLC") survived a difficult year for unfunded exploration companies. Attempts throughout the year to access investment capital to finance the exploration of its tenements were largely unsuccessful.

Reedy Lagoon's objective remains to discover economic mineralization and use joint venture arrangements to deliver free-carried interests in projects with long-term production potential. Directors have considerable resolve to ensure that the Company's remaining projects are explored and that shareholders retain sufficient interest in the projects to provide them with substantial rewards in the event of any discovery. Fundamental to this resolve is the belief in the quality of the Company's projects – and the recognition of opportunities now emerging for efficient explorers.

The closure of the unsuccessful IPO, which sought to raise \$4.2 million in working capital, in September 2002 impacted significantly on the Company's capacity to advance its exploration activities and thereby develop its existing projects during the period. That being said, a summary of exploration developments to date is provided below:

Diamond Exploration

Edward Creek Project– Diamonds (including Edward Creek, Krystal & Balta prospects)

(see also Edward Creek Base Metals)

During the report period substantial re-interpretation of geophysical data identified and confirmed numerous geophysical and aerial photo anomalies which are potentially caused by kimberlites. By the end of the report period 9 high priority and 9 second priority targets had been selected for further work. Mines department (South Australia) approval for a drill programme incorporating the 9 high priority targets was applied for in June 2003 and received in July 2003.

Exploration to date has identified abundant Diamond Indicator Minerals ("DIMs") which strongly suggests the presence of kimberlite source rocks within the Project Area. DIMs are minerals which have chemical compositions indicative of potentially diamond bearing rocks. The data base which supports the ongoing activities at this project includes 9 macro diamonds, over 5,000 picroilmenite grains (including abundant grains with chemical compositions diagnostic of kimberlite – a rare type of volcanic rock capable of containing diamonds), over 700 chromian spinel grains, over 200 pyrope garnet grains and over 24 chrome diopside grains. Statistical numbers of these picroilmenite and pyrope grains display surface textures indicative of small travel distances.

The high priority drill targets include the "Gauntlet" - a shallow crater measuring 1,000 metres in diameter. Drilling conducted in previous periods at the Gauntlet has recovered chrome spinel grains with compositions similar to those of chromites found in diamond bearing rocks. Additional deeper drilling is planned to determine whether kimberlite rocks exist at the Gauntlet – no definitive identification of the material drilled to date has been possible and deep chemical weathering is a feature of the region.

The Edward Creek Diamond Project is located 750 km NNW from Adelaide in South Australia. The Project area is secured by ELs 2622, 2755 & 2892 and covers an area of 1,753 square kilometres.

ANNUAL REVIEW

Reedy Lagoon Project – Diamonds

During the report period continued re-interpretation of magnetic data and integration with the Diamond Indicator Mineral distributions enabled the selection of 4 priority targets from the 17 magnetic anomalies previously identified and considered potentially caused by kimberlites.

The Diamond Indicator Mineral (“DIM”) distribution from EL 2798 includes 213 pyrope garnets, 56 microilmenite and 15 chrome diopside grains. Two macro diamonds have also been recovered from the licence area supporting the potential for the area to contain a diamond bearing source rock.

Five groups of people have lodged native title claims for the Reedy Lagoon project area. Heritage surveys will be planned with each of these groups of people to ensure that the Company’s activities do not interfere with any sites found to be significant.

Copper – Gold Exploration.

Edward Creek Base Metal Joint Venture (“ECMBJV”)

RLC 20%

free carried

(see also Edward Creek Diamonds)

Drill targets identified in detailed gravity data and generated in the prior period remain the focus of investigations for “Olympic Dam” style mineralization at this prospect.

On 30 June 2003 an agreement was executed entitling joint venture partners to farm in and earn an 80% interest in base metal resources within the tenement. The agreement includes a commitment by our joint venture partners to sole fund the cost of a drill hole to investigate the Herakleion prospect. Mines Department (South Australia) approval for the proposed drill programme was applied for in June 2003 and received in July 2003.

Past mining by prospectors from several small scale copper mines in the late 1800's established the presence of copper mineralization in the area. Surface sampling, conducted prior to the current report period, in the areas of the targets, has recovered anomalous geochemistry including copper, gold, uranium and Rare Earth Elements (“REE” : Ce & La). A detailed gravity survey was completed over the Herakleion and Santorini prospects in late 2001 to follow up anomalies identified in regional data. A number of discrete gravity anomalies interpreted by the Company to represent substantial bodies of dense rocks occurring within the subsurface are evidenced in the more detailed gravity data. Four anomalies have been selected for possible drilling and target depth to the dense rocks interpreted to cause the observed gravity data is 150 to 250 m.

Heritage surveys conducted in early 2002 have cleared some areas for drilling however the Company currently plans to seek further clearances to enable greater flexibility in drill site locations.

ANNUAL REVIEW

PGM / Copper-Nickel Sulphide / Gold Exploration.

Poole River Prospect - Jericho Project

(see also Gold Exploration)

During the period magnetic and radiometric data were re-compiled and interpreted to optimize drill site selection. Expressions of interest in potentially farming in to the project were received from MIM and clearances and approvals for a single hole (diamond) were initiated in April. A site visit investigated potential drill sites. The negotiations with MIM were terminated following the takeover of MIM by Xstrata.

Reedy Lagoon achieved full ownership of the project following the Company's acquisition of Osprey Gold NL on 28 March 2003.

A large magnetic anomaly (the Poole River anomaly) holds the potential to be associated with copper-nickel sulphide mineralization enriched in platinum group elements and gold. The Poole River Prospect is part of the Jericho Project (EL 3208) located 160 km east from Melbourne and within the Woods Point - Walhalla Goldfield. The goldfield is renowned for its high-grade structurally controlled gold deposits, but also contains copper-nickel sulphide mineralization rich in precious metals (platinum, palladium and gold).

Drilling is planned to investigate the 5,500 m long Poole River magnetic anomaly.

Gold Exploration

Chiltern Project

Drill holes are planned to test for gold mineralization associated with sulphide enriched zones interpreted from geophysical survey data. These targets are adjacent to an area where abundant gold bearing sandstone nodules have been found.

The Project covers most of the Chiltern Goldfield located in northern Victoria. The goldfield has produced 27,000 kg (870,000 oz) of gold from alluvial deep lead (buried river channel) systems. The original source of the gold found in the deep leads has never been discovered although early workers identified sediment hosted gold amongst the waste rock initially discarded during the alluvial mining. About a hundred tonnes of this "waste rock" of sandstone and siltstone pebbles and nodules, in which very fine grained gold could be observed, was processed. An average of over 20 g/t gold was produced from this sandstone and siltstone material.

The Project consists of three Exploration Licences (ELs 3032, 3281 and 3376) covering an area of 236.5 square kilometres. RLC holds EL's 3032 and 3281 through its wholly owned subsidiary, Osprey Gold NL. Providence Gold and Minerals Pty Ltd ("PGM"), the registered holder of EL 3376, has assigned all future right, title and interest in EL 3376 to RLC save that PGM is entitled to a 1.75% gross production royalty with respect to any future production from EL 3376.

ANNUAL REVIEW

Work programmes which encompass geophysical survey and drilling have been lodged and regulatory approvals have been sought. The planned exploration is in environmentally sensitive areas which require thorough assessment and a more rigorous consent process than is generally applicable. Whilst this can lead to delays, the Company benefits in the long run by building a track record of first class environmental management.

Victor Gold Prospect - Jericho Project

(see also PGM, Copper-Nickel Sulphide exploration)

No work was conducted at the Victor Prospect during the period.

The exploration targets at the Victor Prospect are extensions from previously mined gold mineralization in a quartz reef system. Gold mineralization anticipated is high grade vein style. The gold potential of Victor is demonstrated by the Cohens Reef Mine, located within the same goldfield, which produced more than 1.4 million oz of gold.

Gold mineralization at Victor occurs in a quartz reef structure. The quartz reef has more than 1 km strike length within the tenement. Past mining (pre 1940) produced 24,909 oz of gold from 42,439 tonnes (@ ave 18 g/t). The quartz vein system that was mined is reported as up to 12 m thick although generally between 0.5 and 5 m.

The Victor Prospect is part of the Jericho Project acquired by RLC following the acquisition of Osprey Gold NL on 28 March 2003.

Drilling at Victor has the potential to identify significant mineralization in a geological setting similar to the Cohen's Reef deposit.

Other Developments

On 24 December 2002 Reedy Lagoon lodged with ASIC an Offer Information Statement for the issue of 7,800,000 shares at \$0.175 per share. 94,000 shares (\$16,450) had been subscribed to this offer by 30 June 2003. Mallesons Stephen Jaques further demonstrated its ongoing support to the Company by advising it would not seek payment (\$172,076.30) for its past legal work in relation to the 2002 prospectus from the June 2003 subscription.

Reedy Lagoon acquired Osprey Gold NL on 28 March 2003 following the acceptance by all of Osprey's shareholders of one RLC share for every two Osprey shares. At completion of the acquisition Osprey became a wholly owned subsidiary of RLC. In acquiring Osprey, RLC issued 4,050,005 RLC shares to the original Osprey shareholders. The principal benefit to RLC is that it acquired tenements relating to the Jericho and Chiltern projects which it had previously been earning interests in by sole funding exploration. Whilst the Company does not capitalize early stage exploration expenditure and the carrying value of the Osprey tenements has been written down to nil in the accounts, it is worth noting that exploration expenditure recorded against these tenements at 28/3/03 was \$897,000.

ANNUAL REVIEW

On 30 June 2003 RLC entered an agreement with Providence Gold and Minerals Pty Ltd ("PGM"), the registered holder of EL 3376 (part of the Chiltern project). Under the terms of the agreement PGM assigned all future right, title and interest in EL 3376 to RLC save that PGM is entitled to a payment calculated by multiplying the achieved sale price of any minerals produced from EL 3376 by 1.75% (gross production royalty). In consideration of the assignment RLC issued 500,000 RLC shares to Providence Gold and Minerals Pty Ltd and undertook to arrange the release to PGM of a \$5,000 bond held by the mines department in respect of EL 3376.

On 30 June 2003 an agreement was executed in respect of base metal interests in EL 2622 (Edward Creek Base Metals Joint Venture). The agreement entitles joint venture partners to sole fund the drilling of a hole to investigate one of the base metal targets ("Herakleion"). Under the terms of the agreement RLC is the initial manager and will receive:

- a 20% interest in base metals free carried to completion of a bankable feasibility, and
- should the joint venture partners elect to continue in the venture after receiving the results from the initial drilling, then RLC will also receive cash payments of \$30,000 each quarter until the commencement of commercial production.

The main focus of the Company's activities during the 2003 financial year was to source capital for ongoing operations. The introduction of joint venture partners to at least one the Company's advanced – drill ready projects is part of a strategy to build interest in the Company and to thereby attract investment capital. Drilling at Herakleion (Edward Creek Base Metal Joint Venture) – with the committed support of our Joint Venture Partners: Axburgh Investments Pty Ltd, Jagen Pty Ltd, Sked Pty Ltd and Redport Limited, will commence as soon as a suitable drill rig can be mobilized to the area.

In concluding this review of Reedy Lagoon's past activities, the Company has established and retained significant exploration projects encompassing a range of commodities. Our projects embrace gold, diamonds and copper – which continue to be among the commodities most highly sought after by the major mining companies.

Comments from last year's annual report regarding the future of RLC remain as valid now as they were then:

The resources targeted at RLC's projects are large scale. Should exploration lead to discovery then it is likely that the most efficient resource definition and mine development option would be through joint ventures with suitable mining companies.

The future of Reedy Lagoon lies in developing major resource projects by efficient exploration and by targeting those types of resource projects that will be most attractive to the world's major mining companies.

All shareholders in RLC should be encouraged by the rationalisation currently sweeping the resources industry. The more the major miners merge and the more non-performing mines close down the greater will be the need for new and better mineral deposits. History shows small explorers can be more successful discoverers than major miners – many of the majors recognise this and RLC is staking its future on it.

ANNUAL REVIEW

In this evolving environment any exploration success may hold potential to deliver substantial rewards to RLC's shareholders.

Several key shareholders together with non-shareholders in both the investment and mining industries have provided support to management over the last twelve months. Directors are grateful for this support and will continue to do all they can to ensure that holes get drilled and that any resultant exploration success is harnessed to provide opportunities for shareholders to be rewarded.

Geof H Fethers
Managing Director.

TENEMENT SCHEDULE

Tenements owned directly by Reedy Lagoon Corporation and its wholly owned subsidiary Osprey Gold NL

Tenement	Area (km ²)	Status	Minimum Expenditure \$	RLC Group Equity
South Australian Tenements				
EL 2622 <i>Edward Creek project</i>	588	current	153,000	100% ⁽¹⁾
EL 2755 <i>Edward Creek project</i>	587	current	85,000	100%
EL 2892 <i>Edward Creek project</i>	580	current	85,000	100%
EL 2943 <i>Edward Creek project</i>	NA	expired 16/05/03		
EL 2798 <i>Reedy Lagoon project</i>	444	current	75,000	100%
Victorian Tenements				
EL 3208 <i>Jericho Project</i>	28	current, application for renewal from 11/8/03 lodged	23,400	100%
EL 3032 <i>Chiltern project</i>	98.5	pendency – awaiting renewal in term	after renewal 48,600	100%
EL 3281 <i>Chiltern project</i>	11	pendency – awaiting renewal in term	after renewal 20,400	100%
EL 3376 <i>Chiltern project</i>	137	pendency – awaiting renewal in term	after renewal 56,700	100% ⁽²⁾

- (1) *These tenements are subject to joint venture agreements which may reduce RLC's interest in base metal and gold resources within the tenement to 20%.*
- (2) *EL 3376 is registered in the name of Providence Gold and Minerals Pty Ltd ("PGM"). Under the terms of an agreement dated 30/06/03, PGM assigned all future right, title and interest in EL 3376 to RLC. Under the agreement PGM is entitled to a payment calculated by multiplying the achieved sale price of any minerals produced from EL 3376 by 1.75% (gross production royalty).*

The minimum expenditure commitments figures are the exploration expenditure requirements for the term of the licence as described in the Exploration Licence document.

DIRECTORS' REPORT

The Directors present their report, together with the financial report of Reedy Lagoon Corporation Limited and its wholly owned subsidiary for the year ended 30 June 2003 and the auditor's report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the financial year and details of their qualifications are:

Geof H. Fethers, B.Sc. Hons (Geol.), M AusIMM

Executive Chairman and Managing Director

Geof Fethers, aged 46, is a geologist with more than 20 years experience in the minerals industry. His initial involvement in diamond exploration was with De Beers Australia Exploration Limited working in WA, NT, SA, South Africa and Botswana. He is chairman and managing director of Osprey Gold N.L., and is a member of A.M.P.L.A., AusIMM and the Geological Society of Australia. Director of the Company since 1986 - appointed Chairman in 1986.

Hugh Rutter, B.Sc. (Geol.), M.Sc (Geophys), D.I.C. Geophys (Imp.C., London), F AusIMM.

Exploration Director

Hugh Rutter, aged 62, is a consulting geophysicist with more than 30 years experience in the exploration and mining industry. He is a founding director of Osprey Gold NL and is a member of numerous professional organisations, including AusIMM and the Australian Society of Exploration Geophysicists. Hugh was appointed a director of the Company on 24th August 2000.

Andrew C. D. Watson, Dip. Farm Manag.

Non-Executive Director

Andrew Watson, aged 47, is involved in the agriculture and forestry industries. He is a director of a private Australian plantation management company and various private earth moving companies which have operations extending from road building to quarrying. Andrew was appointed a Director of RLC on 22 November 2000.

Adrian D. Wischer, B.Econ., M A.I.M.

Non-Executive Director

Adrian Wischer, aged 46, is a private equity investor, an experienced manager and company director. He is a director of Osprey Gold N.L. and National Golf Holdings Ltd, a Fellow of A.I.C.D. and an Associate Fellow of A.I.M. Director of the Company since 1986.

DIRECTORS' REPORT

2. DIRECTORS MEETINGS

The following table sets out the numbers of meetings of the Company's directors held during the year ended 30 June 2003, and the number of meetings attended by each director.

	A	B
G. H. Fethers	7	7
H. Rutter	7	7
A. C. D. Watson	5	7
A. D. Wischer	5	7

A - number of meetings attended

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

3. PRINCIPAL ACTIVITY

The principal activities of the consolidated entity during the course of the financial year were the exploration for minerals.

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

4. RESULT OF OPERATIONS

The net loss of the Company after income tax for the year was \$964,214 (2002: loss \$ 305,793). Further commentary on the operations of the company during the year is included in the Annual Review on pages 2 to 7 of the Annual Report .

5. DIVIDENDS

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

6. STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year were as follows:

- On 28 March 2003 the Company issued 4,050,005 fully paid shares in consideration for 8,100,010 fully paid shares (100%) in Osprey Gold NL. These shares were issued at \$0.175 per share.
- On 30 June 2003 the Company made a cash issue of 94,000 fully paid shares to provide additional working capital. These shares were issued at \$0.175 per share.
- On 30 June 2003 the Company issued 500,000 fully paid shares as part consideration for the acquisition of EL 3376. These shares were issued at \$0.175 per share.

DIRECTORS' REPORT

7. ENVIRONMENTAL REGULATION

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

In addition, the Company is an associate member of the Victorian Minerals and Energy Council (VMEC) which is a non government association with an objective to foster mineral enterprise as a valuable and responsible industry for Victoria. The VMEC requires its members to conform with a code of conduct which includes environmental management practices. The Company ensures that all its operations conform with the code of practice.

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

8. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen, in the interval between the end of the year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

9. LIKELY DEVELOPMENTS

At the date of this report, there are no future developments of the Company which warrant disclosure, other than that the Company intends to continue seeking avenues to exploit the Company's mining tenements and joint ventures.

10. DIRECTORS' EMOLUMENTS

None of the directors of the Company have received emoluments during the financial year. However 1,200,000 options to purchase shares with an expiry date of 31 December 2005 were granted to directors on 1st January 2003, in accordance with a resolution passed at the Company's Annual General meeting in November 2002. The value of these options has not been determined. The exercise price of each option is \$0.50, which is significantly above the last share issue price of \$0.175.

DIRECTORS' REPORT

11. OPTIONS ISSUES

During or since the end of the previous financial year, the Company granted options over unissued ordinary shares to the following:

Director:	Number of Options Granted	Exercise Price	Expiry Date
Mr G .H. Fethers	500,000	\$0.50	31 December 2005
Mr H. Rutter	500,000	\$0.50	31 December 2005
Mr A. Watson	100,000	\$0.50	31 December 2005
Mr A. Wischer	100,000	\$0.50	31 December 2005

At the date of this report, unissued ordinary shares of the Company under option are:

<i>Expiry date</i>	<i>Exercise price</i>	<i>Number of Shares</i>
31 December 2003	\$0.50	2,150,000
31 December 2004	\$0.50	1,200,000
31 December 2005	\$0.50	1,200,000

In addition, the Company has agreed to issue 900,000 options with an exercise price of 30 cents and with similar terms and conditions as options to be issued under a prospectus at or about the date (if any) that RLC is listed on the ASX.

12. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options issued by the Company as notified by the directors at the date of the report is:

Director	Shares held by director	Shares held on behalf of director or by director controlled entities	Options over unissued shares
G.H. Fethers	8,001	10,611,001	1,900,000
A.D. Wischer	416	50,000	300,000
A.C.D. Watson	-	-	300,000
H. Rutter	150,001	1,000,000	1,900,000

DIRECTORS' REPORT

12. DIRECTORS' INTERESTS (CONTINUED)

Since the end of the previous financial year no director of the Company has received or become entitled to receive any benefit because of a contract made by the Company with the director or with a firm of which they are a member, or with an entity in which the director has a substantial interest, other than:-

- in respect of service agreements with Chromite Pty. Ltd and Geophysical Exploration Consultants Pty Ltd, of which G.H. Fethers and H. Rutter respectively are directors and shareholders.
- the provision of office space, equipment and secretarial services to the Company at normal commercial rates, by Cropten Pty Ltd. Messrs. Fethers and Rutter are shareholders and directors of Cropten Pty. Ltd.

Details of the service agreements are provided in Note 17 to the Financial Statements.

13. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has not indemnified the directors and auditors of the Company against any liability arising in their capacity as directors or auditors of the Company. Since the end of the previous financial year, the Company has not paid any premiums in respect of the directors' and officers' liability and legal expense's and insurance contracts for year ended 30 June 2003 and since the year ended, the Company has not paid or agreed to pay on behalf of the Company, provisions in respect of such insurance contracts for year ended 30 June 2003.

Signed in accordance with a resolution of the directors.

.....
G.H. FETHERS
DIRECTOR

Dated at Melbourne this 26 day of September 2003.

**STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	Economic	Parent	
		Entity	Entity	
		2003	2003	2002
		\$	\$	\$
Other revenue from ordinary activities	2	<u>4,354</u>	<u>4,354</u>	<u>4,212</u>
Total revenue		<u>4,354</u>	<u>4,354</u>	<u>4,212</u>
Expenses related to ordinary activities				
Administration expense	3	(67,753)	(65,257)	(59,308)
Exploration expenditure	3	(165,648)	(165,648)	(127,967)
Write-off of goodwill	3	(892,769)	-	-
Provision for diminution	3	-	(708,751)	-
Prospectus preparation costs	3	-	-	(90,729)
Other expenses from ordinary activities	3	(29,021)	(28,912)	(32,001)
(Loss) from ordinary activities before related income tax expense		<u>(1,150,837)</u>	<u>(964,214)</u>	<u>(305,793)</u>
Income tax expense relating to ordinary activities	5(a)	-	-	-
Net (Loss)		<u>(1,150,837)</u>	<u>(964,214)</u>	<u>(305,793)</u>

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 17 to 31

**STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2003**

	Note	Economic	Parent	
		Entity	Entity	Entity
		2003	2003	2002
		\$	\$	\$
Current Assets				
Cash assets	6	48,900	48,900	141,537
Receivables	7	1,331	1,031	36,737
Prepayments		-	-	2,313
Total Current Assets		<u>50,231</u>	<u>49,931</u>	<u>180,587</u>
Non-Current Assets				
Other financial assets	8	-	-	-
Intangibles	9	-	-	-
Total Non-Current Assets		<u>-</u>	<u>-</u>	<u>-</u>
Total Assets		<u>50,231</u>	<u>49,931</u>	<u>180,587</u>
Current Liabilities				
Payables	10	<u>398,381</u>	<u>211,458</u>	<u>190,601</u>
Total Current Liabilities		<u>398,381</u>	<u>211,458</u>	<u>190,601</u>
Total Liabilities		<u>398,381</u>	<u>211,458</u>	<u>190,601</u>
Net Assets (deficiency)		<u>(348,150)</u>	<u>(161,527)</u>	<u>(10,014)</u>
Equity				
Contributed equity	11	7,065,957	7,065,957	6,253,256
Accumulated (losses)	12	<u>(7,414,107)</u>	<u>(7,227,484)</u>	<u>(6,263,270)</u>
Total Equity/(deficiency)	13	<u>(348,150)</u>	<u>(161,527)</u>	<u>(10,014)</u>

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 17 to 31

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003**

		Economic Entity	Parent Entity	
	Note	2003 \$	2003 \$	2002 \$
Cash flows from operating activities				
Cash receipts in the course of operations		53,189	52,929	-
Cash payments in the course of operations		(230,079)	(229,714)	(226,164)
Interest received		4,354	4,354	4,212
Interest paid		(88)	(88)	-
Net cash/(used in) operating activities	14(b)	<u>(172,624)</u>	<u>(172,519)</u>	<u>(221,952)</u>
Cash flows from investing activities				
Arising from (used in) purchase of subsidiaries	14(c)	10	-	-
Net cash provided by investing activities		<u>10</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities				
Proceeds from share issues		16,450	16,450	360,807
Costs of share issue		-	-	(8,214)
Payment of June 2002 prospectus costs (inc GST)		-	-	(78,279)
Proceeds from loans		63,527	63,432	
Net cash provided by financing activities		<u>79,977</u>	<u>79,882</u>	<u>274,314</u>
Net (decrease)/increase in cash held		(92,637)	(92,637)	52,362
Cash at beginning of year		141,537	141,537	89,175
Cash at end of year	14(a)	<u>48,900</u>	<u>48,900</u>	<u>141,537</u>

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 17 to 31

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared in accordance with the historical cost convention, and except where stated does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) Principles of Consolidation

The consolidated accounts comprise the accounts of Reedy Lagoon Corporation Limited and its controlled entities. A list of controlled entities is contained in Note 20 to the financial statements. All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased. Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(c) Going Concern

The accounts have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The company incurred an operating loss before income tax of \$964,214 during the year ended 30 June 2003 (2002 : \$305,793), and as at that date the company's total liabilities exceeded current assets by \$161,527 (2002: total assets exceeded total liabilities by \$10,014). The directors believe that the going concern basis is appropriate because the director related entities which have advanced funds to the Company have subordinated their loans to the benefit of external creditors and these entities have stated that they will continue to financially support the Company. If required, working capital requirements are able to be met by relinquishing exploration tenements and accessing cash placed on term deposit.

The directors have prepared the financial statements on a going concern basis since they are of the opinion the Company will receive additional future funding by either securing a joint venture partner or through the issue of new capital. In the event that no future funding is received, there is significant uncertainty whether the company will be able to continue as a going concern. No adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to losses are only brought to account when their realisation is virtually certain.

(e) 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.

(f) 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Exploration, Evaluation and Development Expenditure (continued)

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.

(g) Cash assets

Cash assets are carried at face value of the amounts deposited. The carrying value of cash assets approximates net fair value.

(h) Other receivables

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

(i) Revenue Recognition

Interest Income

Interest income is recognised as it accrues.

(j) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are settled as cash flows allow.

(k) Investments Controlled Entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	Economic Entity	Parent Entity	
Note	2003 \$	2003 \$	2002 \$
2. REVENUE FROM ORDINARY ACTIVITIES			
Other revenue:			
From Operating activities			
- Interest – other parties	4,354	4,354	4,212
Total other revenue	<u>4,354</u>	<u>4,354</u>	<u>4,212</u>
Total revenue from ordinary activities	<u>4,354</u>	<u>4,354</u>	<u>4,212</u>
3. (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE			
Loss from ordinary activities before income tax expense has been arrived at after charging the following items:			
• Consulting fees - Administration	30,481	30,481	12,912
• Other Administration expenses	37,272	34,776	46,396
• Consulting Fees (Geophysical) - Exploration	41,400	41,400	33,728
• Other Exploration expenditure	124,248	124,248	94,239
• Prospectus preparation costs	-	-	90,729
• Other expenses from ordinary activities	29,021	28,912	32,001
• Provision for diminution of investment in controlled entity	-	708,751	-
• Write-off of goodwill	892,769	-	-
Total expenses	<u>1,155,191</u>	<u>968,568</u>	<u>310,005</u>
4. AUDITORS' REMUNERATION			
Audit Services			
Auditors of the Company – KPMG	<u>7,500</u>	<u>5,000</u>	<u>8,500</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	Economic Entity	Parent Entity	
	2003	2003	2002
	\$	\$	\$
5. TAXATION			
(a) Income tax expense			
Prima facie income tax benefit calculated at 30% on the (loss) from ordinary activities	345,251	289,264	91,738
Increase/decrease in income tax expense			
Joint venture payments	-	-	(9,000)
Exploration tenements acquired	(26,250)	(26,250)	
Write-off of goodwill	(267,831)	-	-
Write-down of investment in subsidiary	-	(212,625)	-
Other timing differences	3,949	3,874	(20,481)
Tax losses not carried forward as future income tax benefit	<u>(55,119)</u>	<u>(54,263)</u>	<u>(62,257)</u>
Income tax expense attributable to operating (loss)	<u>-</u>	<u>-</u>	<u>-</u>

(b) Future Income Tax Benefits not taken to account

The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:

Tax losses carried forward	670,424	404,307	350,044
Timing differences	<u>18,707</u>	<u>17,957</u>	<u>21,831</u>
	<u>689,131</u>	<u>422,264</u>	<u>371,875</u>

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

- a) The Company derives future assessable income of a nature and amount sufficient to enable the benefit to be realised;
- b) The Company continues to comply with the conditions for deductibility imposed by the law; and
- c) No changes in tax legislation adversely affect the Company in realising the benefit.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	Economic Entity 2003 \$	Parent Entity 2003 \$	2002 \$
6. CASH ASSETS				
Cash at bank		3,900	3,900	96,537
Term deposits		<u>45,000</u>	<u>45,000</u>	<u>45,000</u>
		<u>48,900</u>	<u>48,900</u>	<u>141,537</u>
<p>The bank short term deposits mature within 60 days and pay interest at a weighted average interest rate of 3.7% at 30 June 2003. These deposits are held by the bank as a guarantee to Ministry of Energy and Resources.</p>				
7. RECEIVABLES				
GST receivable		1,331	1,031	11,459
Other debtors		<u>-</u>	<u>-</u>	<u>25,278</u>
		<u>1,331</u>	<u>1,031</u>	<u>36,737</u>
8. OTHER FINANCIAL ASSETS				
Investments in controlled entities				
Unlisted shares at cost		-	708,751	-
Provision for diminution	20	<u>-</u>	<u>(708,751)</u>	<u>-</u>
		<u>-</u>	<u>-</u>	<u>-</u>
9. INTANGIBLES				
Goodwill at cost		<u>-</u>	<u>-</u>	<u>-</u>
<i>Movements in intangibles</i>				
Goodwill on acquisition of controlled entity	14(c)	892,769	-	-
Write-off of goodwill		<u>(892,769)</u>	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>	<u>-</u>
10. PAYABLES				
Trade creditors and accruals		7,920	5,420	47,995
Loan – Chromite Pty Ltd	17	299,418	184,209	142,606
Loan – Cropten Pty Ltd	17	74,043	4,829	-
Loan – Geophysical Exploration Consultants Pty Ltd	17	<u>17,000</u>	<u>17,000</u>	<u>-</u>
		<u>398,381</u>	<u>211,458</u>	<u>190,601</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

	Economic Entity	Parent Entity	
Note	2003 \$	2003 \$	2002 \$
11. CONTRIBUTED EQUITY			
Issued and paid up share capital of 22,593,835 (2002: 17,949,830) ordinary shares fully paid comprising: 8,401,760 shares issued for cash (2002: 8,307,760)	1,456,885	1,456,885	1,440,435
4,050,005 shares issued as consideration for acquisition of 100% of capital of Osprey Gold NL	708,751	708,751	-
500,000 shares issued as consideration for the acquisition of exploration properties	87,500	87,500	-
9,642,070 shares allotted from Asset Revaluation Reserve in 1987. (Mineral exploration tenements were subsequently revalued downwards with decrement taken to accumulated losses)	4,821,035	4,821,035	4,821,035
Cost of share issue	<u>(8,214)</u>	<u>(8,214)</u>	<u>(8,214)</u>
	<u>7,065,957</u>	<u>7,065,957</u>	<u>6,253,256</u>
<i>Movements in Contributed Equity</i>			
Balance at beginning of year	6,253,256	6,253,256	5,900,663
4,644,005 (2002: 2,061,755) ordinary shares issued at 17.5 cents per share	812,701	812,701	360,807
Cost of share issue	<u>-</u>	<u>-</u>	<u>(8,214)</u>
Balance at end of year	<u>7,065,957</u>	<u>7,065,957</u>	<u>6,253,256</u>

In the previous periods the Company granted 2,150,000 options at an exercise price of \$0.50 per share with an expiry date of 31 December 2003 and 1,200,000 options were granted with an exercise price of \$0.50 per share and expiry date of 31 December 2004. During the year a further 1,200,000 options were granted with an exercise price of \$0.50 per share and expiry date of 31 December 2005.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

11. CONTRIBUTED EQUITY (CONTINUED)

At the end of the period 4,550,000 shares remain unissued in respect of these options. None of the options granted have been exercised.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

	Economic Entity	Parent Entity		
	Note	2003	2003	2002
		\$	\$	\$
12. ACCUMULATED LOSSES				
Accumulated Losses at beginning of year		6,263,270	6,263,270	5,957,477
Net Loss		1,150,837	964,214	305,793
		<u>7,414,107</u>	<u>7,227,484</u>	<u>6,263,270</u>
Accumulated Losses at end of year				

**13. TOTAL EQUITY/(DEFICIENCY)
RECONCILIATION**

Total (deficiency) at beginning of year	(10,014)	(10,014)	(56,814)
Total changes in equity recognised in Statement of Financial Performance	(1,150,837)	(964,214)	(305,793)
Contributions of Equity	<u>812,701</u>	<u>812,701</u>	<u>352,593</u>
Total (deficiency) at end of period	<u>(348,150)</u>	<u>(161,527)</u>	<u>(10,014)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

14. NOTES TO THE STATEMENT OF CASH FLOWS

		Economic Entity	Parent Entity	
	Note	2003 \$	2003 \$	2002 \$
(a) Reconciliation of Cash				
For the purpose of the Statement of Cash Flows, cash includes Cash on hand and deposits at call with banks or financial institutions. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash assets	6	48,900	48,900	141,537
(b) Reconciliation of (Loss) from ordinary activities after Income Tax to net cash (used in) operating activities				
(Loss) from ordinary activities after Income Tax		(1,150,837)	(964,214)	(305,793)
Prospectus costs recognised in financing activities		-	-	78,279
Provisions and non cash write-offs		980,269	796,251	-
<i><u>Changes in assets and liabilities adjusted for effects of the purchase of controlled entities during the financial year</u></i>				
Decrease (Increase) in receivables		35,706	35,706	(35,620)
Decrease (Increase) in prepayments		2,313	2,313	(2,313)
Increase/(decrease) in accounts payable		(40,075)	(42,575)	43,495
Net Cash (used in) operating activities		(172,624)	(172,519)	(221,952)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

14. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

	Economic Entity 2003 \$
(c) Entities acquired during the year	
During the year 100% of controlled entity Osprey Gold NL was acquired. Details of the aggregate amount of the transaction are as follows	
Purchase Consideration satisfied by issue of Reedy shares	708,751
Cash acquired	<u>(10)</u>
Outflow / (inflow) of cash	<u>(10)</u>
<i>Fair value of assets and (liabilities) held at the acquisition date</i>	
Cash	10
Receivables	300
Exploration Properties	-
Loans due to - Chromite Pty Ltd	(115,209)
- Cropten Pty Ltd	<u>(69,119)</u>
	(184,018)
Goodwill on acquisition	<u>892,769</u>
Consideration	<u>708,751</u>

Osprey Gold N.L was acquired on 28th March 2003 and the operating results of the entity from that date have been included in consolidated operating profit. The entity holds exploration tenements.

15. INTEREST IN JOINT VENTURE OPERATIONS

On 30 June 2003 an agreement was executed with Redport Limited, Axburgh Investments Pty Ltd, Jagen Pty Ltd and Sked Pty Ltd ("the joint venture partners") in respect of base metal and gold interests in EL 2622 (Edward Creek Base Metals Joint Venture). The agreement provides for the joint venture partners to sole fund the drilling of a hole to investigate one of the base metal targets ("Herakleion"). RLC is the initial manager. The joint venture partners may earn an 80% interest in base metals and gold resources within the tenement area. Should the joint venture partners elect to continue in the venture after receiving the results from the initial drilling, then they will be obliged to pay RLC \$30,000 each quarter until the commencement of commercial production.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

15. INTEREST IN JOINT VENTURE OPERATIONS (CONTINUED)

All other joint ventures in which the consolidated entity was party to were terminated during the year. On 30 June 2003 an agreement was executed with Providence Gold & Minerals Pty Ltd ("PGM") to acquire beneficial interest in 100% of EL3376 (part of the Chiltern Project). PGM will be entitled to a 1.75% gold production royalty from minerals extracted from that tenement.

16. DIRECTORS' REMUNERATION

None of the directors of the Company have received emoluments during the year ended 30 June 2003 (30 June 2002: \$Nil). Payments by the consolidated entity to companies associated with the directors are detailed in Note 17.

17. RELATED PARTY TRANSACTIONS

The names of each person holding the position of Director of Reedy Lagoon Corporation Limited during the financial year were:

G.H. Fethers	(appointed 24 September 1986)
H. Rutter	(appointed 24 August 2000)
A.C.D. Watson	(appointed 22 November 2000)
A.D. Wischer	(appointed 24 September 1986)

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

Other transactions with the consolidated entity:

- (i) G.H. Fethers is a director and shareholder of Chromite Pty Ltd, which provides the services of geologists, including Mr. Fethers, to the consolidated entity. The services were provided on an 'as required' basis at normal commercial rates following an agreement to defer commencement of the management contract between the Company and Chromite approved on 22 November 2000. During the current and previous financial years Chromite, being a director related entity of Reedy Lagoon Corporation Ltd has advanced funds and deferred repayment of fees charged. Chromite has subordinated its loan to the interests of other creditors. Amounts payable to Chromite at balance date are included in payables as interest-free liabilities. Refer to note 10.
- (ii) Mr. Fethers and Mr. Rutter are directors and shareholders of Cropten Pty Ltd, which provides office space and equipment, together with services including secretarial to the consolidated entity at normal commercial rates. During the current and previous financial years Cropten, being a director related entity of Reedy Lagoon Corporation Ltd, has deferred repayment of fees charged. Cropten has subordinated its loan to the interests of other creditors. Amounts payable to Cropten at balance date are included in payables as interest-free liabilities. Refer to note 10.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

17. RELATED PARTY TRANSACTIONS (CONTINUED)

- (iii) Geophysical Exploration Consultants (GEC) Pty Ltd is a company associated with Mr. Rutter. GEC provides exploration services to the consolidated entity on an 'as required' basis at normal commercial rates following GEC's agreement to defer commencement of the management contract between the Company and GEC approved on 22 November 2000. During the current financial year GEC, being a director related entity of Reedy Lagoon Corporation Ltd, has deferred repayment of fees charged. GEC has subordinated its loan to the interests of other creditors. Amounts payable to GEC at balance date are included in payables as interest-free liabilities. Refer to note 10.

Fees invoiced by director related entities during the year were as follows:

Director related entity	Note	Economic Entity 2003	Parent Entity	
			2003	2002
Chromite	17(i)	72,823	70,723	88,167
Cropten	17(ii)	19,498	19,402	19,107
GEC	17(iii)	33,900	33,900	19,055

18. EXPLORATION EXPENDITURE COMMITMENTS

Ongoing annual exploration expenditure is required to maintain title to the Company's mineral exploration tenements. No provision has been made in the accounts for these amounts as the amounts are expected to be fulfilled in the normal course of the operations of the Company.

Tenement expenditure is dependent upon exploration results and available cash resources. Expenditure commitments are also impacted upon and may be reduced where access to areas has been restricted by the existence of Native Title claims. At the date of this report claims for Native Title in respect of areas of all RLC's tenements except EL's 3032 and 3281 have been made under the Native Title Act.

The Statutory minimum expenditure requirement for the current twelve month tenures in relation to each of the tenements EL 2622, EL 2755, EL 2798, EL 2892 and EL 3208 is \$421,400, (2002: \$709,000) as the licences are subject to annual renewal.

Exploration Licences, 2755, 2798 and 2892 include land that is within the Woomera Prohibited Area. All exploration and mining activities within the Woomera Prohibited Area are subject to agreements with the Commonwealth of Australia. Licence agreements for EL's 2755, 2798 and 2892 between the Company and the Commonwealth were obtained on 27 February 2002.

Exploration Licence 3208 incorporates land that is Reserved Forest set aside under Section 50 of the Forest Act 1958 as part of the Thomson River Forest Reserve (Gaz 1984 P235). The Licence area is within the Thomson Catchment and is subject to a Land Use Determination pursuant to section 23 of the Soil Conservation and Land Utilization Act 1958.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

18. EXPLORATION EXPENDITURE COMMITMENTS (CONTINUED)

The objective of the Land Use Determination is to provide management guidelines to maintain acceptable quality, quantity and perenniality of water harvested from the catchment.

To protect the integrity of the water supply within the Thomson storage, earthworks are required to be kept to a minimum and any effluent and waste disposal will be in accordance with guidelines approved by the Department of Natural Resources and Environment in consultation with Melbourne Water.

Expenditure requirements for EL 3032, EL 3281 and EL 3376 are expected to total \$125,700 (2002 : \$149,100 but may be less if regulatory conditions cause further delays to planned work. The current terms of exploration licences EL 3032, EL 3281, and EL 3376 expired on 21 June 1999. An application for renewal has been lodged in respect of each of these tenements and whilst these licences remain "pending renewal" there is no minimum expenditure requirement. These tenements cover an area proclaimed as a National Box and Ironbark Park. Exploration and mining activities within this Park may only continue with the consent of the Minister for Sustainability and Environment under Section 40 of the of the National Parks Act, 1975.

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.

19. CONTINGENT LIABILITIES

Guarantees

The company has provided a letter of support undertaking to provide financial support in the form of working capital to its wholly owned subsidiary Osprey Gold N.L. At 30 June 2003, total liabilities of Osprey Gold N.L. exceeded total assets by \$186,623. Of this deficiency, \$184,423 relates to loans from related parties that have been subordinated to the interest of other creditors.

20. CONTROLLED ENTITIES

Interest in controlled entities:

Name	Country of incorporation	Ordinary share consolidated entity interest	
		2003 %	2002 %
Osprey Gold N.L.	Australia	100%	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

21. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest rate risk exposures

The Economic Entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Floating	Fixed interest maturing in:			Non Interest Bearing	Total
		Interest rate	1 year or less	Over 1 to 5 years	More than 5 years		
30 June 2003		\$	\$	\$	\$	\$	\$
<i>Financial assets</i>							
Cash assets	6	48,900	-	-	-	-	48,900
Receivables	7	-	-	-	-	1,331	1,331
		48,900	-	-	-	1,331	50,231
Weighted average Interest rate		3.7%					
<i>Financial liabilities</i>							
Payables	10	-	-	-	-	398,381	398,381
		-	-	-	-	398,381	398,381
30 June 2002	Note						
<i>Financial assets</i>							
Cash assets	6	141,537	-	-	-	-	141,537
Receivables	7	-	-	-	-	36,737	36,737
		141,537	-	-	-	36,737	178,274
Weighted average Interest rate		3.0%					
<i>Financial liabilities</i>							
Payables	10	-	-	-	-	190,601	190,601
		-	-	-	-	190,601	190,601

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

21. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

(b) Credit risk exposures

There is no credit risk associated with financial assets at 30 June 2003.

(c) Net fair values of financial assets and liabilities

Net fair values of financial assets and liabilities approximate their carrying value. No financial assets or financial liabilities are readily traded on organised markets in standardised form. The carrying amounts of cash at bank, term deposits, other debtors, accounts payable and interest free liabilities approximate net fair value. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

22. SEGMENT REPORTING

The Company and its controlled entity operate within the minerals exploration industry. All operations are conducted solely within Australia.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Reedy Lagoon Corporation Limited ("the Company"):
- (a) the financial statements and notes, set out on pages 14 to 31, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company and the controlled entities identified in Note 20 will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

G. H. FETHERS
DIRECTOR

Dated at Melbourne this 26 day of September 2003



Independent audit report to the members of Reedy Lagoon Corporation Limited

Scope

We have audited the financial report of Reedy Lagoon Corporation Limited for the financial year ended 30 June 2003, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 22, and the directors' declaration set out on pages 14 to 32. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Reedy Lagoon Corporation Limited is in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of its performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(c), there is significant uncertainty whether Reedy Lagoon Corporation Limited will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

KPMG

Kerry McDermott

Kerry McDermott
Partner

Place: Melbourne

Date: 26th September 2003



REEDY LAGOON CORPORATION LIMITED
ACN 006 639 514

SHAREHOLDER INFORMATION

Twenty largest shareholders as 31 August 2003.

Name	No. of Shares	%
Pyrope Holdings Pty Ltd	9,750,001	43.15
Finch, Gerald Charles	2,700,000	11.95
Zeolite Australia Limited	1,400,000	6.20
Janavid Pty Ltd	1,000,000	4.43
Clinical Cell Culture Limited	780,000	3.45
Agricultural Contracting Australia Pty Ltd	700,00	3.10
Halliday, Ian S & Reeves, R.C.	500,000	2.21
Providence Gold & Minerals Pty Ltd	500,000	2.21
Pyrope Holdings Pty Ltd <The Chromite Staff Superannuation Fund>	450,000	1.99
Ranview Pty Ltd	403,000	1.78
Woodall, Roy	300,000	1.33
Mooney, Warwick Huddleston	240,000	1.06
Brunner, Nicholas F.M.	200,000	0.89
Capital Administration Pty Ltd	200,000	0.89
Harris Holdings Pty Ltd	200,000	0.89
Kerr Grant, Colin	190,000	0.84
Aluminium Cutters & Suppliers Pty Ltd <98B Unit Trust A/C>	175,000	0.77
Tsimos Finance Pty Ltd <S.T. Superannuation Fund A/C>	175,000	0.77
Rutter, Hugh	150,001	0.66
Ingham, Timothy J.	150,000	0.66
Sub-Total:	20,163,002	89.24
Other shareholders (numbering 82)	2,430,833	10.76
TOTAL:	22,593,835	100.00