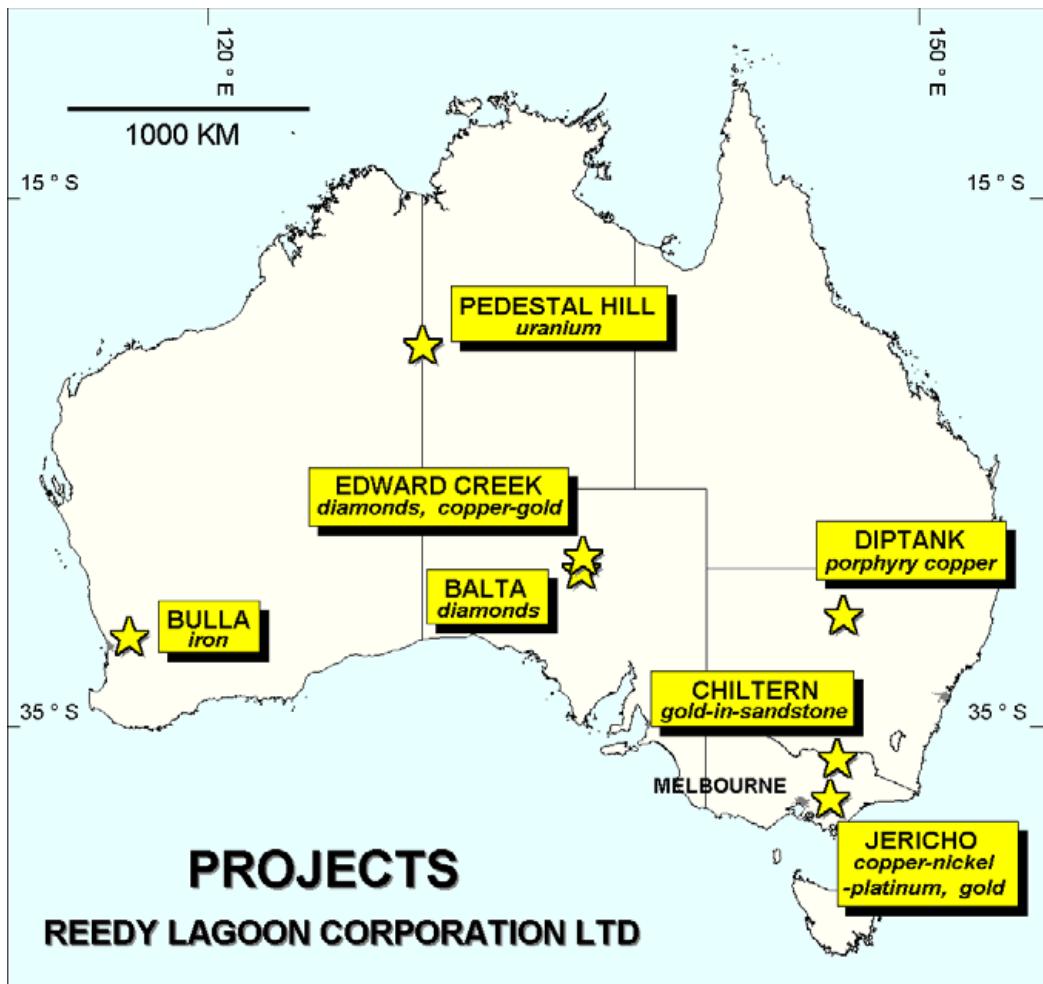




A.C.N. 006 639 514

**ANNUAL REPORT AND
FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2005**



- Copper-uranium-gold (Edward Creek Base Metals Joint Venture)
- Diamonds (Edward Creek and Balta diamond projects)
- Sediment hosted sulphide-gold mineralization (Chiltern gold project)
- Hydrothermal gold mineralization (Jericho gold project)
- Porphyry copper-gold mineralization (Diptank Joint Venture)
- Iron – magnetite mineralization (Bulla)
- Uranium (Pedestal Hill)

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CORPORATE DIRECTORY

DIRECTORS

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

SOLICITORS

Mallesons Stephen Jaques
Level 50, Bourke Place
600 Bourke Street
Melbourne, Victoria 3000

COMPANY SECRETARY

Dermot Coleman

TAX AGENTS AND ADVISERS

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Level 14
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Melbourne, Victoria 3000

REGISTERED OFFICE

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SHARE REGISTRY

Nexia Alexander & Spencer Pty Ltd
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Melbourne, Victoria 3000

Telephone: (03) 9608 0100
Facsimile: (03) 9670 8325

BANKERS

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360 Collins Street
Melbourne, Victoria, 3000

*Registers of issued ordinary shares and
options held at this address*

ANNUAL GENERAL MEETING

The Company's 2005 Annual General Meeting will
be held at the Company's office
Suite 2, 337A Lennox Street
Richmond, Victoria

On Thursday 3 November 2005
Commencing at **5.30 pm**

ANNUAL REVIEW

During the nineteenth Annual Report period RLC has:

- Accelerated its New Project Development – which has resulted in three new projects:
 - Diptank JV: a potential porphyry copper gold prospect located in NSW
 - Bulla : a potential iron ore prospect located in WA, and
 - Pedestal Hill : a potential uranium prospect located in NT.
- Gained all necessary title renewals, work plan and environmental management plan registrations and approvals for the re-commencement of exploration at the Caledonian Prospect at Chiltern – a potentially significant gold project with more than \$1.2 million invested in its exploration to date.
- Commenced a two stage capital raising programme which seeks to
 - raise seed capital and
 - IPO in March 2006.

Directors believe that the Company is now well prepared for a considerable expansion to its exploration activities. Extensive data derived from targeted exploration contribute evidence for the mineralizing systems which Reedy Lagoon is seeking to prove at each of its long standing projects. In addition, each of the three new projects have been selected because of the presence of either drill ready targets or outcropping target mineralization. It is now possible that limited additional work may establish the presence of very large potentially economic mineral systems at seven projects.

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.

Diamond Exploration

Edward Creek Project- Diamonds (including Edward Creek, Krystal & Balta prospects)
(see also *Edward Creek Base Metals*)

During the report period no ground exploration was undertaken at any of the potential kimberlite targets identified during previous periods.

A review of the tenements comprising the project and the Company's available working capital resulted in the termination of the Krystal prospect and relinquishment of EL 2892.

Edward Creek Diamonds is an advanced stage exploration project. The modern exploration for diamonds in the region was initiated by Ashton Mining Limited in the late 1970's. Subsequent work in the area by De Beers in the 1980's established an extensive database. In one of its final tenement reports to the South Australian Mines Department De Beers reports that the spread of kimberlitic indicator minerals reflects a significant episode of kimberlite magmatism in the region. De Beers abandoned the area however, without identifying kimberlite leaving the opportunity for a more persistent explorer to build on the database it had established and perhaps succeed in discovering the first kimberlite and thereby a new potential diamond province in Australia.

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

ANNUAL REVIEW

(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.

High priority drill targets established during prior report periods include WK16, WK57, WK58, WK59 and the “Gauntlet” (WK20).

The Gauntlet is a shallow crater measuring 1,000 metres in diameter located 3 km from the Diamond Sites. Drilling conducted in previous periods at the Gauntlet has recovered chromian 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.

Drilling at WK57 in 2003 intersected a clay, interpreted to be a weathered rock, containing numerous DIMs. These DIMs comprise mainly “possibly kimberlitic chromian spinel” and rare picroilmenite. This clay may be derived from a sill or a tuff related to a kimberlite intrusion and may prove to be a key to identifying the first kimberlite in the area. WK57 is located within 4 km of sites from which diamonds have previously been recovered from bulk samples (“Diamond Sites”).

Pyrope garnet and “possibly kimberlitic chromian spinel” have been identified in surface sampling at WK58 and WK59. These two targets are 300 m apart and each have circular photo features of about 500 m in diameter (20 hectares). Gravity anomalies coincident with the photo-features are evident in data from a single traverse over the anomalies. They are located approximately 6 km from WK57. Importantly, whilst abundant picroilmenite grains are known in the vicinity of WK57, none was recovered from the WK58 and WK59 samples. The DIMs recovered from the WK58/59 area and the WK57 area are therefore likely to be sourced from separate kimberlites.

RLC's objective at Edward Creek is to discover the first kimberlite and thereby establish a new diamond province.

Factors of importance at Edward Creek include :

- DIM distributions and numbers establish high probability that a significant episode of kimberlite magmatism exists in the region.
- 9 macro diamonds suggest that at least one of the kimberlites is diamond bearing.
- Distribution of DIMs indicates a post Permian age for the kimberlites.
- Presence of Jurassic aged sediments in the area means that a post Permian aged kimberlite would have been exposed to vertical erosion for a relatively short interval of time (about 80 million years) - which means that such kimberlites can be expected to be relatively well preserved – at least in size, which is a positive attribute for their potential diamond bearing capacity.
- Presence of Jurassic aged and younger sediments in the area means that post Permian aged kimberlites may be covered and concealed by younger sediments – contributing to the difficulty in locating them using DIM trails. Depths of burial are generally shallow - less than 100 metres, but sufficient to limit dispersion of DIM grains.

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- Extensive and pervasive chemical weathering which is likely to have destroyed DIMs – thereby greatly reducing the number of and types of DIMs recoverable from surface sampling and affecting their distribution.

Factors which are being exploited by RLC which were not available to the previous explorers include:

- Greater computer processing capacity which enables RLC to gain more information from geophysical datasets than was previously possible. This capacity is particularly relevant to Edward Creek because the target kimberlites are expected to be un-eroded and subjected to deep chemical weathering. Such conditions can significantly reduce the geophysical characteristics of the target kimberlite targets. As a consequence sophisticated data processing is required to enhance subdued signals associated with potential kimberlite targets at Edward Creek.
- Gravity surveys have become cost effective. The development of GPS has removed the requirement for costly survey work previously required for gravity surveys. As a consequence gravity data now provide an additional parameter for target delineation which was not exploited by previous workers.
- Effects of chemical weathering on the surface distributions of DIMs are now better understood.
- Chromian spinel (“chromite”) has become an important DIM but was poorly understood prior to RLC gaining control of the area.

WK57, 58 & 59 are associated with gravity anomalies in single line profiles. Detailed gravity surveys are planned over two grids incorporating these and other potential kimberlite targets prior to drill testing.

The Edward Creek Diamond Project is located 750 km NNW from Adelaide in South Australia. The Project area is secured by EL 3250 (EL 2622) and EL 2755 and covers an area of 737 square kilometres.

Reedy Lagoon Project – Diamonds

A review of the project resulted in the termination of the Reedy Lagoon project and relinquishment of EL 2798.

The Reedy Lagoon project was located in the middle of South Australia and about 150 km south from our Edward Creek project.

Copper – Gold Exploration.

Edward Creek Base Metal Joint Venture (“ECBMJV”)

(see also Edward Creek Diamonds)

RLC 20% free carried

During the report period the Herakleion Iron-Oxide Copper-Gold (“IOCG”) target was investigated by :

- diamond drilling : HD-03 drilled from surface to 612.4 metres depth

The Herakleion target is defined by a gravity anomaly measuring 6 km x 3 km in the horizontal plane. The exploration objective at Herakleion is to determine whether or not the identified gravity anomaly is caused by rocks associated with IOCG mineralization of the Olympic Dam type.

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Drill hole HD-03 was drilled in late 2004 to 612.4 metres depth, about 300 metres east of HD-02 (at the peak of the gravity anomaly in this target area). The hole is interpreted to pass from diapiric breccia into less disturbed Adelaidean rocks. Veined and altered zones became increasingly common in the lower 100 to 150 metres of this hole, with trace-minor associated iron oxide (?) mineralization also increasing with depth. The drill hole could not be extended further (at the time) due to drill-rig limitations. The original modelled target depth for the top of the gravity source was 450-475 metres. The hole does not appear to have encountered rocks dense enough to explain the gravity anomaly. Revised modelling suggests a possible source depth below 750 metres. The increasing veining and alteration towards the end of HD-03 may indicate that major faulting - possibly the basement contact - is nearby.

Assaying from HD-03 showed no significant Olympic Dam-style mineralization. Maximum copper assays were 358 ppm and 411 ppm. Olympic Dam-style mineralization is not anticipated in the Adelaidean rocks (such as have been intersected to date in HD-03), as they are younger than the age of Olympic Dam mineralization. The target zone for Olympic Dam-style mineralization is within the older basement rocks underlying the Adelaidean.

Drilling planned:

Diamond holes are planned as follows:

Target Area 1 - new hole to 850 m;

Target Area 3 - new hole to 850 m.

Target Area 2 - extend HD-03 from 612.4 m to 850 m;

At the time of this report the Edward Creek Base Metal Joint Venture Parties were considering revising the planned drill programme to commence first at Target Area 2 and to extend HD-03 from 612.5 metres to 1,000 metres. Discussions were in progress with a drill contractor with capacity to drill to 1,000 metres but a commencement date remained undetermined.

Drilling will commence at Herakleion as soon as a drill rig can be mobilized to the area.

The Edward Creek Base Metals Project is located 750 km NNW from Adelaide in South Australia. It is approximately 250 km north west from the Olympic Dam mine and 150 km north east from Prominent Hill. Prominent Hill is a major new copper-gold discovery, being developed by Oxiana Limited, with an inferred resource of 60Mt at 1.9% copper and 0.5gpt gold. The Edward Creek Base Metals Project area is secured by EL 3250 and covers an area of 440 square kilometres.

Gold Exploration

Chiltern Project

During the report period the Victorian Government's Department of Sustainability and Environment gave its conditional consent to the renewal in terms of key tenements comprising the Chiltern project. Environmental Management Plans required as part of the conditions applicable to the tenements were prepared and were approved by the Department of Sustainability and Environment by the end of the report period.

All required consents to the Company's planned exploration at Chiltern have now been obtained. Exploration can now proceed subject to stringent but workable guidelines including requirements for

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environmental surveys prior to each phase of operations and the specific approvals of Parks Victoria to each stage of exploration.

This is an important development. The Chiltern Gold project is an advanced stage exploration project. More than \$1,200,000 has been invested by the Company and its past joint venture partners in developing the exploration data base for this project. No effective access has been available for its exploration since 1996. The planned drilling at this project has potential to discover a new style of gold mineralization in a gold field which has produced significant alluvial gold and which is controlled by the Company.

Drill holes are planned to test for gold mineralization associated with sulphide enriched zones interpreted from geophysical survey data (Induced Polarisation or "IP" data). These targets are adjacent to an area where abundant gold bearing sandstone nodules have been found. RLC believes these gold bearing nodules, together with most of the alluvial gold mined from the Chiltern Goldfield, are detritus eroded from undetected, probably sulphide enriched, source rocks.

The exploration objective at Chiltern is to discover primary gold mineralization and whether or not gold mineralization at Chiltern can be detected by IP surveys. If such a relationship is proven then RLC will have discovered a method to explore the Chiltern Goldfield for buried primary gold deposits and the project is likely to have appeal to major gold mining companies.

The Project covers most of the Chiltern Goldfield located in northern Victoria near Albury. 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 237 square kilometres. RLC holds 100% equity in the three tenements through its wholly owned subsidiary, Osprey Gold Pty Ltd. Providence Gold and Minerals Pty Ltd ("PGM"), the previous holder of EL 3376, is entitled to a 1.75% gross production royalty with respect to any future production from EL 3376.

Work programmes which encompass geophysical survey and drilling have been approved and registered. The planned exploration is in environmentally sensitive areas which require thorough assessment and a more rigorous consent process than is generally applicable.

Poole River Prospect - Jericho Project

During the report period core from diamond hole PD-01, drilled during the previous period, was examined and sampled.

Drill hole PD-01 was drilled to test a magnetic anomaly occurring on the western side of the Enoch's Point Thrust Zone. A sheet of magnetic rock dipping 75° to the southwest, measuring between 50 m and 400 m in width and extending along the fault zone for over 5 km is interpreted to cause the Poole River magnetic anomaly.

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Pyrrhotite (a magnetic form of iron sulphide) mineralization was identified as the cause of the Poole River magnetic anomaly. The pyrrhotite mineralization is mainly fine grained and disseminated throughout fine dark siltstones.

The pyrrhotite and associated magnetic anomalism in diamond drill hole PD-01 extends over most of the down-hole interval from 243 metres to the end of the hole at 480 metres (an interval of 237 metres). A number of thin dykes and sills were intersected in this zone and the pyrrhotite may be derived, by low grade metamorphism associated with the dykes, from primary disseminated pyrite in the dark siltstones.

Results from assays of core chip samples did not indicate significant anomalism. The highest gold assay is 9 ppb and only slight elevation (5 to 10 times expected background) in some other elements (barium, bismuth, caesium, molybdenum) is evident. Copper and nickel are slightly, but not significantly, elevated in a single thin massive pyrrhotite vein.

Drilling did not reach the eastern margin of the magnetic anomaly. The lower side of the pyrrhotite rich interval is interpreted to intersect with and form the hanging wall for, the Enoch's Point Thrust Zone. Such a zone may present an environment in which gold and other minerals may have precipitated from solutions traversing along the thrust zone. The prospectivity of this faulted "footwall" zone remains untested and is the current drill target at this prospect.

PD-01 is cased to 59.7 m and capped to enable re-entry. Further drilling is planned.

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).

Victor Gold Prospect - Jericho Project

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 Cohen's 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.

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

REEDY LAGOON CORPORATION LIMITED

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New Project Development :

- | | |
|----------------------|--|
| Diptank | - potential porphyry copper – gold prospect located in NSW |
| Bulla | - potential iron prospect located in WA |
| Pedestal Hill | - potential uranium prospect located in NT |

Diptank Joint Venture

RLC 85 %

The exploration target at Diptank is a large porphyry copper-gold or an intrusion related gold mineralizing system. The target is defined by a buried magnetic anomaly with anomalous geochemistry in its periphery. Drilling is planned to investigate the cause of the magnetic anomaly and to determine its potential to be associated with copper-gold mineralization.

The Diptank JV commenced on 10 January 2005. RLC is sole funding exploration and quarterly cash payments to our joint venture partner of \$10,000 commenced on 1st of July 2005. The cash payments are payable by RLC whilst it elects to remain in the joint venture.

Bulla

RLC 100%

The exploration target at Bulla is primarily iron, but the area is also prospective for gold and copper. Application for a tenement covering 45 square kilometres was made subsequent to the end of the report period.

Pedestal Hill

RLC 100%

The exploration target at Pedestal Hill is uranium. Application for a tenement covering 272 square kilometres was made subsequent to the end of the report period.

Other Developments

The Company's activities during the period were funded by joint venture cash payments, capital raisings and debt funding.

\$60,000 was received during the report period under the terms of the Edward Creek Base Metals Joint Venture agreement marking the commencement of income generation by the Company's joint venture strategy.

\$50,000 (333,332 shares @ \$0.15 each) were subscribed to private placements during August 2004.

Debt funding was provided to the Company by director related companies. Companies controlled by Directors provided services during the period for which invoices totalling \$71,790 were raised, all of which have been converted to director related loans which are non interest bearing and are subordinated to all other creditors.

Mallesons Stephen Jaques maintained its support for the Company by continuing to provide services and not seeking payment at this stage for its past legal work in relation to the 2002 prospectus (\$172,076.30).

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A strategy to raise working capital and to list the Company on the Australian Stock Exchange was developed during the report period. The first stage of the strategy involved raising private seed capital with the aim to prepare the Company for an IPO in March 2006. An Offer Information Statement for the private placement was lodged with the Australian Securities and Investment Commission (“ASIC”) on 1 July 2005. An allocation of 1,600,000 shares under the private placement was reserved for clients of ABN AMRO Morgans Limited.

At the date of this report applications for 776,000 shares (\$97,000) under the Offer Information Statement had been received and discussions were progressing with a number of stock brokers to assist in the seed capital raising and the subsequent planned IPO.¹

In concluding this review of Reedy Lagoon’s activities, the Company has embarked on an expansionary phase in order to participate in the growth being generated in the resources sector. The Company controls significant exploration projects encompassing a range of commodities – which now include gold, diamonds, copper, iron and uranium.

Any exploration success may hold potential to deliver substantial rewards to RLC’s shareholders and joint venture partners.

Shareholders, together with our joint venture partners, 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 efficient exploration is conducted and that any resultant exploration success is harnessed to provide opportunities for shareholders and joint venture partners to be rewarded.

Geof H Fethers
Managing Director

¹ With respect to references to the current offer: the offers of the securities will be made in, or accompanied by, a copy of a disclosure document; and anyone wishing to acquire the securities will need to complete the application form that will be in or will accompany the disclosure document.

REEDY LAGOON CORPORATION LIMITED

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TENEMENT SCHEDULE

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

Tenement	Area (km ²)	Status	Minimum Expenditure \$	RLC Group Equity
<i>South Australian Tenements</i>				
EL 3250 <i>Edward Creek project</i>	440	Current	150,000	100% ⁽¹⁾
EL 2755 <i>Edward Creek project</i>	297	Current	50,000	100%
<i>Victorian Tenements</i>				
EL 3208 <i>Jericho Project</i>	20	Current	21,000	100%
EL 3032 <i>Chiltern project</i>	98.5	Current	48,600	100%
EL 3281 <i>Chiltern project</i>	10	Current	20,400	100%
EL 3376 <i>Chiltern project</i>	139	Current	56,700	100% ⁽²⁾
<i>New South Wales Tenements</i>				
EL6202 <i>Diptank project</i>	15	Current	17,000	nil ⁽³⁾

(1) EL 3250 is subject to a joint venture agreement, the Edward Creek Base Metals Joint Venture ("ECBMJV") which reduces RLC's interest in base metal and gold resources within the tenement to 20%. RLC is the manager of the ECBMJV and RLC's share of exploration expenditure until completion of a bankable feasibility study is paid by the joint venture parties. In addition RLC receives cash payments of \$30,000 per quarter.

(2) EL 3376 is subject to an agreement with Providence Gold & Minerals ("PGM") which entitles PGM to a payment calculated by multiplying the achieved sale price of any minerals produced from EL 3376 by 1.75% (gross production royalty).

(3) EL 6202 is subject to a joint venture agreement, the Diptank Joint Venture, which provides RLC the opportunity to hold an 85% interest in all mineral resources within the tenement by sole funding exploration expenditure and making cash payments of \$10,000 per quarter commencing 1 July 2005.

The minimum expenditure 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 2005 and the auditor's report thereon.

1. DIRECTORS and SECRETARY

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 48, 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 Pty Ltd., 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 63, is a consulting geophysicist with more than 30 years experience in the exploration and mining industry. He is a founding director of Osprey Gold Pty Ltd and is a member of numerous professional organisations, including AusIMM and the Australian Society of Exploration Geophysicists. Director of the Company since August 2000.

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

Non-Executive Director

Andrew Watson, aged 49 is involved in the agriculture and forestry industries. He is a director of a private Australian plantation management company and private earth moving companies which have operations extending from northern QLD to southern NSW. Director of the Company since November 2000.

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

Non-Executive Director

Adrian Wischer, aged 48, is a private equity investor, an experienced manager and company director. He is a director of Osprey Gold Pty Ltd. 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.

Dermot G. Coleman, B.A., LLB.,

Company Secretary

Dermot Coleman, aged 61, has been employed in the minerals industry for 25 years and was a director and company secretary of De Beers Australia Exploration Limited for more than 15 years until 2001. He has extensive working experience with Native Title and land rights issues and was a councillor of the Association of Mining and Exploration Companies until 31 March 2005. Company Secretary since March 2002.

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 2005, and the number of meetings attended by each director.

	A	B
G. H. Fethers	8	8
H. Rutter	8	8
A. C. D. Watson	6	8
A. D. Wischer	5	8

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 Economic Entity after income tax for the year was \$53,265 (2004: loss \$ 290,577). Further commentary on the operations of the company during the year is included in the Annual Review on pages 2 to 9 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:

- the issue of 333,332 ordinary shares at \$0.15 per share during the year for \$50,000 cash to provide additional working capital.

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 a member of the Minerals Council of Australia ("MCA") and a signatory to "Enduring Value". The purpose of "Enduring Value" is to assist companies to contribute to the growth and prosperity of current and future generations.

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

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, other than:-

- 1 July 2005 – release of an Offer Information Statement to raise \$700,000. At the date of this report the minimum subscription condition had not been met.

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 2007 were granted to directors on 23 March 2005, in accordance with a resolution passed at the Company's Annual General meeting in November 2004. 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 \$0.15.

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:

	Number of Options Granted	Exercise Price	Expiry Date
Mr G .H. Fethers ⁽¹⁾	500,000	\$0.50	31 December 2007
Mr H. Rutter ⁽¹⁾	500,000	\$0.50	31 December 2007
Mr A. Watson ⁽¹⁾	100,000	\$0.50	31 December 2007
Mr A. Wischer ⁽¹⁾	100,000	\$0.50	31 December 2007
Mr D. Coleman ⁽²⁾	100,000	\$0.50	31 December 2007

⁽¹⁾ Director

⁽²⁾ Secretary

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 2005	\$0.50	1,200,000
30 November 2006	\$0.30	333,333
31 December 2006	\$0.50	1,200,000
31 December 2007	\$0.50	1,300,000

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	1,500,000
A.D. Wischer	416	50,000	300,000
A.C.D. Watson	-	3,140,000	300,000
H. Rutter	150,001	1,000,000	1,500,000

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 2005 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 contacts for year ended 30 June 2005.

Signed in accordance with a resolution of the directors.



G.H. FETHERS
DIRECTOR

Dated at Melbourne this 4th day of October 2005.

Level 12a, 440 Collins Street
Melbourne Victoria
Australia 3000
Telephone: (03) 9602 2388
Facsimile: (03) 9670 8325
Email: alexsp@as.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 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 2005 there have been:

- I. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- II. no contraventions of any applicable code of professional conduct in relation to the audit.

NEXIA ALEXANDER & SPENCER *M.M.*
ABN 77 083 265 384



Kevin Mullen
Partner

Melbourne
Date:

**STATEMENTS OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2005**

		Economic Entity		Parent Entity	
	Note	2005	2004	2005	2004
		\$	\$	\$	\$
Other revenue from ordinary activities	2	62,378	2,558	62,378	2,558
Total revenue		62,378	2,558	62,378	2,558
Expenses related to ordinary activities					
Administration expense	3	(49,085)	(44,182)	(49,085)	(44,182)
Exploration expenditure	3	(51,258)	(230,401)	(51,258)	(230,401)
Other expenses from ordinary activities	3	(4,800)	(13,552)	(4,800)	(15,752)
Audit and accounting fees	4	(10,500)	(5,000)	(10,500)	(5,000)
(Loss) from ordinary activities before related income tax expense					
		(53,265)	(290,577)	(53,265)	(292,777)
Income tax expense relating to ordinary activities	5(a)	-	-	-	-
Net (Loss)					
		(53,265)	(290,577)	(53,265)	(292,777)

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 20 to 33

**STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2005**

	Note	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
Current Assets					
Cash assets	6	59,344	67,376	59,344	67,376
Receivables	7	422	10,843	422	10,843
Total Current Assets		59,766	78,219	59,766	78,219
Non-Current Assets					
Other financial assets	8	-	-	-	-
Intangibles	9	-	-	-	-
Total Non-Current Assets		-	-	-	-
Total Assets		59,766	78,219	59,766	78,219
Current Liabilities					
Payables	10	5,500	580,946	5,500	396,523
Total Current Liabilities		5,500	580,946	5,500	396,523
Non Current Liabilities					
Payables	10	560,258	-	375,835	-
Total Non Current Liabilities		560,258	-	375,873	-
Total Liabilities		565,758	580,946	382,373	396,523
Net Asset (Deficiency)		(505,992)	(502,727)	(321,569)	(318,304)
Equity					
Contributed equity	11	7,251,957	7,201,957	7,251,907	7,201,957
Accumulated (losses)	12	(7,757,949)	(7,704,684)	(7,573,526)	(7,520,261)
Total Equity/(deficiency)	13	(505,992)	(502,727)	(321,569)	(318,304)

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 20 to 33

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts in the course of operations		60,000	-	60,000	-
Cash payments in the course of operations		(105,751)	(306,260)	(105,751)	(306,260)
Interest received		2,378	2,514	2,378	2,514
Interest paid		-	(8)	-	(8)
Net cash/(used in) operating activities	14(b)	(43,373)	(303,754)	(43,373)	(303,754)
Cash flows from investing activities					
Net cash provided by investing activities		-	-	-	-
Cash flows from financing activities					
Proceeds from share issues		50,000	136,000	50,000	136,000
Repayment of loans		(88,000)		(88,000)	
Proceeds from loans		73,341	186,230	73,341	186,230
Net cash provided by financing activities		35,341	322,230	35,341	322,230
Net (decrease)/increase in cash held		(8,032)	18,476	(8,032)	18,476
Cash at beginning of year		67,376	48,900	67,376	48,900
Cash at end of year	14(a)	59,344	67,376	59,344	67,376

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 20 to 33

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

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 \$53,265 during the year ended 30 June 2005 (2004 : \$292,777), and as at that date the company's total liabilities exceeded current assets by \$321,569 (2004: \$318,304). 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 2005**

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 2005**

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 2005**

		Economic Entity		Parent Entity	
	Note	2005	2004	2005	2004
		\$	\$	\$	\$
2. REVENUE FROM ORDINARY ACTIVITIES					
Other revenue:					
From Operating activities					
- Interest – other parties		2,378	2,558	2,378	2,558
- Joint Venture fees		60,000	-	60,000	-
Total other revenue		62,378	2,558	62,378	2,558
Total revenue from ordinary activities					
		62,378	2,558	62,378	2,558
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:					
• Provision for Doubtful debts		-	-	-	-
4. AUDITORS' REMUNERATION					
Audit Services					
Annual Statutory Audit					
Auditors of the Company					
- Nexia Alexander & Spencer		2,500	-	2,500	-
- KPMG		-	5,000	-	5,000
Special OIS Audit					
Auditors of the Company					
- Nexia Alexander & Spencer		3,000	-	3,000	-
Taxation & Compliance Services					
Auditors of the Company					
- Nexia Alexander & Spencer		5,000	-	5,000	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
5. TAXATION				
(a) Income tax expense				
Prima facie income tax benefit calculated at 30% on the (loss) from ordinary activities	15,980	87,173	15,980	87,833
Increase/decrease in income tax expense				
Other timing differences	750	6,194	750	5,535
Tax losses not carried forward as future income tax benefit	(16,730)	(93,367)	(16,730)	(93,367)
Income tax expense attributable to operating (loss)	-	-	-	-

(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	808,040	791,310	541,530	524,800
Timing differences	750	11,787	750	11,787
	808,790	803,097	542,280	536,587

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.

(c) Tax Consolidation

The directors have not yet resolved if the group entities will form a tax consolidated entity. In the event a tax consolidated entity is formed, with effect 1 July 2004, prior to lodgement of the 2005 income tax returns no changes to the taxation disclosures herein are expected because of the carry forward losses in the group and that these are not recognised as future income tax benefits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

Note	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
6. CASH ASSETS				
Cash at bank	9,344	17,376	9,344	17,376
Term deposits	50,000	50,000	50,000	50,000
	59,344	67,376	59,344	67,376
The bank short term deposits mature within 60 days and pay interest at a weighted average interest rate of 4.5% at 30 June 2005. These deposits are held by the bank as a guarantee to Ministry of Energy and Resources.				
7. RECEIVABLES				
GST receivable	422	10,843	422	10,843
8. OTHER FINANCIAL ASSETS				
Investments in controlled entities				
Unlisted shares at cost	-	-	708,751	708,751
Provision for diminution	20	-	(708,751)	(708,751)
	-	-	-	-
9. INTANGIBLES				
Goodwill at cost	-	-	-	-
Write-off of goodwill	-	-	-	-
	-	-	-	-
10. PAYABLES				
Current				
Trade creditors and accruals	5,500	6,029	5,500	6,029
Loan – Chromite Pty Ltd	17	-	364,352	-
Loan – Cropten Pty Ltd	17	-	88,565	-
Loan – Geophysical Exploration				
Consultants Pty Ltd	17	-	17,000	-
Loan – G Fethers	17	-	105,000	-
	5,500	580,946	5,500	396,523
Non-Current				
Loan – Chromite Pty Ltd	17	414,847	-	299,648
Loan – Cropten Pty Ltd	17	106,461	-	37,237
Loan – G Fethers	17	17,000	-	17,000
Loan – Geophysical Exploration				
Consultants Pty Ltd	17	21,950	-	21,950
	560,258	-	375,835	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	Economic Entity		Parent Entity	
		2005 \$	2004 \$	2005 \$	2004 \$
11. CONTRIBUTED EQUITY					
Issued and paid up share capital of 23,823,833 (2004: 23,490,501) ordinary shares fully paid comprising: 9,631,758 shares issued for cash (2004: 9,298,426)		1,642,885	1,592,885	1,642,885	1,592,885
4,050,005 shares issued as consideration for acquisition of 100% of capital of Osprey Gold Pty Ltd		708,751	708,751	708,751	708,751
500,000 shares issued as consideration for the acquisition of exploration properties		87,500	87,500	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	4,821,035
Cost of share issue		(8,214)	(8,214)	(8,214)	(8,214)
		<u>7,251,957</u>	<u>7,201,957</u>	<u>7,251,957</u>	<u>7,201,957</u>
<i>Movements in Contributed Equity</i>					
Balance at beginning of year		7,201,957	7,065,957	7,201,957	7,065,957
Nil (2004: 60,000) ordinary shares issued at 17.5 cents per share		-	10,500	-	10,500
333,332(2004:836,666) ordinary shares at 15 cents per share		50,000	125,500	50,000	125,500
Balance at end of year		<u>7,251,957</u>	<u>7,201,957</u>	<u>7,251,957</u>	<u>7,201,957</u>

In the previous periods the Company granted 333,333 options at an exercise price of \$0.30 per share and expiry date of 30 November 2006, 1,200,000 options at an exercise price of \$0.50 per share and expiry date of 31 December 2005 and 1,200,000 options with an exercise price of \$0.50 per share and expiry date of 31 December 2006. During the period:

- 900,000 options at an exercise price of \$0.30 per share lapsed unexercised on 30 September 2004;
- 1,200,000 options at an exercise price of \$0.50 per shares lapsed unexercised on 31 December 2004 expiry date; and
- the company granted 1,300,000 options at an exercise price of \$0.50 expiring 31 December 2007.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

11. CONTRIBUTED EQUITY (CONTINUED)

At the end of the period 4,033,333 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.

	Note	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
12. ACCUMULATED LOSSES					
Accumulated Losses at beginning of year		7,704,684	7,414,107	7,520,261	7,227,484
Net Loss		53,265	290,577	53,265	292,777
Accumulated Losses at end of year		<u>7,757,949</u>	<u>7,704,684</u>	<u>7,573,526</u>	<u>7,520,261</u>

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

Total (deficiency) at beginning of year	(502,727)	(348,150)	(318,304)	(161,527)
Total changes in equity recognised in Statement of Financial Performance	(53,265)	(290,577)	(53,265)	292,777
Contributions of Equity	50,000	136,000	50,000	136,000
Total (deficiency) at end of period	(505,992)	(502,727)	(321,569)	(318,304)

REEDY LAGOON CORPORATION LIMITED
ACN 006 639 514

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

14. NOTES TO THE STATEMENT OF CASH FLOWS

		Economic Entity		Parent Entity	
	Note	2005	2004	2005	2004
		\$	\$	\$	\$
(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	59,344	67,376	59,344	67,376
(b) Reconciliation of (Loss) from ordinary activities after Income Tax to net cash (used in) operating activities					
(Loss) from ordinary activities after Income Tax		(53,265)	(290,577)	(53,265)	(292,777)
<u>Changes in assets and liabilities adjusted for effects of the purchase of controlled entities during the financial year</u>					
Decrease (Increase) in receivables		10,421	(9,512)	10,421	(9,812)
Decrease (Increase) in prepayments		-	-	-	-
Increase/(decrease) in accounts payable		(529)	(1,891)	(529)	(1,165)
Net Cash (used in) operating activities		(43,373)	(303,754)	(43,373)	(303,754)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

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). RLC is the manager but the joint venture partners may elect to replace RLC at any time. The joint venture partners may earn an 80% interest in base metals and gold resources within the tenement area. Whilst the joint venture partners elect to continue in the venture they sole fund exploration expenditure and will be obliged to pay RLC \$30,000 each quarter until the commencement of commercial production.

On 10 January 2005 the Diptank Joint Venture ("Diptank JV") Agreement commenced. The Diptank JV is in respect of all mineral interests in EL 6202 located in NSW. Under the terms of the agreement RLC is entitled to an 85% participating interest in the Diptank JV. Whilst RLC elects to continue in the venture it will sole fund exploration expenditure and be obliged to pay \$10,000 to the joint venture partner each quarter until the commencement of commercial production.

16. DIRECTORS' REMUNERATION

None of the directors of the Company have received emoluments during the year ended 30 June 2005 (30 June 2004: \$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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

17. RELATED PARTY TRANSACTIONS (CONTINUED)

- (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.
- (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		Parent Entity	
		2005	2004	2005	2004
Chromite	17(i)	50,494	79,405	50,494	79,405
Cropten	17(ii)	18,796	19,586	18,796	19,586
GEC	17(iii)	4,950	-	4,950	-

- (iv) Mr Fethers loaned the Company \$105,000 on 25 June 2004. The loan is interest free and repayable when the Company is able. During the period, \$88,000 was repaid to Mr Fethers following a private placement of shares.

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, 3281 and 3376 have been made under the Native Title Act.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

18. EXPLORATION EXPENDITURE COMMITMENTS (CONTINUED)

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 \$363,700, (2004: \$373,500) 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 but expired on 21 January 2004. No new licence has been issued by the Commonwealth of Australia, which has advised that it is reviewing the licence documentation.

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.

The objective of the Land Use Determination is to provide management guidelines to maintain acceptable quality, quantity and perenniability 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 total \$125,700 (2004 : \$125,700). The tenements cover or include areas which comprise part of the Chiltern – Mt Pilot National 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 National Parks Act, 1975. Where the gaining of such consents prevents or postpones exploration the expenditure requirements may be reduced.

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 Pty Ltd. At 30 June 2005, total liabilities of Osprey Gold Pty Ltd 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

20. CONTROLLED ENTITIES

Interest in controlled entities:

Name	Country of incorporation	Ordinary share consolidated entity interest	
		2005	2004
		%	%
Osprey Gold Pty Ltd.	Australia	100%	100%

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:

30 June 2005	Note	Floating Interest rate	Fixed interest maturing in:				Non Interest Bearing	Total	
			1 year or less	Over 1 to 5 years	More than 5 years				
			\$	\$	\$				
<i>Financial assets</i>									
Cash assets	6	59,344						59,344	
Receivables	7						422	422	
		59,344	-	-	-	-	422	59,766	
Weighted average Interest rate									
			4.5%						
<i>Financial liabilities</i>									
Payables	10						565,758	565,758	
			-	-	-	-	565,758	565,758	
 <i>30 June 2004</i>									
<i>Financial assets</i>									
Cash assets	6	67,376	-	-	-	-		67,376	
Receivables	7	-	-	-	-	-	10,843	10,843	
		67,376	-	-	-	-	10,843	78,219	
Weighted average Interest rate									
			3.7%						
<i>Financial liabilities</i>									
Payables	10	-	-	-	-	-	580,946	580,946	
		-	-	-	-	-	580,946	580,946	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

21. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

(b) Credit risk exposures

There is no credit risk associated with financial assets at 30 June 2005.

(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.

23. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Australia has adopted International Financial Reporting Standards (IFRS) effective for financial periods commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial period.

The company's management, along with its auditors, have assessed the significance of these changes and preparing for their implementation. Whilst there will be changes in policy required, the company does not believe these will have any impact upon the results reported or carrying value of assets and liabilities at 30 June 2005.

Those policies that will change are:-

Under AASB 2 *Share based Payments*, the company will be required to determine the fair value of options issued to directors as remuneration and recognise and expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown. There will not be any impact for options currently on issue as these had no fair value at the date of issue.

Income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity.

REEDY LAGOON CORPORATION LIMITED

ACN 006 639 514

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 17 to 33, 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 2005 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 4th day of October 2005

**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 year ended 30 June 2005, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 17 to 33, and the directors' declaration set out on page 34. 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 30 June 2005 and of their performance for the financial period 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.

NEXIA ALEXANDER & SPENCER NTS
 ABN 77 083 265 384


Kevin Mullen
 Partner
 Melbourne
 Date:

SHAREHOLDER INFORMATION

Twenty largest shareholders as 3 September 2005.

Name	No. of Shares	%
Pyrope Holdings Pty Ltd	9,750,001	40.93
Australian Amalgamated Holdings Pty Ltd	3,140,000	13.18
Envirozel Limited	1,400,000	5.88
Janavid Pty Ltd	1,000,000	4.20
Clinical Cell Culture Limited	780,000	3.27
Cairnglen Investments Pty Ltd	666,666	2.80
Halliday, Ian S & Reeves, R.C.	500,000	2.10
Providence Gold & Minerals Pty Ltd	500,000	2.10
Pyrope Holdings Pty Ltd <The Chromite Staff Superannuation Fund>	450,000	1.89
Ranview Pty Ltd	403,000	1.69
Woodall, Roy	300,000	1.26
Agricultural Contracting Australia Pty Ltd	260,000	1.09
Mooney, Warwick Huddleston	240,000	1.01
Brunner, Nicholas F.M.	200,000	0.84
Court, Richard Moule	200,000	0.84
Harris Holdings Pty Ltd	200,000	0.84
Kerr Grant, Colin	190,000	0.80
Aluminium Cutters & Suppliers Pty Ltd <98B Unit Trust A/C>	175,000	0.73
Tsimos Finance Pty Ltd <S.T. Superannuation Fund A/C>	175,000	0.73
Woodford, Peter John	170,000	0.71
Sub-Total:	20,699,667	86.89
Other shareholders (numbering 88)	3,124,166	13.11
TOTAL:	23,823,833	100.00