REEDY LAGOON CORPORATION LTD

A.C.N. 006 639 514

ANNUAL REPORT AND FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

CONTENTS

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

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SHARE REGISTRY

Nexia 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 2004 Annual General Meeting will be held at the Company's office
Suite 2, 337A Lennox Street
Richmond, Victoria

On Monday 8 November 2004
Commencing at **10.30 am**

SOLICITORS

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

TAX AGENTS AND ADVISERS

Nexia Alexander & 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

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Substantial exploration was conducted at three of our five main projects during the eighteenth Annual Report period. Major components of this exploration included three drill programmes and a detailed gravity survey.

Results from these activities provide data which contribute evidence for the mineralizing systems which Reedy Lagoon is seeking to prove. It is now possible that limited additional work may establish the presence of very large potentially economic mineral systems at our three most advanced 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 Diamond Indicator Minerals (“DIM”s) were recovered from :

- drill samples from 4 mud holes drilled into 2 potential kimberlite targets (WK16, WK57), and
- surface samples recovered from 2 potential kimberlite targets (WK58, WK59).

Results from the drilling at WK57 include the intersection of 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”).

Results from the surface sampling at WK58 and WK59 further establish these two potential kimberlite targets. WK58 and WK59 are 300 m apart and each about 500 m in diameter. They are located approximately 6 km from WK57. Importantly, whilst abundant picroilmenite grains are known in the vicinity of WK57, the DIM’s from WK58 and WK59 include pyrope garnet and “possibly kimberlitic chromian spinel” – no picroilmenite was recovered. Separate kimberlites are therefore likely to be the source of the DIMs recovered from the WK58/59 area and the WK57 area.

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.

High priority drill targets include WK09, 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

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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 EL 3250 (EL 2622) and ELs 2755 & 2892 and covers an area of 1,328 square kilometres.

Reedy Lagoon Project – Diamonds

Lack of funding precluded the commencement of heritage surveys which are necessary before any field work can be undertaken. 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.

No field exploration was conducted during the report period.

The Diamond Indicator Mineral ("DIM") distribution from EL 2798 includes 213 pyrope garnets, 56 picroilmenite 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.

The Reedy Lagoon project is located in the middle of South Australia and about 150 km south from our Edward Creek project. The Project area is secured by EL 2798 and covers an area of 238 square kilometres.

Copper – Gold Exploration.
Edward Creek Base Metal Joint Venture ("ECBMJV") RLC 20% free carried
(see also Edward Creek Diamonds)

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

- diamond drilling
    - HD-01 drilled to 69.8 metres depth
    - HD-02 drilled to 399.25 metres depth.
- ground gravity survey : 10 km x 7 km area gridded on 200 m x 200 m grid for 1,876 stations.

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.

At the time of drilling HD-01 and HD-02 the target depth interpreted from our 2001 gravity survey data was 150 m to 250 m below surface. HD-02 was drilled to almost 400 metres.

Drill hole HD-02 did not penetrate the cover sequences expected to overlie the target high density rocks. Under RLC's exploration model the high density rocks are expected to be iron rich breccias of a similar

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age to those that host the Olympic Dam mine. The Olympic Dam mine is associated with iron rich breccias that were formed some 1550 to 1600 million years ago. "Cover sequences" at Herakleion can be considered to be rocks younger than 1500 million years old. Such rocks are younger than the age of the Olympic Dam mineralization and therefore non prospective for Olympic Dam type mineralization. Rocks older than about 1500 million years are prospective for Olympic Dam mineralization and are generally distinctive in that they are either metamorphic or recognisable granites. These rocks are referred to by RLC at Herakleion as "basement rocks". It is within these rocks that RLC hopes to identify a large column / pipe of iron rich-breccias causing the gravity anomaly – and having potential to be associated with Olympic Dam type mineralization.

Metamorphosed rocks were intersected over the interval 120 m to 200 m below surface in drill hole HD-02. These rocks are considered by RLC to be basement rocks which have been detached and transported from their original location. Analysis of these metamorphosed rocks identified elevated copper, uranium, light rare earth elements, fluorine, barium and cobalt. These elements are known to occur in high concentrations within parts of the Olympic Dam orebody, their identification in core from HD-02 is encouraging.

In order to better define the target gravity anomaly and better understand the results from drill hole HD-02, a more detailed gravity survey was completed over the Herakleion prospect area. Data collected by this survey has enabled far greater structural detail to be interpreted and more accurate depth to target estimates to be calculated. HD-02 is sited within one of four high density "pods" identified in the latest gravity data. These "pods" of high density rocks are part of a 6 km x 3 km target area of anomalously dense rocks.

The depth to target at HD-02 is now calculated at 450 – 475 metres. Our joint venture partners have elected to fund a subsequent drill programme which aims to re-enter and extend HD-02 to 600 m depth as soon as a drill rig can be mobilized to the site.

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 Minotaur Resources Limited and 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 (EL 2622) and covers an area of 440 square kilometres.

Gold Exploration
Chiltern Project

No work can be conducted on the Chiltern project until access issues are resolved by the Victorian Government's Department of Sustainability and Environment. No effective access has been available for exploration since 1996.

A significant development for this project is recent news that all consents necessary for our long planned exploration programme comprising limited IP survey and drilling are likely to be received in the December 2004 quarter.

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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 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 236.5 square kilometres. RLC holds 100% equity in the three tenements through its wholly owned subsidiary, Osprey Gold NL. 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 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.

Poole River Prospect - Jericho Project

During the report period the Poole River magnetic target was investigated by drilling. Diamond hole PD-01 cored from surface at 65^0 dip on azimuth 35^0 to a down dip depth of 479.7 metres.

The target is a magnetic anomaly occurring on the western side of the Enoch’s Point Thrust Zone. A sheet of magnetic rock dipping 75^0 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.

Analysis of the core from drill hole PD-01 has identified pyrrhotite (an iron sulphide) as the cause of the observed magnetic anomaly. The pyrrhotite occurs as long, narrow veinlets in narrow (< 2 mm) quartz-carbonate stringers and as elongate grains disseminated in siltstone. Preliminary investigations have also identified pyrite and minor chalcopyrite in the drill core.

PD-01 extends within the magnetic body for 244 metres (from 236 m to end of hole). RLC estimates the true width of the magnetic body at this location to be 280 metres and that PD-01 has traversed 170 metres of this width. DP-01, if extended, is expected to pass through the calculated hanging wall contact at a down hole depth of 600 metres. Significant machine difficulties were experienced by the drillers during this programme which precluded the target depth being achieved before the onset of winter. PD-01 is cased to 59.7 m and capped to enable re-entry should further drilling be required.

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Systematic sampling and assay of the core will be undertaken to determine whether or not any economic mineralization is associated with the rocks identified.

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 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.

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

Other Developments

The Company's strategy of generating cash flow from its exploration activities has been achieved. One of the requirements of the ECBMJV is a quarterly cash payment to RLC of $30,000. The first of these payments became payable on 6 August 2004. These payments are insufficient to fund the Company's operations and will cease should our joint venture partners elect to withdraw from the ECBMJV. But they are a start and they demonstrate one of the ways RLC intends funding its operations.

At the time the ECBMJV was established (30 June 2003) we had no drill data to assist in establishing the presence of our target iron rich breccias to further support the multibillion dollar potential that an Olympic Dam type deposit could hold. And we lacked the funding to drill test the Herakleion gravity anomaly to attempt to gain such data. These factors placed constraints on the joint venture terms achievable. RLC anticipates achieving significantly higher cash components to joint ventures which are formed for projects which we have developed further.

Lack of funds remains a significant impediment to the Company's development.

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The Company's activities during the period were funded by capital raisings and debt funding.

Three separate capital raising activities were undertaken raising a total of $136,000 as follows:

- $10,500 (60,000 shares @ $0.175 each) were subscribed under the terms of the Offer Information Statement dated 4 December 2002
- $100,000 (666,666 shares @ $0.15 each together with 333,333 3 year $0.30 options) were subscribed to a private placement on 13 November 2003.
- $25,500 (170,000 shares @ $0.15 each) were subscribed to a private placement on 13 May 2004

In addition, subsequent to the end of the report period, a further $50,000 (333,332 shares @ $0.15 each) were subscribed to private placements during August 2004.

In order to enable the drilling at the Poole River target to proceed, directors lent the Company $105,000.

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).

In concluding this review of Reedy Lagoon's activities, the Company has not only established and retained significant exploration projects encompassing a range of commodities – but significantly progressed 3 of them during the report period. Our projects embrace gold, diamonds and copper – which continue to be among the commodities most highly sought after by the major mining companies.

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

Many 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.

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 3250 (EL 2622) *Edward Creek project*	440	current	155,000	100% (1)
EL 2755 *Edward Creek project*	587	current	85,000	100%
EL 2892 *Edward Creek project*	301	current	60,000	100%
EL 2798 *Reedy Lagoon project*	237	current	55,000	100%
Victorian Tenements				
EL 3208 *Jericho Project*	28	application for renewal from 11/8/04 lodged	23,400	100%
EL 3032 *Chiltern project*	98.5	pendency – awaiting renewal in term	after renewal 48,600	100%
EL 3281 *Chiltern project*	11	pendency – awaiting renewal in term	after renewal 20,400	100%
EL 3376 *Chiltern project*	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 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).

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

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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 2004 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 47, 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 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 NL 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 48, 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. Director of the Company since November 2000.

Adrian D. Wisher, B.Econ..M.A.I.M.
Non-Executive Director

Adrian Wischer, aged 47, 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.

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

Dermot Coleman, aged 60, 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 woking experience with Native Title and land rights issues, is a councillor ot the Association of Mining and Exploration Companies, and was a member of the Strategic Leaders Group advising the Federal Minister on the Minerals Exploration Action Agenda. 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 2004, and the number of meetings attended by each director.

	A	B
G. H. Fethers	7	7
H. Rutter	6	7
A. C. D. Watson	7	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 Economic Entity after income tax for the year was $290,577 (2003: loss $ 1,150,837). 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:

- the issue of 896,666 shares during the year for $136,000 cash to provide additional working capital. The shares were issued:-
  - 60,000 at 17.5 cents per shares; and
  - 836,666 at 15 cents 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 was an associate member of the Victorian Minerals and Energy Council (VMEC) which was 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 VMEC merged with the Minerals Council of Australia ("MCA") on 16 June 2004 and the Company has been invited by MCA to join it.
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:-

- 6 August 2004 – the issue of 333,332 fully paid shares for cash at $0.15 per share, raising $50,000 to provide additional working capital.

Refer Note 23 on International Financial Reporting Standards.

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 2006 were granted to directors on 16 February 2004, 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 $0.15.

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
Australian Amalgamated Holdings Pty Ltd	900,000	$0.30	30 September 2004
Cairnglen Investments Pty Ltd	333,333	$0.30	30 November 2006
Mr G .H. Fethers [(1)]	500,000	$0.50	31 December 2006
Mr H. Rutter [(1)]	500,000	$0.50	31 December 2006
Mr A. Watson [(1)]	100,000	$0.50	31 December 2006
Mr A. Wischer [(1)]	100,000	$0.50	31 December 2006

[(1)] Director

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

Expiry date	*Exercise price*	*Number of Shares*
30 September 2004	$0.30	900,000
31 December 2004	$0.50	1,200,000
31 December 2005	$0.50	1,200,000
30 November 2006	$0.30	333,333
31 December 2006	$0.50	1,200,000

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	-	-	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 2004 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 2004.

Signed in accordance with a resolution of the directors.

....
G.H. FETHERS
DIRECTOR

Dated at Melbourne this 5th day of October 2004.

STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

		Economic Entity		Parent Entity	
	Note	**2004**	**2003**	**2004**	**2003**
		$	**$**	**$**	**$**
Other revenue from ordinary activities	2	2,558	4,354	2,558	4,354
Total revenue		2,558	4,354	2,558	4,354
Expenses related to ordinary activities					
Administration expense	3	(44,182)	(67,753)	(44,182)	(65,257)
Exploration expenditure	3	(230,401)	(165,648)	(230,401)	(165,648)
Write-off of goodwill	3	-	(892,769)	-	-
Provision for diminution	3	-	-	-	(708,751)
Other expenses from ordinary activities	3	(18,552)	(29,021)	(20,752)	(28,912)
(Loss) from ordinary activities before related income tax expense		(290,577)	(1,150,837)	(292,777)	(964,214)
Income tax expense relating to ordinary activities	5(a)	-	-	-	-
Net (Loss)		(290,577)	(1,150,837)	(292,777)	(964,214)

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 2004

		Economic Entity		Parent Entity	
	Note	2004	2003	2004	2003
		$	$	$	$
Current Assets					
Cash assets	6	67,376	48,900	67,376	48,900
Receivables	7	10,843	1,331	10,843	1,031
Total Current Assets		78,219	50,231	78,219	49,931
Non-Current Assets					
Other financial assets	8	-	-	-	-
Intangibles	9	-	-	-	-
Total Non-Current Assets		-	-	-	-
Total Assets		78,219	50,231	78,219	49,931
Current Liabilities					
Payables	10	580,946	398,381	396,523	211,458
Total Current Liabilities		580,946	398,381	396,523	211,458
Total Liabilities		580,946	398,381	396,523	211,458
Net Assets (deficiency)		(502,727)	(348,150)	(318,304)	(161,527)
Equity					
Contributed equity	11	7,201,957	7,065,957	7,201,957	7,065,957
Accumulated (losses)	12	(7,704,684)	(7,414,107)	(7,520,261)	(7,227,484)
Total Equity/(deficiency)	13	(502,727)	(348,150)	(318,304)	(161,527)

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 2004

	Note	Economic Entity 2004 $	Economic Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Cash flows from operating activities					
Cash receipts in the course of operations		-	53,189	-	52,929
Cash payments in the course of operations		(304,486)	(230,079)	(306,260)	(229,714)
Interest received		2,514	4,354	2,514	4,354
Interest paid		(8)	(88)	(8)	(88)
Net cash/(used in) operating activities	14(b)	(301,980)	(172,624)	(303,754)	(172,519)
Cash flows from investing activities					
Arising from (used in) purchase of subsidiaries	14(c)	-	10	-	-
Net cash provided by investing activities		-	10	-	-
Cash flows from financing activities					
Proceeds from share issues		136,000	16,450	136,000	16,450
Proceeds from loans		184,456	63,527	186,230	63,432
Net cash provided by financing activities		320,456	79,977	322,230	79,882
Net (decrease)/increase in cash held		18,476	(92,637)	18,476	(92,637)
Cash at beginning of year		48,900	141,537	48,900	141,537
Cash at end of year	14(a)	67,376	48,900	67,376	48,900

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 2004

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 $292,777 during the year ended 30 June 2004 (2003 : $964,214), and as at that date the company's total liabilities exceeded current assets by $318,304 (2003: $161,527). 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 2004

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 2004

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 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		$	$	$	$
2. REVENUE FROM ORDINARY ACTIVITIES					
Other revenue:					
From Operating activities					
- Interest – other parties		2,558	4,354	2,558	4,212
Total other revenue		2,558	4,354	2,558	4,212
Total revenue from ordinary activities		2,558	4,354	2,558	4,212
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		13,050	30,481	13,050	30,481
• Other Administration expenses		31,132	37,272	31,132	34,776
• Consulting Fees - Exploration		32,523	41,400	32,523	41,400
• Other Exploration expenditure		197,878	124,248	197,878	124,248
• Other expenses from ordinary activities		18,552	29,021	20,752	28,912
• Provision for diminution of investment in controlled entity		-	-	-	708,751
• Write-off of goodwill		-	892,769	-	-
Total expenses		293,135	1,155,191	295,335	968,568
4. AUDITORS' REMUNERATION					
Audit Services					
Auditors of the Company – KPMG		5,000	7,500	5,000	5,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
5. TAXATION				
(a) Income tax expense				
Prima facie income tax benefit calculated at 30% on the (loss) from ordinary activities	87,173	345,251	87,833	289,264
Increase/decrease in income tax expense				
Joint venture payments	-	-	-	-
Exploration tenements acquired	-	(26,250)	-	(26,250)
Write-off of goodwill	-	(267,831)	-	-
Write-down of investment in subsidiary	-	-	-	(212,625)
Other timing differences	6,194	3,949	5,535	3,874
Tax losses not carried forward as future income tax benefit	93,368	(55,119)	93,368	(54,263)
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	791,310	670,424	524,800	404,307
Timing differences	11,787	18,707	11,787	17,957
	803,097	689,131	536,587	422,264

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 2003, prior to lodgement of the 2004 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 a future income tax benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	Note	Economic Entity 2004 $	Economic Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
6. CASH ASSETS					
Cash at bank		17,376	3,900	17,376	3,900
Term deposits		50,000	45,000	50,000	45,000
		67,376	48,900	67,376	48,900

The bank short term deposits mature within 60 days and pay interest at a weighted average interest rate of 3.7% at 30 June 2004. These deposits are held by the bank as a guarantee to Ministry of Energy and Resources.

	Note	Economic Entity 2004 $	Economic Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
7. RECEIVABLES					
GST receivable		10,843	1,331	10,843	1,031
		10,843	1,331	10,843	1,031
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		-	-	-	-
Movements in intangibles					
Goodwill on acquisition of controlled entity	14(c)	-	892,769	-	-
Write-off of goodwill		-	(892,769)	-	-
		-	-	-	-
10. PAYABLES					
Trade creditors and accruals		6,029	7,920	6,029	5,420
Loan – Chromite Pty Ltd	17	364,352	299,418	249,143	184,209
Loan – Cropten Pty Ltd	17	88,565	74,043	19,351	4,829
Loan – Geophysical Exploration Consultants Pty Ltd	17	17,000	17,000	17,000	17,000
Loan – G Fethers	17	105,000	-	105,000	-
		580,946	398,381	396,523	211,458

	Note	Economic Entity		Parent Entity	
		2004	**2003**	**2004**	**2003**
		$	**$**	**$**	**$**
11. CONTRIBUTED EQUITY					
Issued and paid up share capital of 23,490,501 (2003: 22,593,835) ordinary shares fully paid comprising:					
9,298,426 shares issued for cash (2003: 8,401,760)		1,592,885	1,456,885	1,592,885	1,456,885
4,050,005 shares issued as consideration for acquisition of 100% of capital of Osprey Gold NL		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)
		7,201,957	7,065,957	7,201,957	7,065,957
Movements in Contributed Equity					
Balance at beginning of year		7,065,957	6,253,256	7,065,957	6,253,256
60,000 (2003: 4,644,005) ordinary shares issued at 17.5 cents per share		10,500	812,701	10,500	812,701
836,666 ordinary shares at 15 cents per share		125,500	-	125,500	-
Balance at end of year		7,201,957	7,065,957	7,201,957	7,065,957

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

- 2,150,000 options at an exercise price of $0.50 per shares lapsed unexercised on the 31 December 2003 expiry date; and
- the following options were granted:

Number	Exercise Price	Expiry Date
900,000	$0.30	30 September 2004
333,333	$0.30	30 November 2006
1,200,000	$0.50	31 December 2006

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

11. CONTRIBUTED EQUITY (CONTINUED)

At the end of the period 4,833,333 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	
		2004 $	2003 $	2004 $	2003 $
12. ACCUMULATED LOSSES					
Accumulated Losses at beginning of year		7,414,107	6,263,270	7,227,484	6,263,270
Net Loss		290,577	1,150,837	292,777	964,214
Accumulated Losses at end of year		7,704,684	7,414,107	7,520,261	7,227,484
13. TOTAL EQUITY/(DEFICIENCY) RECONCILIATION					
Total (deficiency) at beginning of year		(348,150)	(10,014)	(161,527)	(10,014)
Total changes in equity recognised in Statement of Financial Performance		(290,577)	(1,150,837)	(292,777)	(964,214)
Contributions of Equity		136,000	812,701	136,000	812,701
Total (deficiency) at end of period		(502,727)	(348,150)	(318,304)	(161,527)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

14. NOTES TO THE STATEMENT OF CASH FLOWS

	Note	Economic Entity		Parent Entity	
		2004 $	2003 $	2004 $	2003 $
(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	67,376	48,900	67,376	48,900
(b) Reconciliation of (Loss) from ordinary activities after Income Tax to net cash (used in) operating activities					
(Loss) from ordinary activities after Income Tax		(290,577)	(1,150,837)	(292,777)	(964,214)
Prospectus costs recognised in financing activities		-	-		-
Provisions and non cash write-offs		-	980,269	-	796,251
Changes in assets and liabilities adjusted for effects of the purchase of controlled entities during the financial year					
Decrease (Increase) in receivables		(9,512)	35,706	(9,812)	35,706
Decrease (Increase) in prepayments		-	2,313	-	2,313
Increase/(decrease) in accounts payable		(1,891)	(40,075)	(1,165)	(42,575)
Net Cash (used in) operating activities		(301,980)	(172,624)	(303,754)	(172,519)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

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

	Note	Economic Entity 2004 $	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		-	(10)
Outflow / (inflow) of cash		-	(10)
Fair value of assets and (liabilities) held at the acquisition date			
Cash		-	10
Receivables		-	300
Exploration Properties		-	-
Loans due to - Chromite Pty Ltd		-	(115,209)
- Cropten Pty Ltd		-	(69,119)
		-	(184,018)
Goodwill on acquisition		-	892,769
Consideration		-	708,751

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 will be obliged to pay RLC $30,000 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 2004 (30 June 2003: $Nil). Payments by the consolidated entity to companies associated with the directors are detailed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Mr Fethers loaned the Company $105,000 on 25 June 2004. The loan is interest free and repayable when the Company is able. Subsequent to the report period, on 28 July 2004, $50,000 was repaid to Mr Fethers following a private placement of shares.

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

Director related entity	Note	Economic Entity 2004	Economic Entity 2003	Parent Entity 2004	Parent Entity 2003
Chromite	17(i)	79,405	72,823	79,405	70,723
Cropten	17(ii)	19,586	19,498	19,586	19,402
GEC	17(iii)	-	33,900	-	33,900

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.

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 $373,500, (2003: $421,400) 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 2003. 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.

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 (2003 : $125,700 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 2004, 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**	
		2004	**2003**
		%	**%**
Osprey Gold N.L.	Australia	100%	100%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

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 Interest rate	Fixed interest maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non Interest Bearing	Total
30 June 2004		$	$	$	$	$	$
Financial assets							
Cash assets	6	67,376	-	-	-	-	67,376
Receivables	7	-	-	-	-	10,843	10,843
		67,376	-	-	-	10,843	78,219
Weighted average Interest rate		3.0%					
Financial liabilities							
Payables	10	-	-	-	-	580,946	580,946
		-	-	-	-	580,946	580,946
30 June 2003	**Note**						
Financial assets							
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%					
Financial liabilities							
Payables	10	-	-	-	-	398,381	398,381
		-	-	-	-	398,381	398,381

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

21. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

(b) Credit risk exposures

There is no credit risk associated with financial assets at 30 June 2004.

(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 is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. An IFRS committee will be established to oversee and manage the company's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

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.

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.

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 2004 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 5th day of October 2004

KPMG

Independent audit report to the members of Reedy Lagoon Corporation Limited

Scope

We have audited the financial report of Reedy Lagoon Corporation Limited ("the Company") for the financial year ended 30 June 2004, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 23, 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 financial 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 2004 and of their performance for the 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

Melbourne
5 October 2004

SHAREHOLDER INFORMATION

Twenty largest shareholders as 30 September 2004.

Name	No. of Shares	%
Pyrope Holdings Pty Ltd	9,800,001	41.72
Australian Amalgamated Holdings Pty Ltd	3,140,000	13.37
Zeolite Australia Limited	1,400,000	5.96
Janavid Pty Ltd	1,000,000	4.26
Clinical Cell Culture Limited	780,000	3.32
Cairnglen Investments Pty Ltd	666,666	2.84
Halliday, Ian S & Reeves, R.C.	500,000	2.13
Providence Gold & Minerals Pty Ltd	500,000	2.13
Ranview Pty Ltd	403,000	1.72
Pyrope Holdings Pty Ltd <The Chromite Staff Superannuation Fund>	400,000	1.70
Woodall, Roy	300,000	1.28
Agricultural Contracting Australia Pty Ltd	260,000	1.11
Mooney, Warwick Huddleston	240,000	1.02
Brunner, Nicholas F.M.	200,000	0.85
Court, Richard Moule	200,000	0.85
Harris Holdings Pty Ltd	200,000	0.85
Kerr Grant, Colin	190,000	0.81
Aluminium Cutters & Suppliers Pty Ltd <98B Unit Trust A/C>	175,000	0.74
Tsimos Finance Pty Ltd <S.T. Superannuation Fund A/C>	175,000	0.74
Woodford, Peter John	170,000	0.72
Sub-Total:	20,699,667	88.12
Other shareholders (numbering 86)	2,790,834	11.88
TOTAL:	23,490,501	100.00