

# REEDY LAGOON CORPORATION

## RESOURCESTOCKS

# TARGETING SUCCESS THROUGH PARTNERSHIPS

Acquiring existing data sets and securing cash deals through joint venture arrangements with larger players is a business strategy that seems to be paying off for Melbourne's Reedy Lagoon Corporation.

**B**EFORE GEOF FETHERS left De Beers Australia Exploration in 1985, he spied an opportunity within the diamond giant's portfolio that he believed could create the foundation of his own minerals exploration company.

"During my five years with De Beers, I had been involved with two areas where significant databases were acquired on the Edward Creek and Reedy Lagoon projects in South Australia that in my opinion, had not been followed up to their potential," he recalled.

When De Beers relinquished control of these areas in 1986, Fethers wasted no time picking them up for a venture he had founded as Reedy Lagoon.

The Edward Creek tenements initially focused on the search for diamonds but Fethers and geophysicist Hugh Rutter soon added copper, gold and uranium to the mix, targeting Olympic Dam-style targets over 4000 square kilometres of SA's Gawler Craton.

By 2006, Reedy held interests in gold and copper-gold projects in Victoria, New South Wales and SA, diamond projects in SA and an iron project at Bullamine in Western Australia, as well as applications for a uranium project in the Northern

Territory's Tanami region. In the following year, the company raised \$4 million through an initial public offering and listed on the Australian Stock Exchange.

After that, on the advice of brokers, Fethers spun-out the diamond interests into DiamondCo, which continues today as a separate unlisted company.

"I did not have any fixed ideas with regards to an initial public offering when I founded Reedy," Fethers said.

"We put a project together on the strength of De Beers' very substantial database, gathered enough funding to do an aeromagnetic survey over the area under investigation and worked towards discovering a new diamond field which would transform the value of our shareholdings.

"However, raising funds from the market, particularly for diamond exploration, proved very difficult."

Reedy's experience with the "fickleness of the market" led it to develop more reliable funding strategies including entering into joint venture arrangements with mining companies.

"Where possible, we issued shares for cash through joint venture structures with mining companies at substantially-higher prices than the shares we issued to investor groups," Fethers said.

"In this way, we were able to demonstrate to investors who bought shares in an unlisted entity that they were buying into a company at a better price than listed companies and were therefore getting good value.

"All of our joint venture agreements are predicated around the principle that the farm-in party retains equity while it is funding exploration and when they stop funding, they exit for no equity.

"The ongoing exploration enables us to gather increasingly strong data sets over our tenements and seamlessly pursue the projects through to the next stage.

"The approach also preserves the capital structure of our company."

Reedy's business strategy revolves around potential company-makers with the spotlight on Bullamine as the most likely to deliver the earliest opportunity to commence commercial production.

This is due mainly to the strength of a joint venture agreement finalised in February with multinational producer Cliffs Asia Pacific Iron Ore in which Cliffs (as manager) can earn a 75% interest in Bullamine by spending \$5.5 million. Of that \$500,000 is a cash payment and \$1 million is a committed exploration spend during the first 12 months of the joint venture.

After the initial \$5.5 million spend, subsequent joint venture exploration and development to completion of a feasibility study will be funded by Cliffs with Reedy's 25% share of the costs repayable from its share of future mine production.

Prior to the agreement, the \$6 million market cap junior had contracted detailed airborne magnetic, radiometric and gravity

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**GEOF FETHERS**  
REEDY LAGOON CORPORATION

surveys for Bullamine. The results of that are being processed and interpreted.

“Cliffs has significant expertise in magnetite mining, processing and marketing and we believe we have a big enough ground position to develop Bullamine into a strong producer based on sufficient resources,” Fethers said.

“It may not be the world’s biggest iron ore project but we have identified magnetite mineralisation that early testwork suggests could be processed cheaply at coarse grind sizes into a high-grade concentrate with a low level of impurities.”

The outlook for Bullamine did not start out as grand.

Despite there being no official records of drilling over the tenements, a shareholder suggested Reedy investigate iron ore deposits near the WA town of Northam in light of WMC’s discovery of high-quality ore in the region during the 1960s.

Preliminary inspections showed the mineralogy was worth chasing so the company set about planning life around a small-scale, low-cost open cut mining operation generating a modest cash flow.

That changed in December 2009 when a review of regional magnetic data identified the potential for significant additional magnetite resources on free ground.

On the basis of those findings, Reedy applied for 11 additional exploration licences at Bullamine in January 2010. These cover numerous iron ore targets and boosting the company’s total landholding in the region from 400sq.km to more than 3000sq.km.

“We had originally envisaged several shallow open cuts producing a saleable concentrate that would be transported to the Port of Fremantle and shipped offshore for conversion to pellets,” Fethers said.

“The capital requirements would be minimal and the potential cashflow would be considerable given our market capitalisation at listing was just under \$10 million.

“That plan expanded substantially when we realised the magnetite mineralisation was potentially more extensive than we initially thought.

“We now have 10 sub-project areas acquired on the basis of high-amplitude magnetic anomalies, each with potential to be caused by bodies of magnetite.

“If the joint venture uncovered a significant resource tomorrow, we could realistically hope for



development and production from Bullamine within five years.”

Reedy’s Tanami project, acquired in 2006, could also be up and running within the same period if it advances past a pure exploration play.

The largest of five uranium assets in the company’s portfolio – including Victory in SA, and Genoa, Isabella and Winning Hill in WA – it is awaiting the resolution of land access agreements before initial exploration work can begin.

“Working against the clock will always be our greatest challenge,” Fethers said. “The uranium price is significantly higher now than it has been in recent years, which throws new light on the data sets we have acquired for these prospects, many of which were collected during prices of less than \$US20 per pound.

“While the events in Japan are having some effect on current prices, our view is that uranium has a place at the energy table and the demand for it will continue irrespective of current affairs, hence the eagerness to advance our projects.

“Our objective at Bullamine is much the same and that is to capitalise on the strong iron ore prices that have been tipped to continue until the middle of this decade.

“Confidence for us is not about management; it is about funding and access to capital.

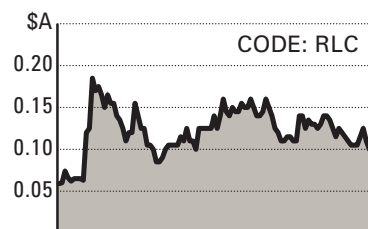
“Bullamine is now fully funded by the joint venture and we have \$1.4 million cash at hand for further exploration activities.

“The drilling we are planning at our uranium projects is mainly shallow and relatively inexpensive and we have sufficient working capital for the moment.

“Our strategy in light of the current continued market buoyancy is to run hard and take advantage of it to establish valuable projects for our shareholders.” – **Imelda Cotton**

Target drilling at Bullamine

## REEDY LAGOON AT A GLANCE



6 months ending April 5, 2011

### HEAD OFFICE

Suite 2, 337A Lennox Street  
Richmond VIC 3121  
Australia  
Ph: +61 3 8420 6280  
Fax: +61 3 8420 6299  
Email: ghf@reedylagoon.com.au  
Web: www.reedylagoon.com.au

### DIRECTORS

Jonathon Hamer, Geof Fethers, Hugh Rutter

### MARKET CAPITALISATION

\$A5.83 million (at press time)

### QUOTED SHARES ON ISSUE

48,600,000

### MAJOR SHAREHOLDERS

Pyrope Holdings 12.4%  
Sked PL 6.7%  
Brett Armstrong 5.3%  
Anthony Robert Ramage 3.8%  
Elstree Holdings 3.1%