



QUARTERLY REPORT TO SHAREHOLDERS JUNE 2002 QUARTER

Exploration Activities

Edward Creek Project (SA) ELs 2622, 2755, 2892 & 2943 (3,016 sq km) RLC 100%

Diamonds:

Processing of data from 9 airborne geophysical surveys (covering 87% of the project area) was completed during the period. Sub sets of computer enhanced images were generated for each survey to assist the identification of magnetic anomalies for subsequent verification in the original unprocessed data. High interest magnetic anomalies were confirmed at 3 separate sub regions possibly representing 3 separate kimberlite clusters or provinces (Edward Creek, Balta and Krystal). These additional anomalies include a magnetic anomaly with 5 ha surface area at the Balta prospect (located adjacent to sample sites which yielded 5 picroilmenite grains and 9 pyrope garnets reported by DeBeers in the 1980's) and a magnetic anomaly with 16 ha surface area and coincident photofeature at the Krystal prospect.

Importantly, the presence of kimberlites within the project area is supported by abundant Diamond Indicator Minerals (including over 5,000 picroilmenite grains) and 9 macro diamonds reported previously.

Heritage clearance surveys were conducted and clearances obtained for drilling at 16 of the current targets including the "Gauntlet" – a 1 km diameter photo feature from which our prior drilling has intersected unconsolidated carbonaceous material, of unknown origin, containing Diamond Indicator Mineral (chromian spinel) grains.

Subject to funding, drilling is expected to commence at 8 of the targets in the September quarter.

Copper:

Heritage clearance surveys were conducted and clearances obtained for 4 drill targets.

Drill targets are defined by results from infill ground gravity surveys and supported by copper-gold-uranium mineralization (in shallow open cuts which were previously mined) in their vicinity and anomalous copper together with REE (Ce and La) assayed in rock chip float over one of the targets and reported previously.

Magnetic data, whilst of little direct use in defining "Olympic Dam" targets (the Olympic Dam ore body is not magnetic) have been used to assist in optimizing target selection by identifying subsurface extents of magnetic rocks which are considered unprospective. During the quarter, an independent review of the geophysical data by ex-Billiton geophysicist Chris Moore resulted in the confirmation of RLC's interpretation of the gravity data. The Herakleion targets have been modelled using the same sophisticated computer procedures as were used to assist in the discovery of Prominent Hill by Billiton-Minotaur late last year. The Herakleion gravity models generated include one which is bigger and extends nearer to the surface than the modelled Prominent Hill target.

Subject to funding, drilling is expected to commence at 2 of the targets towards the end of September.

\$27,349

Reedy Lagoon Project (SA) EL 2798 (887 sq km) RLC 100%

Diamonds:

Processing of magnetic data was completed in prior periods and preliminary interpretation had identified 12 potential kimberlite targets. 5 additional magnetic features were identified during the quarter. The presence of kimberlite is supported by numerous Diamond Indicator Mineral grains (including over 200 pyrope garnets) and 2 macro diamonds previously reported. The processed data remains to be fully interpreted prior to arranging heritage clearance surveys to enable drilling.

\$1,171

Jericho Project (VIC) EL 3208 (28 sq km) RLC/Osprey JV RLC earning 75%

Platinum:

Copper-Nickel: Poole River Prospect: No exploration during the period. IP survey and drilling are planned to investigate the 5,500 m long Poole River magnetic anomaly.

Gold:

Victor Prospect: No exploration during quarter. Drilling is planned to investigate structural targets within a quartz reef system.

\$659

Chiltern Project (VIC) ELs 3032, 3281 (111 sq km) RLC/Osprey JV RLC earning 75%

EL 3376 (127 sq km) RLC/PGM JV RLC earning 75%

Gold:

Ministerial consent to the renewal in terms of the tenements was received.

Flora and fauna surveys are planned to enable infill IP survey and drilling at the Caledonian prospect. The target at this prospect is an IP anomaly in an area from which sandstone & siltstone float samples assaying up to 110 g/t gold have been recovered.

The Annual Joint Venture payment (\$10,000) was made to PGM during the quarter

\$11,302

New Project Development

\$ nil

TOTAL Expenditure on exploration for the quarter was:

\$ 40,481

Corporate

Total issued capital at 30/06/02:

shares	17,949,830	
options	2,150,000	50 c exp 31/12/03
options	1,200,000	50 c exp 31/12/04

In addition to the issued securities, the Company has previously agreed to issue 900,000 options with an exercise price of 30 cents expiring 30 September 2003 at or about the date (if any) that RLC is listed on the ASX.

Finance

(see attached Statements for details)

Expenditure during the period (excluding GST):

Non – exploration expenditure :	general (administration, overheads and promotion)	\$ 34,850
	prospectus expenses	\$ 63,700
	March Quarter private placement costs	\$ 6,866
	loans and creditor payments	\$ 7,000
Exploration expenditure:		<u>\$ 40,481</u>
		<u>\$152,897</u>

At 30/06/02 RLC had \$141,536 cash at bank

which included \$45,000 in term deposits supporting bonds lodged against Exploration Licences.

Outstanding liabilities:

Current	\$ nil
Non-current (Chromite Pty Ltd, director related)	\$142,606 (repayment is deferred by agreement with Chromite)

Mallesons Stephen Jaques has provided legal services relating to prospectus and joint venture documentation for which no invoice has been raised. Mallesons Stephen Jaques has advised that it will not charge for these services until the Company successfully lists on the ASX.

Summary and Notes:

RLC lodged its prospectus for an offer of 14,000,000 shares and 7,000,000 options to raise \$4.2 m on 14 June 2002. A supplementary prospectus was lodged on 24 June to correct a typographical error. The offer opened on 1 July 2002 and will close as soon as the \$4.2 m plus possible oversubscriptions of a further \$1 m are received. Those intending to apply for shares are advised to do so quickly.

The offer is supported by stockbrokers, including Macquarie Financial Services which is assisting with distribution. At the time of writing this newsletter applications for shares were being received. Included in the early applications is an application lodged by a specialist resources fund for 800,000 shares.

Resource IPO's have had a mixed reception in the market over the last 12 – 24 months. However, amongst the debutantes are some excellent performers with option adjusted price rises of over 100%. Companies with good exploration strategies are amongst the good performers – these include Aquila Resources (105% since June 2000 listing), Independence Gold (60% since April 2002 listing), Magnetic Minerals (80% since October 2000 listing), Platinum Australia (155% since October 2000 listing), Tawana Resources (68% since April 2001 listing). Companies with poorly defined programmes or programmes lacking definitive support from exploration results are being shunned by the market.

RLC's projects each contain well supported drill targets. There has been recent confirmation in detailed geophysical data of high interest targets at the Balta and Krystal prospect areas of the Edward Creek project. Whilst the Edward Creek prospect kimberlite targets remain a prime focus, these additional targets confirmed at the Balta & Krystal prospects support the Company's belief that multiple kimberlite source rocks – and possibly multiple provinces, are present at the Edward Creek project.

Drill programmes are planned to commence at the Edward Creek diamonds and copper projects subsequent to raising additional working capital.

G.H. Fethers

Managing Director
July, 2002

For further information, please contact: Geof Fethers. Telephone: (03) 8420 6280 or visit www.reedylagoon.com.au

REEDY LAGOON CORPORATION LTD

ACN 006 639 514

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE PERIOD TO 30 JUNE 2002

	June 2002 (quarter) \$	March 2002 (quarter) \$	Year to Date (12 months) \$
Revenue from ordinary activities	1,931	1,308	4,212
Expenses related to ordinary activities			
Administration expense	(34,670)	(6,545)	(61,621)
Exploration expenses	(40,481)	(28,900)	(125,967)
Other expenses from ordinary activities	(180)	(6,665)	(28,759)
Loss from ordinary activities before income tax expense	(73,400)	(40,802)	(212,135)
Income tax expenses relating to ordinary activities	–	–	–
Net Profit	(73,400)	(40,802)	(212,135)
Other revenues, expenses and valuation adjustments recognised directly in equity	(6,866)	–	(8,214)
Total change in equity other than those resulting from transactions with owners as owners recognised directly in equity.	<u>(80,266)</u>	<u>(53,081)</u>	<u>(220,349)</u>

STATEMENT OF CASH FLOWS

FOR THE PERIOD TO 30 JUNE 2002

	June 2002 (quarter) \$	March 2002 (quarter) \$	Year to Date (12 months) \$
Cashflows from operating activities			
Payments to suppliers and employees (inc net GST)	(89,624)	(47,063)	(214,542)
Interest received	1,933	1,308	4,214
Receipts from Debtors		2,325	2,325
Net cash provided by operating activities	<u>(87,691)</u>	<u>(43,430)</u>	<u>(208,003)</u>
Cash flows from financing activities			
Proceeds from share issue	–	325,807	360,807
Costs of share issue	(6,866)	–	(8,214)
Repayment of Borrowings	(1,000)	(15,250)	(16,250)
Payment of June 2002 prospectus costs	(63,700)	(12,279)	(75,979)
Net cash provided by financing activities	<u>(71,566)</u>	<u>298,278</u>	<u>260,365</u>
Net increase/(decrease) in cash held	(159,257)	254,848	52,361
Cash at the beginning of the period	300,793	45,946	89,175
Cash at the end of the period	<u>141,536</u>	<u>300,793</u>	<u>141,536</u>

REEDY LAGOON CORPORATION LTD

ACN 006 639 514

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2002

	Notes	As at 30 June 2002 \$	As at 31 March 2002 \$	As at 30 June 2001 \$
Current Assets				
Cash	1	141,537	300,794	89,175
Receivables	2	13,234	4,943	1,117
Total Current Assets		<u>154,771</u>	<u>305,737</u>	<u>90,292</u>
Deferred Expenses - re June 02 prospectus		75,979	12,279	–
Total Assets		<u>230,750</u>	<u>318,016</u>	<u>90,292</u>
Current Liabilities				
Accounts Payable	3	4,500	10,500	4,500
Borrowings - Related Parties	4	142,606	143,606	142,606
Total Current Liabilities		<u>147,106</u>	<u>154,106</u>	<u>147,106</u>
Total Liabilities		<u>147,106</u>	<u>154,106</u>	<u>147,106</u>
Net Assets		<u>83,644</u>	<u>163,910</u>	<u>(56,814)</u>
Equity				
Contributed Capital	5	6,253,256	6,260,122	5,900,663
Accumulated losses		(6,169,612)	(6,096,212)	(5,957,477)
Total Equity		<u>83,644</u>	<u>163,910</u>	<u>(56,814)</u>

NOTES TO STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2002

	As at 30 June 2002 \$	As at 31 March 2002 \$	As at 30 June 2001 \$
Note 1 - Cash			
Cheque Account	96,536	256,431	44,175
RLC Bonds (Term Deposits)	45,000	45,000	45,000
	<u>141,536</u>	<u>301,431</u>	<u>89,175</u>
Note 2 - Receivables			
GST Refundable	13,234	4,943	1,117
Note 3 - Accounts Payable			
Audit Fees Accrued (December 2001)	–	6,000	–
Other Creditors	4,500	4,500	4,500
	<u>4,500</u>	<u>10,500</u>	<u>4,500</u>
Note 4 - Related Party Borrowings			
Chromite Pty Ltd	142,606	143,606	142,606
Note 5 - Contributed Capital			
Contributed Capital at Beginning of the Period	5,900,663	5,900,663	5,607,038
New Share Issues	360,807	360,807	293,625
Issue costs	(8,214)	(1,348)	–
	<u>6,253,256</u>	<u>6,260,122</u>	<u>5,900,663</u>

NOTICES

The information contained in this report is based on, and accurately reflects, information compiled by Mr G. H Fethers who is a Corporate Member of the Australasian Institute of Mining and Metallurgy. Where relevant, those people involved in the compilation of data have the appropriate experience in relation to mineralization being reported to qualify as a Competent Person as defined in the *Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves* in Chapter 5 of the ASX Listing Rules. Mr Fethers has consented in writing to the inclusion of information compiled by him in this report.