



QUARTERLY REPORT TO SHAREHOLDERS SEPTEMBER 2002 QUARTER

Exploration Activities

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

Diamonds: 9 potential kimberlite targets were selected for drilling.

Selection criteria included: location relative to surface distribution of Diamond Indicator Minerals (DIMs) (includes over 5,000 microilmenite grains, and 9 macro diamonds) and a combination of photo and geophysical data interpretation.

7 of these selected potential kimberlite targets were among 17 sites previously cleared by heritage surveys for drilling to proceed, 2 still require clearance.

The targets range in size from 4 ha to over 50 ha based on geophysical data, whilst photo features associated with some of these geophysical anomalies range up to 80 ha.

Copper: No work conducted during the period - drilling is planned to investigate for "Olympic Dam" style mineralization associated with defined gravity anomalies.

\$25,423

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

Diamonds: Processing of magnetic data was completed in prior periods and interpretation was continued. 17 potential kimberlite targets had been identified in prior periods and the presence of kimberlite is supported by numerous Diamond Indicator Mineral grains (including over 200 pyrope garnets) and 2 macro diamonds. The processed data remains to be fully interpreted prior to arranging heritage clearance surveys to enable drilling.

\$2,396

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.

\$819

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: 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.

\$187

New Project Development

\$ nil

TOTAL Expenditure on exploration for the quarter was: \$ 28,824

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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

A summary of the operating results for quarter and financial position at 30 September 2002 is as follows:-

| | |
|--|-------------------|
| | \$ |
| Operating Expenditure during the period: | |
| Non – exploration expenditure : general (administration, overheads) | 21,388 |
| promotion and advertising | 19,093 |
| Exploration expenditure : | <u>28,824</u> |
| | <u>\$69,305</u> |
| Financial position | |
| Assets | |
| Cash at bank | 20,149 |
| Term Deposits (supporting bonds lodged against exploration licences) | 45,000 |
| Outstanding liabilities | |
| Accounts Payable (Share registry, audit and other minor) | 10,084 |
| Non-current loans (Chromite Pty Ltd, director related -repayment is deferred by agreement with Chromite) | 142,606 |

Summary & notes:

RLC opened a public offering of 14,000,000 shares on 1 July 2002 which sought to raise a minimum subscription of \$4.2 m. Unfortunately, despite favourable media coverage and the support of one of Australia's better resource analysts – Ian Prentice of Macquarie Financial Services, insufficient applications had been received by the closing date and the offer closed on 6 September without achieving the minimum subscription. All application monies received were subsequently returned.

Directors intend raising private capital to fund a reduced programme of exploration. Working capital of between \$500,000 and \$1,500,000 is now being sought.

Targets at each of the projects have substantial data to justify the planned drilling. Detailed and extensive exploration has already been conducted. In the event that the planned drilling identifies the styles of mineralization which RLC hopes to identify then potential exists for major discoveries. In many instances the Company holds key regional ground positions such that in the event that the planned drilling is successful RLC will be in a strong position to negotiate favourable joint venture terms for continued development.

Whilst the failure of the IPO is a set back to RLC's planned exploration activities, our philosophy that substantial returns can be achieved on capital invested in exploration remains. The proposed private equity raising, if successful, will enable the Company to begin to implement the programmes described in the IPO prospectus.

RLC intends remaining unlisted until such a time that a listing could provide an adequate reward for shareholders.

G.H. Fethers

Managing Director

October, 2002

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REEDY LAGOON CORPORATION LTD

ACN 006 639 514

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE PERIOD TO 30 SEPTEMBER 2002

| | Sept 2002 (quarter) \$ |
|--|---------------------------------------|
| Revenue from ordinary activities | 2,439 |
| Expenses related to ordinary activities | |
| Administration expense | (21,389) |
| Exploration expenses | (28,824) |
| Other expenses from ordinary activities | (19,093) |
| Prospectus and IPO costs | - |
| Loss from ordinary activities before income tax | (66,866) |
| Income tax expenses relating to ordinary activities | - |
| Net Profit | (66,866) |
| Other revenues, expenses and valuation adjustments recognised directly in equity | |
| Total change in equity other than those resulting from transactions with owners as owners recognised directly in equity | (66,866) |

STATEMENT OF CASH FLOWS

FOR THE PERIOD TO 30 SEPTEMBER 2002

| | Sept 2002 (quarter) \$ | Year to Date (3 months) \$ |
|--|---------------------------------------|---|
| Cashflows from operating activities | | |
| Payments to suppliers (inc net GST) | (49,803) | (49,803) |
| Payments for Exploration Expenditures | (29,024) | (29,024) |
| Interest received | 2,439 | 2,439 |
| Receipts from Debtors | - | - |
| Net cash provided by operating activities | (76,388) | (76,388) |
| Cash flows from financing activities | | |
| Proceeds from share issue | - | - |
| Costs of share issue | - | - |
| Repayment of Borrowings | - | - |
| Payment of June 2002 prospectus costs | - | - |
| Net cash provided by financing activities | - | - |
| Net increase/(decrease) in cash held | (76,388) | (76,388) |
| Cash at the beginning of the period | 141,537 | 141,537 |
| Cash at the end of the period | 65,149 | 65,149 |

REEDY LAGOON CORPORATION LTD

ACN 006 639 514

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2002

| | | As at Sep-02 \$ | As at Jun-02 \$ | As at 6/2001 \$ |
|----------------------------------|---|-----------------------|-----------------------|-----------------------|
| Current Assets | | | | |
| Cash | 1 | 65,149 | 141,537 | 89,175 |
| Receivables | 2 | 9,078 | 36,737 | 1,117 |
| Prepayments | | 2,313 | 2,313 | |
| Total Current Assets | | 76,540 | 180,587 | 90,292 |
| Total Assets | | 76,540 | 180,587 | 90,292 |
| Current Liabilities | | | | |
| Accounts Payable | 3 | 10,814 | 85,725 | 4,500 |
| Borrowings - Related Parties | 4 | 142,606 | 142,606 | 142,606 |
| Total Current Liabilities | | 153,420 | 228,331 | 147,106 |
| Total Liabilities | | 153,420 | 228,331 | 147,106 |
| Net Assets | | (76,880) | (47,744) | (56,814) |
| Equity | | | | |
| Contributed Capital | 5 | 6,253,256 | 6,253,256 | 5,900,663 |
| Accumulated losses | 6 | (6,330,136) | (6,301,000) | (5,957,477) |
| Total Equity | | (76,880) | (47,744) | (56,814) |

NOTES TO STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2002

| | | As at Sep-02 \$ | As at Jun-02 \$ | As at 6/2001 \$ |
|--|--|-----------------------|-----------------------|-----------------------|
| Note 1 - Cash | | | | |
| Cheque Account | | 20,149 | 96,536 | 44,175 |
| RLC Bonds (Term Deposits) | | 45,000 | 45,000 | 45,000 |
| | | 65,149 | 141,536 | 89,175 |
| Note 2 - Receivables | | | | |
| ASX Refund | | - | 25,279 | |
| GST Refundable | | 9,078 | 11,458 | 1,117 |
| | | 9,078 | 36,737 | 1,117 |
| Note 3 - Accounts Payable | | | | |
| Creditors & U/P Cheques | | 1,314 | 5,765 | |
| Propsectus related accruals | | 5,000 | 37,730 | |
| Audit Fees Accrued | | 2,000 | 2,000 | - |
| Other Accruals | | 2,500 | 2,500 | 4,500 |
| | | 10,814 | 47,995 | 4,500 |
| Note 4 - Related Party Borrowings | | | | |
| Chromite Pty Ltd | | 142,606 | 142,606 | 142,606 |
| Note 5 - Contributed Capital | | | | |
| Contributed Capital at Beginning of the Period | | 6,253,256 | 5,900,663 | 5,607,038 |
| New Share Issues | | | 360,807 | 293,625 |
| Issue costs | | | (8,214) | - |
| | | 6,253,256 | 6,253,256 | 5,900,663 |
| Note 6 - Accumulated Losses | | | | |
| Losses at beginning | | (6,263,270) | (5,957,477) | |
| Loss for period | | (66,866) | (305,793) | |
| Closing Balance | | (6,330,136) | (6,263,270) | |