



REPORT TO SHAREHOLDERS JUNE 2004 QUARTER

Exploration Activities

Edward Creek Project (SA) _____ ELs 2622, 2755, 2892 (1,753 sq km) 100% RLC

Diamonds: Analyses of numerous possible Diamond Indicator Minerals (DIMs) recovered by the drilling and surface sampling at 4 potential kimberlite targets (WK16, WK57, WK58 & WK59) during the December 2003 quarter confirm them as DIMs.

- Separate DIM grain populations are identified at the different sites. This supports the validity of the targets being investigated as it indicates that kimberlitic source rocks are nearby.
- Ground gravity surveys are planned at 3 locations, covering current targets: WK16, WK57, WK58, WK59 and others, to assist in siting drill locations for the next phase of drilling.

Exploration expenditure: \$4,620

Copper/Gold: **Edward Creek Base Metal Joint Venture ("ECBMJV")** RLC: 20% free carried

A Gravity survey (200 m x 200 m grid covering the 10 km x 7 km prospect area) was conducted over the Herakleion target during the period.

Data collected by this survey has enabled far greater structural detail to be interpreted and better depth to target estimates to be calculated. Diamond drill hole HD-02, drilled in 2003 to 400 m, 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. Iron-rich breccias may cause the elevated density observed. Such iron-rich breccias, if present, could be associated with iron-oxide copper-gold mineralization of the Olympic Dam type. The depth to target at HD-02 is now calculated at 450 – 475 metres.

- Drilling is expected to recommence at Herakleion in the September Quarter.

Expenditure by Joint Venture Partners: \$78,483

Reedy Lagoon Project (SA) _____ EL 2798 _____ (445 sq km) RLC 100%

Diamonds: No work was conducted during the report period.

Exploration expenditure: \$ 0

Jericho Project (VIC) _____ EL 3208 _____ (28 sq km) RLC 100%

Poole River Prospect: Diamond drill hole DP-01 cored from surface at 65° dip to EOH @ 479.7 m

- Drilling recovered core from a 240 m down dip intersection of the target zone within the Poole River magnetic anomaly
- Pyrite and pyrrhotite, with minor chalcopyrite have been identified in the core from preliminary investigations. These minerals have potential to be associated with gold mineralization.
- The core will be logged and sampled during the September quarter.

Exploration expenditure: \$ 127,703

Chiltern Project (VIC) _____ ELs 3032, 3281, 3376 _____ (237 sq km) RLC 100%

Gold: Work continued on gaining the necessary clearances and approvals to implement an RC (reverse circulation) drilling programme to investigate an IP anomaly in an area from which sandstone & siltstone float samples assaying up to 110 g/t gold have been recovered.

Exploration expenditure: \$ 925

RLC JV Partners
TOTAL Expenditures on exploration for the quarter : \$ 133,247 \$78,483

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Issued Securities

at 30/06/04:

Shares	23,490,501	
Options	900,000	30 c exp 30/09/04
Options	1,200,000	50 c exp 31/12/04
Options	1,200,000	50 c exp 31/12/05
Options	333,333	30 c exp 30/11/06
Options	1,200,000	50 c exp 31/12/06

During the quarter 170,000 shares were issued at an issue price of \$0.15 per share (\$25,500)

Finance

A summary of the operating results for the June quarter and financial position at 30 June 2004 is as follows:-

	\$
Operating Expenditure during the 3 month period:	
Non – exploration expenditure : general (administration, overheads, promotion, office)	11,606
Exploration expenditure (by RLC) :	133,247
Interest (Income)	(609)
	<hr/>
	\$144,244
	<hr/> <hr/>
Financial position (see attached financial statements for details)	
Assets	
Cash at bank (including GST adjustment)	\$28,475
Term Deposits (supporting bonds lodged against exploration licences)	\$50,000
Outstanding liabilities (excluding GST)	
Accounts Payable (excluding amounts owing to director related parties which are included in "loans")	3,119
Current loans (from director related parties -repayment is deferred by agreement)	\$252,287
Non-current loans (from director related parties -repayment is deferred by agreement)	\$324,823

Summary & notes:

Highlights for the quarter were:

- Identifying pyrrhotite mineralization in drill core from the Poole River target in sufficient quantities to be the likely cause of the magnetic anomaly being investigated. More work is needed, but core from the bottom of the hole contains about 4% pyrrhotite. Systematic logging and sampling of the core is now underway to determine whether or not any economic mineralisation is associated with the rocks identified.
- The detailed gravity survey over the Herakleion iron-oxide copper-gold target has provided sufficient data to enable better depth estimate calculations on which to base the next drilling. The new data confirms the validity of the earlier interpretation but indicates the likely depth to source is some 50 - 100 meters deeper than was drilled previously.
- The identification of different Diamond Indicator Mineral ("DIM") populations in association with different targets – some of which are within close proximity of each other, is perhaps the greatest step forward towards discovering the source to the thousands of DIMs and 9 diamonds recovered from the project area since DeBeers established the "widespread" distribution of picrolmenite in the region in the 1980's.

The positive exploration results are encouraging. Success at any of these projects holds potential to dramatically increase the value of the Company.

G.H. Fethers
Managing Director
July, 2004

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REEDY LAGOON CORPORATION LTD

ACN 006 639 514

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

		\$
Current Assets		
Cash	1	67,376
Receivables	2	10,843
Prepayments		-
Total Current Assets		<u>78,219</u>
Exploration Properties	3	-
Total Assets		<u>78,219</u>
Current Liabilities		
Accounts Payable	4	6,029
Borrowings - Related Parties	5	574,917
Total Current Liabilities		<u>580,946</u>
Total Liabilities		<u>580,946</u>
Net Assets		<u>(502,727)</u>
Equity		
Contributed Capital	6	7,201,957
Accumulated losses		(7,704,684)
Total Equity		<u>(502,727)</u>
Notes:		
Note 1 - Cash		
Cheque Account		17,376
RLC Bonds (Term Deposits)		50,000
		<u>67,376</u>
Note 2 - Receivables		
GST Refundable		10,843
		<u>10,843</u>
Note 3 - Intangibles		
Goodwill on acquisition of controlled entity		892,769
Goodwill written - off		(892,769)
		<u>-</u>
Note 4 - Accounts Payable		
Trade Creditors		-
Audit Fees Accrued		5,000
Other Accruals		1,029
		<u>6,029</u>
Note 5 - Loans from Related Party		
Chromite Pty Ltd		364,352
Cropten Pty Ltd		88,565
Geophysical Exploration Consultants Pty Ltd		17,000
Directors		105,000
		<u>574,917</u>
Note 6 - Contributed Capital		
Contributed Capital at Beginning of the Period (April 04)		7,176,457
Issued Amounts (1)		25,500
Issue costs		-
		<u>7,201,957</u>

(1) issue for cash of 170,000 shares at 15 cents

REEDY LAGOON CORPORATION LTD

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CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

	June 2004 Qtr	Year to Date
	\$	\$
Revenue from ordinary activities	653	2,558
Expenses related to ordinary activities		
Administration expense	(6,198)	(44,182)
Exploration expenses	(133,250)	(230,401)
Other expenses from ordinary activities	(8,641)	(18,552)
Loss from ordinary activities before income tax	<u>(147,436)</u>	<u>(290,577)</u>
Income tax expenses relating to ordinary activities	-	-
Net Loss attributable to members of Reedy Lagoon	<u>(147,436)</u>	<u>(290,577)</u>
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	<u>(147,436)</u>	<u>(290,577)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

	June 2004 Qtr	Year to Date
	\$	\$
Cashflows from operating activities		
Receipts from Debtors	-	-
Payments to suppliers and employees	(203,273)	(306,268)
Interest received	609	2,514
Interest Paid	-	-
Net cash provided by operating activities	<u>(202,664)</u>	<u>(303,754)</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Net Cash provided by investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from share issue	25,500	136,000
Costs of share issue	-	-
Repayment of Loans	-	-
Proceeds from Loans	186,230	186,230
Net cash provided by financing activities	<u>211,730</u>	<u>322,230</u>
Net increase/(decrease) in cash held	9,066	18,476
Cash at the beginning of the period	58,310	48,900
Cash at the end of the period	<u>67,376</u>	<u>67,376</u>