



REPORT TO SHAREHOLDERS DECEMBER 2004 QUARTER

Exploration Activities

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

Diamonds: No field work was undertaken. Work planned includes:

- Ground gravity surveys at 3 locations, covering current targets: WK16; WK57 and the Gauntlet; and WK58, WK59.
- Drilling at potential kimberlite targets: The Gauntlet, WK16, WK57, WK58, WK59 is planned together with any additional targets which may be upgraded by the planned gravity surveys.

Exploration expenditure: \$ 2,425

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

Diamond drilling tested Target Area 2 in the Herakleion prospect to a depth of 612.4 metres. Although it was planned to extend diamond hole HD-02 (drilled to 400 meters in 2003), re-entry proved impossible at the time and an adjacent new hole – HD-03, was drilled from surface.

- Analysis of 12 representative samples of core from HD-03 determined densities ranging from 2.57 to 2.82 g/cc. These densities are considered insufficient to explain the gravity anomaly under investigation which is now thought to be caused by rocks at deeper levels.
- Routine geochemical sampling of core samples identified minor elevated copper (up to 411 ppm Cu) and fluorine (upto 0.4%) in 4 samples over the interval 230 – 251 metres.
- Additional and deeper drilling at targets within the Herakleion prospect were planned.

Expenditure by Joint Venture Partners: \$ 109,001

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

Diamonds: No ground work was conducted during the report period. Exploration expenditure: \$ nil

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

Poole River Prospect:

Assay results show that no economic mineralisation is associated with the disseminated pyrrhotite identified last quarter and occurring over the 240 metre interval to end of hole in diamond hole PD-01.

- The lower side of the pyrrhotite rich interval is interpreted to intersect with and form the hanging wall for, the Enochs Point Thrust Zone. Such a zone may present an environment in which gold and other minerals may have precipitated from solutions traversing along the thrust zone.

Results will be further assessed to determine whether further drilling should extend PD-01 to test the postulated target zone. PD-01 is capped and cased to 60 metres to assist re-entry.

Exploration expenditure: \$ 9,274

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: \$ 334

New Project Development (NSW) _____ RLC 100%

Exploration expenditure: \$ 1,156

	RLC	JV Partners
TOTAL Expenditures on exploration for the quarter :	\$ 13,191	\$ 109,001

Issued Securities

at 31/12/04:

Shares	23,823,833	
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

At the end of the quarter 1,200,000 options to purchase shares at \$0.50 expired without being exercised and the Annual General Meeting approved the issue of 1,300,000 options exercisable by paying \$0.50 per share before 31/12/07.

Finance

A summary of the operating results for the December quarter and financial position at 31 Dec 2004 is as follows:-

	\$
Operating (Income) Expenditure during the 3 month period:	
Non – exploration expenditure : general (audit, insurance, admin, overheads, promotion, office)	17,017
Exploration expenditure (by RLC) :	13,191
ECBMJV payment	(30,000)
Interest (Income)	(451)
	<u>\$ (242)</u>
Financial position (see attached financial statements for details)	
Assets	
Cash at bank (including GST adjustment)	\$27,842
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")	\$631
Current loans (from director related parties -repayment is deferred by agreement)	\$175,287
Non-current loans (from director related parties -repayment is deferred by agreement)	\$354,022

Summary & notes:

The Annual General Meeting was held on 8 November 2004. The Company's projects and the directors' plans for the Company's future activities were discussed.

All resolutions put to the meeting were unanimously carried with votes as follows:

Resolution	Summary description	votes for (incl proxies)	votes against (incl proxies)
1	Adoption of accounts	12,314,083	nil
2	Re-election of Hugh Rutter as director	12,164,082	nil
3	Issue of 1,200,000 options to directors (exercise price: \$0.50 cents; expiry 31/12/07)	964,081	nil
4	Issue of 100,000 options to the Company Secretary (exercise price: \$0.50 cents; expiry 31/12/07)	12,280,083	nil
5	Appointment of Nexia Alexander & Spencer as auditor to the Company	12,314,083	nil

G.H. Fethers
Managing Director
 March, 2005

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 December 2004

		\$
Current Assets		
Cash	1	77,841
Receivables	2	(631)
Prepayments		-
Total Current Assets		<u>77,210</u>
Exploration Properties	3	-
Total Assets		<u>77,210</u>
Current Liabilities		
Accounts Payable	4	527
Borrowings - Related Parties	5	529,309
Total Current Liabilities		<u>529,836</u>
Total Liabilities		<u>529,836</u>
Net Assets		<u>(452,626)</u>
Equity		
Contributed Capital	6	7,251,957
Accumulated losses		(7,704,583)
Total Equity		<u>(452,626)</u>
Note 1 - Cash		
Cheque Account		27,841
RLC Bonds (Term Deposits)		50,000
		<u>77,841</u>
Note 2 - Receivables		
Sundry Debtor		349
GST Refundable	-	980
	-	<u>631</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		
Other Accruals		527
		<u>527</u>
Note 5 - Loans from Related Party		
Chromite Pty Ltd		389,320
Cropten Pty Ltd		97,989
Geophysical Exploration Consultants Pty Ltd		17,000
Directors		25,000
		<u>529,309</u>
Note 6 - Contributed Capital		
Contributed Capital at Beginning of the Period (Sept04)		7,251,957
Issued Amounts (1)		
Issue costs		-
		<u>7,251,957</u>

REEDY LAGOON CORPORATION LTD

ACN 006 639 514

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	Dec 2004 Qtr \$	Year to Date \$
Revenue from ordinary activities	30,450	61,121
Expenses related to ordinary activities		
Administration expense	(13,209)	(26,482)
Exploration expenses	(13,239)	(28,486)
Other expenses from ordinary activities	(3,760)	(6,052)
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Loss from ordinary activities before income tax	242	101
Income tax expenses relating to ordinary activities	-	-
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Net Loss attributable to members of Reedy Lagoon	242	101
Other revenues, expenses and valuation adjustments recognised directly in equity	-	-
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Total change in equity other than those resulting from transactions with owners as owners recognised directly in equity	242	101
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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	Year to Date \$
Cashflows from operating activities	
Receipts from Customers	60,000
Payments to suppliers and employees	(55,048)
Interest received	1,121
Interest Paid	-
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Net cash provided by operating activities	6,073
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Cash flows from investing activities	
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Net Cash provided by investing activities	-
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Cash flows from financing activities	
Proceeds from share issue	50,000
Costs of share issue	-
Repayment of Loans	(80,000)
Proceeds from Loans	34,392
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Net cash provided by financing activities	4,392
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Net increase/(decrease) in cash held	10,465
Cash at the beginning of the period	67,376
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Cash at the end of the period	77,841
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