



REPORT TO SHAREHOLDERS DECEMBER 2005 QUARTER

HIGHLIGHTS

- **Diamond drilling scheduled to commence in late March at Herakleion**
 - the ECBMJV parties committed to drill an 850 m deep diamond hole to test either TA1 or TA3. The Target will be selected after completion of clearance surveys scheduled for 14/02/06. On completion of the first hole, a decision to continue drilling by extending drill hole HD-03 (TA2) from its current depth (612 metres) to 1,000 metres will be made.
 - a drill contractor has been arranged and is due at the Edward Creek Base Metal project in late March.
- **Additional applications for shares (400,000 for \$50,000) were received under the current offer.**
- **Potential kimberlite target WK60 (Edward Creek Project) was cleared by Native Title claimants and anthropologists, for drill testing.**

With respect to references to the current offer: the offers of the securities will be made in, or accompanied by, a copy of a disclosure document; and anyone wishing to acquire the securities will need to complete the application form that will be in or will accompany the disclosure document.

With respect to references to the planned IPO: RLC will be the offeror and fully paid shares will be offered. A disclosure document for the offer will be made available when the securities are offered. Anyone who wants to acquire the securities will need to complete the application form that will be in or will accompany the disclosure document.

www.reedylagoon.com.au

Suite 2, 337A Lennox Street, Richmond, Victoria, Australia Ph: (03) 8420 6280 Fax: (03) 8420 6299
Postal Address: P O Box 2236, Richmond South, VIC., 3121 Email: info@reedylagoon.com.au
A.C.N. 006 639 514

Exploration Activities

Edward Creek (incl. Balta) Project (SA) ELs 3250, 2755 (590 sq km) 100% RLC

Diamonds: Heritage and anthropological clearance survey cleared potential kimberlite target WK60 for drilling. Work planned includes:

- Gravity surveys covering current targets: WK16; WK57; the Gauntlet; WK58; and WK59.
- Drilling at potential kimberlite targets as modified by the planned gravity surveys.

Exploration expenditure: \$ 3,226

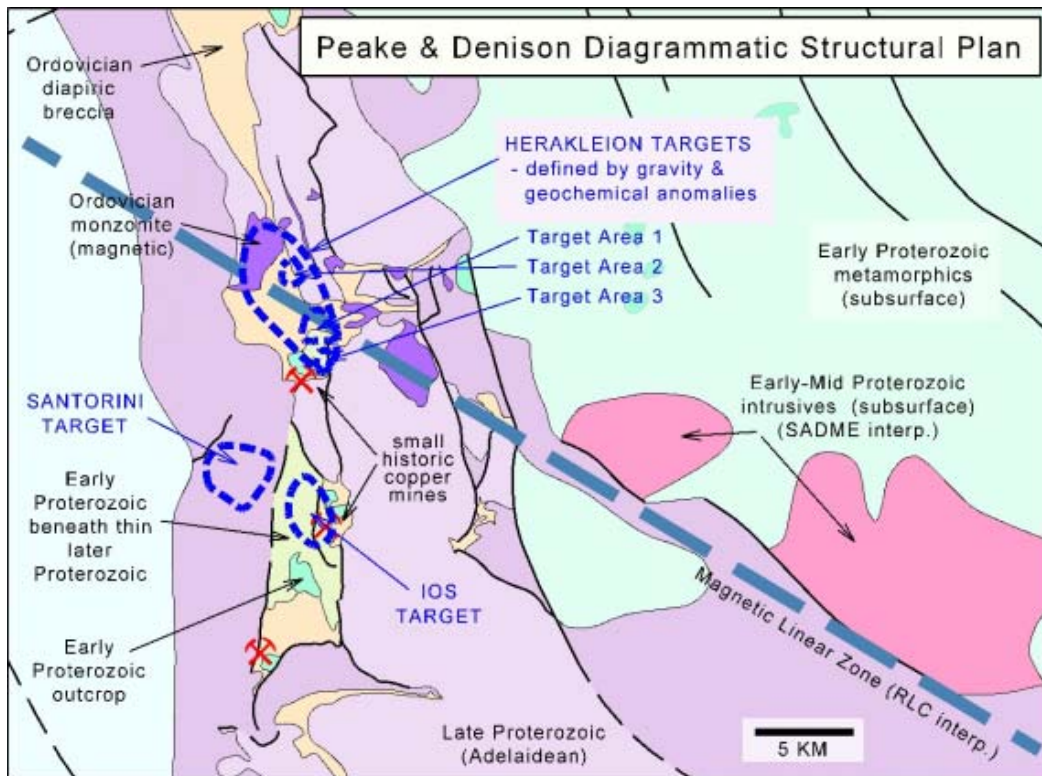
Edward Creek Base Metal Joint Venture ("ECBMJV") (SA) EL 3250 RLC: 20% free carried

Copper/Uranium//Gold: The ECBMJV parties agreed to fund diamond drilling at the Herakleion "Olympic Dam" target. The drill program, managed by RLC, was scheduled to commence in late March comprising:

- Drill (perc/diam) from surface to 850 metres to test Target Area 1 ("TA1") or 3
 - target selection remained dependent on clearance surveys
- Subject to results of the first hole, extend HD-03 from 612.4 metres to 1,000 metres (TA2).

Clearance surveys conducted over TA1 and TA3 during the period identified areas of potential significance to Aboriginal people requiring the participation of additional elders in a subsequent clearance survey in order to determine whether or not drilling could proceed. Additional survey work was planned and expected to be completed in February.

Uranium: 8 anomalies previously identified in radiometric data and recommended for ground follow-up remain to be investigated.



Expenditure by Joint Venture Partners: \$ 12,038

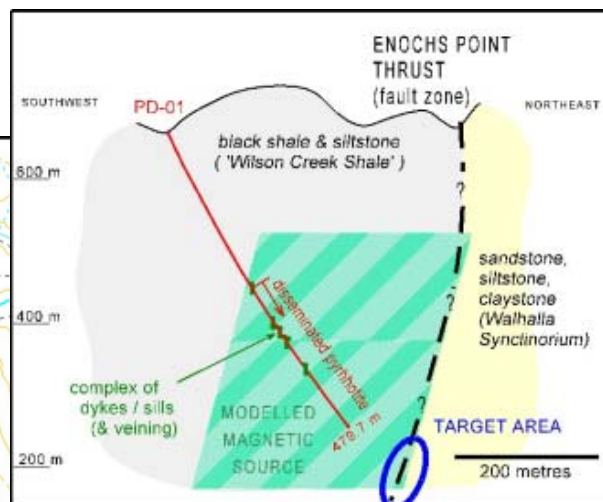
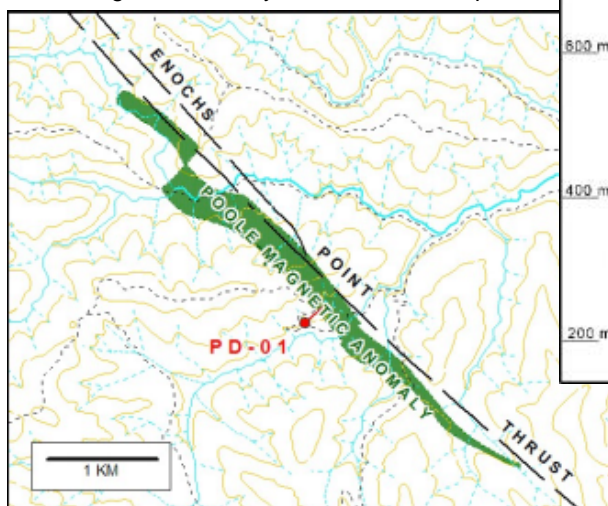
Jericho Project (VIC) - Poole River Prospect EL 3208 (20 sq km) RLC 100%

Gold: No field work was undertaken.

Further drilling (diamond) is planned to test the zone of intersection between the pyrrhotite rich siltstone/mudstone identified in PD-01 and the underlying Enoch's Point Thrust Zone. PD-01 is drilled to a down hole depth of 479.7 metres, capped and cased to 60 metres. Re-entry and extension to 630 metres down hole is planned.

Exploration expenditure: \$ 356

Poole Magnetic Anomaly & PD-01 drill hole plan.



Drill hole PD-01 Cross-section.

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

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

- o infill IP survey lines at the Caledonian Prospect to assist in siting drill holes, and
- o diamond drilling at 2 IP targets and a soil geochemical anomaly (elevated arsenic).

The drilling seeks to identify the source of gold bearing sandstone & siltstone samples which have been recovered from the prospect and reported previously, these include assays up to 110 g/t gold.

Exploration expenditure: \$ nil

Diptank Joint Venture (NSW) EL 6202 (14.7 sq km) RLC 85%

Copper/Gold: No field work was undertaken. Work planned includes:

Drill testing a magnetic anomaly to investigate its potential to be associated with a porphyry copper-gold prospect.

Exploration expenditure: \$ nil

Bullamine (WA) ELA 70/ 2846 (47 sq km) RLC 100%

Iron: No field work was undertaken.

Satellite data was acquired and database compilation was initiated. Work planned includes: Field mapping and ground geophysical surveying to investigate its potential for economic iron ore.

Exploration expenditure: \$ 2,926

Pedestal Hill (NT) ELA 24885 (272 sq km) RLC 100%

Uranium: No field work was undertaken. Database compilation was initiated. Work planned includes:

Field mapping, ground geophysical surveying and shallow auger drilling.

Exploration expenditure: \$ 2,275

New Project Development

Exploration expenditure: \$ 363

| | | |
|--|-----------------|--------------------|
| | RLC | JV Partners |
| TOTAL Expenditures on exploration for the quarter : | \$ 9,146 | \$ 12,038 |

Issued Securities

at 31/12/05:

| | | |
|---------|------------|-------------------|
| Shares | 23,823,833 | |
| 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 |
| Options | 1,300,000 | 50 c exp 31/12/07 |

Note:

1,200,000 options with an exercise price of 50 cents expired without being exercised on 31/12/05

1,300,000 options with an exercise price of 50 cents and expiring 31/12/08 were issued subsequent to the period.

Finance

A summary of the operating results for the December quarter and financial position at 31 December 2005 follows:-

| | |
|---|------------------|
| | \$ |
| Operating (Income) Expenditure during the 3 month period: | |
| Non – exploration expenditure : general (audit, insurance, admin, overheads, promotion, office) | 18,341 |
| Exploration expenditure (by RLC) | 9,146 |
| Interest (Income) | (1,393) |
| | <u>\$ 26,094</u> |

Financial position (see attached financial statements for details)

Assets*

| | |
|--|-----------|
| Cash at bank (including GST adjustment) | \$ 2,741 |
| Term Deposits (supporting bonds lodged against exploration licences) | \$ 50,000 |

Outstanding liabilities (excluding GST)

| | |
|--|------------|
| Accounts Payable (excl. amounts owing to director related parties which are included in "Non-current loans") | \$ 8,360 |
| Non-current loans (from director related parties - repayment is deferred by agreement) | \$ 618,578 |

* Assets do not include \$147,000 application monies held in OIS funds account as shares will not be issued until close of OIS issued in July 2005

Summary & notes:

Activity during the quarter was directed towards raising seed capital in preparation for the planned March 2006 IPO. Applications for an additional 400,000 shares (\$50,000) were received during the report period. Significant additional seed capital still needs to be sourced. Stock brokers remain supportive of the Company's planned future IPO and discussions are continuing with additional potential investors.

Subsequent to the end of the report period the Company entered into a joint venture with Washington Resources Limited for ELAs 70/2719 and 70/2720 – the "Bulla Joint Venture". Under the terms of the joint venture agreement, which remain subject to applicable landholder and regulatory approvals, RLC has the exclusive right to carry out exploration programs for iron and may thereby earn an 80% joint venture interest by the expenditure of \$250,000.

The Bullamine Iron project now encompasses ELA 70/2846 (RLC 100%) and the Bulla Joint Venture tenements.

Drill programs are now scheduled to commence as follows:

Late March – deep diamond drilling at the Herakleion "Olympic Dam" type (iron-oxide copper-gold-uranium) targets in South Australia (funded by our joint venture partners)

May/June – RC drilling at the Chiltern gold project in northern Victoria – dependent on IPO capital raising

July/August – mud drilling at potential kimberlite targets in central northern South Australia - dependent on IPO capital raising

G.H. Fethers
Managing Director
February 2006

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2005

| | | \$ |
|--------------------------------|---|-------------------------|
| Current Assets | | |
| Cash | 1 | 51,532 |
| Receivables | 2 | <u>1,209</u> |
| Total Current Assets | | <u>52,741</u> |
| Total Assets | | <u>52,741</u> |
| Current Liabilities | | |
| Accounts Payable | 3 | 8,360 |
| Non Current Liabilities | | |
| Borrowings – Related Parties | 4 | <u>618,578</u> |
| Total Liabilities | | <u>626,938</u> |
| Net Assets | | <u><u>(574,197)</u></u> |
| Equity | | |
| Contributed Capital | 5 | 7,251,957 |
| Accumulated losses | | <u>(7,826,154)</u> |
| Total Equity | | <u><u>(574,197)</u></u> |

Note 1 - Cash

| | |
|---------------------------|---------------|
| Cheque Account | 1,532 |
| RLC Bonds (Term Deposits) | <u>50,000</u> |
| | <u>51,532</u> |

Note 2 - Receivables

| | |
|----------------|--------------|
| Sundry Debtor | - |
| GST Refundable | <u>1,209</u> |
| | <u>1,209</u> |

Note 3 - Accounts Payable

| | |
|----------------------------|--------------|
| Trade Creditors | - |
| Audit Fees Accrued | - |
| Other Creditors & Accruals | <u>8,360</u> |
| | <u>8,360</u> |

Note 4 - Loans from Related Party

| | |
|---|----------------|
| Chromite Pty Ltd | 462,949 |
| Cropten Pty Ltd | 115,579 |
| Geophysical Exploration Consultants Pty Ltd | 23,050 |
| Directors | <u>17,000</u> |
| | <u>618,578</u> |

Note 5 - Contributed Capital

| | |
|--|------------------|
| Contributed Capital at Beginning of the Period (June 05) | 7,251,957 |
| Issued Amounts during the period | <u>-</u> |
| | <u>7,251,957</u> |

| | Dec 2005 Qtr \$ | 2005 Full Year \$ |
|--|-----------------------|-------------------------|
| CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE | | |
| FOR THE YEAR ENDED 31 DECEMBER 2005 | | |
| Revenue from ordinary activities | 1,393 | 2,053 |
| Expenses related to ordinary activities | | |
| Administration expense | (15,269) | (30,222) |
| Exploration expenses | (9,146) | (27,571) |
| Other expenses from ordinary activities | (3,072) | (12,865) |
| Loss from ordinary activities before income tax expense | (26,094) | (68,605) |
| Income tax expenses relating to ordinary activities | - | - |
| Net Loss attributable to members of Reedy Lagoon | (26,094) | (68,605) |
| 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 | (26,094) | (68,605) |

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2005

| | | |
|--|-----------------|-----------------|
| Cash flows from operating activities | | |
| Receipts from Customers | - | - |
| Payments to suppliers and employees | (31,473) | (68,487) |
| Interest received | 1,393 | 1,955 |
| Net cash provided by operating activities | (30,080) | (66,532) |
| Cash flows from financing activities | | |
| Proceeds from share issue | - | - |
| Repayment of Loans | - | - |
| Proceeds from Loans | 30,493 | 58,720 |
| Net cash provided by financing activities | 30,493 | 58,720 |
| Net increase/(decrease) in cash held | 413 | (7,812) |
| Cash at the beginning of the period | 51,119 | 59,344 |
| Cash at the end of the period | 51,532 | 51,532 |