



REPORT TO SHAREHOLDERS MARCH 2006 QUARTER

HIGHLIGHTS

- **Receiving commitments for \$367,000 in subscription monies to a Private Placement of shares at an issue price of 12.5 cents per share. [The Placement was completed in April : 4,136,000 shares were issued at 12.5 cents each raising \$517,000]**
- **Creation of the Bulla Joint Venture which expands RLC's Bullamine Iron project in WA. The Bulla JV is a joint venture with Washington Resources Limited.**
- **Target Area 1 in the Herakleion prospect was cleared by Aboriginal people for drill testing. "Olympic Dam" style mineralization is being targeted at Herakleion which is part of the Edward Creek Base Metals Joint Venture.**
- **Drilling at Herakleion is now scheduled to commence in mid July 2006.**

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: No field work was conducted during the period. Work planned includes:

- Geophysical surveys covering targets: WK16; the Gauntlet (WK20); WK57, WK58; and WK59.
- Drilling at potential kimberlite targets as modified by the planned geophysical surveys.

Exploration expenditure: \$ 210

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

Copper/Uranium//Gold:

Clearance survey by Aboriginal people conducted over TA1 during the period cleared drilling at TA1. Drill hole site HD-04 was selected and will be drilled to 850 metres to test TA1. The site was prepared for drilling.

Clearance survey by Aboriginal people during the period confirmed areas of significance exist in the vicinity of TA3. As a consequence no further work is planned at this stage at TA3.

The planned drilling at the Herakleion “Olympic Dam” target is funded by our joint venture partners and now comprises:

- Drill (perc/diam) from surface to 850 metres to test Target Area 1 (“TA1”)
- Subject to results of the first hole, extend HD-03 from 612.4 metres to 1,000 metres (TA2).

Subsequent to the end of the period the drill contractor advised that problems with the construction schedule of the drill rig assigned for our program have led to an estimated 13 week delay. Accordingly the commencement of the drilling is now expected in July 2006.

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

Expenditure by Joint Venture Partners: \$ 14,600

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

Gold: No field work was undertaken. A Work Plan Variation was lodged to obtain the necessary consents to conduct the planned drilling (diamond) 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. No clearances for the drilling were received by the end of the period and seasonal closure of the area precludes any drilling until next summer.

Exploration expenditure: \$ 281

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

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

- infill IP survey lines at the Caledonian Prospect to assist in siting drill holes, and
- 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: \$ 100

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.

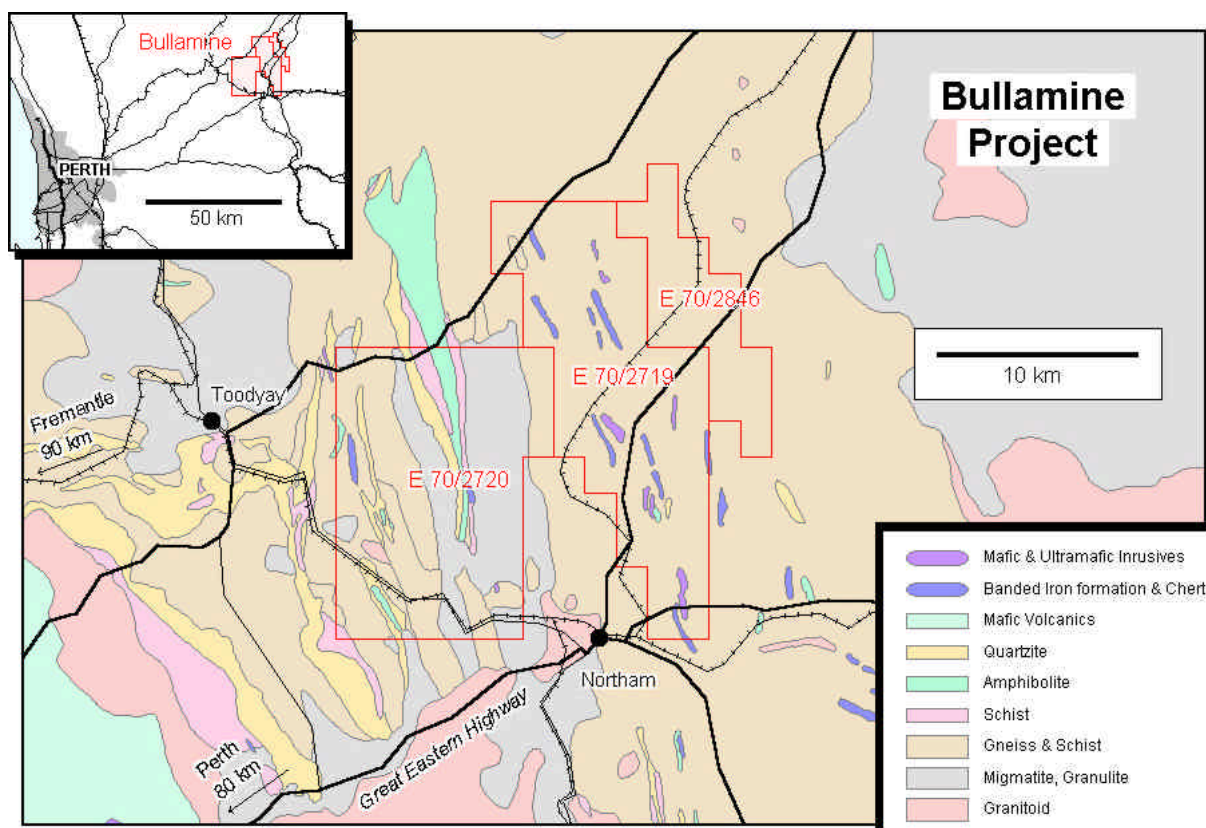
Exploration expenditure: \$1,156

Joint Venture Payment: \$ 20,000

Bullamine (WA) ELA 70/ 2846 (RLC 100%) Bulla JV (ELAs70/2719 &70/2720) (RLC 80%)

Iron : On the 18th January 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 ore and may thereby earn an 80% joint venture interest by the expenditure of \$250,000.

The Bullamine project area includes ELA 70/2846 (100% RLC) and the joint venture with Washington Resources Limited in respect of ELA's 70/2719 & 2720 (Bulla JV).



Work planned includes acquiring and processing available data, field mapping and ground geophysical surveying to investigate the potential for economic iron ore in the project area.

Exploration expenditure: \$ 1,155

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

Uranium: No field work was undertaken. Work planned includes:
Field mapping, ground geophysical surveying and shallow auger drilling.

Exploration expenditure: \$ 141

New Project Development

Exploration expenditure: \$ 157

	RLC	JV Partners
TOTAL Expenditures on exploration for the quarter :	\$ 3,201	\$ 14,600
	Joint venture payments: \$ 20,000	

Issued Securities

at 31/03/06:

Shares	23,823,833	
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
Options	1,400,000	50 c exp 31/12/08

Note: 1,400,000 options with an exercise price of 50 cents and expiring 31/12/08 were issued during the period.

Finance

A summary of the operating results for the March quarter and financial position at 31 March 2006 follows:-

	\$
Operating (Income) Expenditure during the 3 month period:	
Non – exploration expenditure : general (audit, insurance, admin, overheads, promotion, office)	13,183
Joint Venture payments (Diptank)	20,000
Exploration expenditure (by RLC)	3,201
Interest (Income)	(2,686)
	<u>\$ 33,698</u>

Financial position (see attached financial statements for details)

Assets*

Cash at bank (including GST adjustment)	\$ 4,656
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")	\$ 6,360
Cash loan contributed during period	\$ 25,000
Non-current loans (from director related parties - repayment is deferred by agreement)	\$ 631,221

Summary & notes:

Activity during the quarter was directed towards raising seed capital in preparation for the planned IPO. All effort was (and continues to be) made to enable completion of a prospectus in preparation for an IPO in June 2006.

On 28 March 2006 a Supplementary Offer Information Statement was lodged which closed the Offer under the Offer Information Statement dated 1 July 2005. A Private Placement was subsequently completed raising \$517,000 seed capital from the issue of 4,136,000 shares at 12.5 cents each.

Drill programs are now planned to commence as follows:

July 2006 – deep diamond drilling at the Herakleion "Olympic Dam" type (iron-oxide copper-uranium-gold) targets in South Australia (funded by our joint venture partners)

August 2006 – mud and air-core drilling at potential kimberlite targets at the Edward Creek Diamond project in central northern South Australia - dependent on IPO capital raising

October 2006 – RC/Aircore drilling at the Diptank copper-gold project in NSW - dependent on IPO capital raising

December 2006 – diamond drilling at the Jericho gold project in Victoria - dependent on IPO capital raising

G.H. Fethers

Managing Director

May 2006

For further information, please contact:

Geof Fethers. Telephone: (03) 8420 6280

or visit www.reedylagoon.com.au

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.

REEDY LAGOON CORPORATION LTD

ACN 006 639 514

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2006

		\$
Current Assets		
Cash	1	53,477
Receivables	2	<u>1,209</u>
Total Current Assets		<u>54,686</u>
Total Assets		<u>54,686</u>
Current Liabilities		
Accounts Payable	3	6,360
Borrowings - Related Parties	4	<u>25,000</u>
Total Current Liabilities		<u>31,360</u>
Non-Current Liabilities		
Borrowings - Related Parties	4	<u>631,221</u>
Total Non- Current Liabilities		<u>631,221</u>
Total Liabilities		<u>662,581</u>
Net Assets		<u><u>(607,895)</u></u>
..		
Equity		
Contributed Capital		7,251,957
Accumulated losses		<u>(7,859,852)</u>
Total Equity		<u><u>(607,895)</u></u>

Note 1 - Cash

Cheque Account	3,477
RLC Bonds (Term Deposits)	<u>50,000</u>
	<u>53,477</u>

Note 2 - Receivables

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

Note 3 - Accounts Payable

Trade Creditors	-
Other Creditors & Accruals	<u>6,360</u>
	<u>6,360</u>

Note 4 - Loans from Related Party

Chromite Pty Ltd	471,168
Cropten Pty Ltd	120,003
Geophysical Exploration Consultants Pty Ltd	23,050
Directors	17,000
Other Shareholders (current)	<u>25,000</u>
	<u>656,221</u>

	Mar 2006 Qtr \$	FY 2006 YTD \$
CONSOLIDATED INCOME STATEMENT		
FOR THE 9 MONTHS ENDED 31 MARCH 2006		
Revenue from ordinary activities	2,686	4,739
Expenses related to ordinary activities		
Administration expense	(9,036)	(39,259)
Exploration expenses	(23,201)	(50,772)
Other expenses from ordinary activities	(4,147)	(17,012)
Loss from ordinary activities before income tax expense	(33,698)	(102,303)
Income tax expenses relating to ordinary activities	-	-
Net Loss attributable to members of Reedy Lagoon	(33,698)	(102,303)
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	(33,698)	(102,303)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 9 MONTHS ENDED 31 MARCH 2006

Cash flows from operating activities		
Receipts from Customers	-	-
Payments to suppliers and employees	(36,384)	(104,871)
Interest received	2,686	4,641
Net cash provided by operating activities	(33,698)	(100,230)
Cash flows from financing activities		
Proceeds from share issue	-	-
Repayment of Loans	(2,000)	(2,000)
Proceeds from Loans	37,643	96,363
Net cash provided by financing activities	35,643	94,363
Net increase/(decrease) in cash held	1,945	(5,867)
Cash at the beginning of the period	51,532	59,344
Cash at the end of the period	53,477	53,477