



REPORT TO SHAREHOLDERS SEPTEMBER 2006 QUARTER

HIGHLIGHTS

- **Depth to basement (Palaeo-Proterozoic) was established by core drilling at the Edward Creek Base Metals project. Whilst no Olympic Dam style alteration or mineralization was observed in the basement rocks drilled the core has been sampled and assays are awaited.**
- **Magnetite (iron) mineralization was confirmed at sites visited at the Bullamine Project.**
- **Two drilling contractors were secured for future programs. One is suitable for deep diamond drilling at the ECBM JV Santorini target and also the deep mud drilling planned to investigate a large (1 kilometre diameter) diamond target. This drill rig is available in early March 2007. The other rig is suitable for the programs planned at Diptank, Chiltern and the shallow diamond targets at Edward Creek and is available on about 4 weeks notice.**
- **Presentations to stockbrokers gained encouraging responses but have not yet been successful in identifying a sponsoring broker.**

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, 3505 (590 sq km) RLC: 100%

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.

A drill rig previously booked to commence air-core drilling at WK57, WK58, WK59 and WK60 in September was postponed and is now available at 4 weeks notice.

Exploration expenditure: \$ 1,733

Edward Creek Base Metal Joint Venture ("ECBMJV") (SA) EL 3250 (440 sq km) RLC: 20%

Copper/Uranium//Gold: WINTER DRILL PROGRAM – Herakleion Target

Diamond drill hole No. HD-04A was completed at a vertical depth of 934.1 metres.

Diamond drill hole No. HD-03 was successfully re-entered and extended to a total depth of 771 m.

Early Proterozoic basement rocks were intersected in HD-04 from 669.3 metres establishing the presence of rocks of sufficient age to host Olympic Dam mineralization. No Olympic Dam mineralization has been identified in the drill core to date and samples have been submitted to a laboratory for assay.

Assay results are expected in 4 to 6 weeks.

Uranium: GROUND INVESTIGATIONS AT URANIUM TARGETS,

Uranium anomalies identified in airborne survey radiometric data were ground inspected during August and September 2006. The highest uranium anomalism detected by the ground follow-up was at two sites, located about 6 kilometres apart. These are:

- Last Chance; and
- A1 ("War Loan South").

At Last Chance the uranium anomalism is low tenor and interpreted to be sourced primarily in the exposed basement metamorphics. Some mobilization of uranium from the metamorphosed basement into overlying sandy units may be evidenced. Samples of the basement metamorphics were collected for assay.

At the A1 anomaly the highest "spot" reading recovered by ground survey was about 51 ppm uranium from a narrow vein comprising quartz and an amorphous dark grey (possibly haematite) material beside a patch of iron rich tuff. The tuff may host mineralization (including but not limited to uranium) and samples have been collected for assay.

The project now intends identifying target areas where uranium mineralization, mobilized from source rocks, might accumulate and thereby give rise to exploration targets.

Expenditure by Joint Venture Partners: \$ 191,192



Herakleion gravity target – Diamond hole HD-04

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

Gold: No field work could be conducted during the report period as flora surveys remain to be conducted. Work planned includes:

- o infill IP survey lines at the Caledonian Prospect to assist in siting drill holes, and
- o 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: \$ 1,240

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

Gold: Seasonal closure of the area precludes any drilling on the project until after 1 November. No field work was undertaken. Work planned includes re-entry of diamond drill hole PD-01 and extension to 630 metres down hole. The drilling will investigate the zone of intersection between pyrrhotite rich siltstone/mudstone identified in PD-01 and the underlying Enoch's Point Thrust Zone.

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
Joint Venture Payment: \$ 10,000

Bullamine (WA) ELA 2846 (RLC 100%) Bulla JV (ELAs2719 & 2720) (RLC 80%)

Iron : Geophysical data covering ELA 2846 and part of ELA 2719 was reviewed and partially processed. Preliminary field inspections identified iron mineralization in areas targeted using the geophysical data. Work planned includes processing the geophysical data, field mapping and ground geophysical surveying to investigate the potential for economic iron ore in the project area.

Exploration expenditure: \$ 851

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. Our application for grant of the tenement was progressed.

Exploration expenditure: \$ 1,389

New Project Development

Exploration expenditure: \$ nil

	RLC	JV Partners
TOTAL Expenditures on exploration for the quarter :	\$ 5,214	\$ 191,192
Joint venture payments:	\$ 10,000	

Issued Securities

at 30/09/06:

Shares	27,959,833	
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

Finance

A summary of the operating results for the September quarter and financial position at 30 September 2006 follows:-

	\$
Operating (Income) Expenditure during the 3 month period:	
Non – exploration expenditure : general (admin, overheads, promotion, office)	28,698
Joint Venture payments – farm in (Diptank)	10,000
ECBMJV payment	(30,000)
Exploration expenditure (by RLC)	5,215
Interest (Income)	(4,344)
	<u>\$ 9,569</u>

Financial position (see attached financial statements for details)

Assets

Cash at bank (including GST adjustment)	\$ 265,748
Term Deposits (supporting bonds lodged against exploration licences)	<u>\$ 70,000</u>
	<u>\$ 335,748</u>

Outstanding liabilities (excluding GST)

Accounts Payable (excl. amounts owing to director related parties which are included in "Non-current loans")	\$ 5,100
Non-current loans (from director related parties - repayment is deferred by agreement)	\$ 661,705 *

* the related parties have agreed in principle to forgive \$620,715 of amounts due in exchange for options in the event the company completes the planned IPO.

Summary & notes:

The Winter Drilling program tested the Herakleion target and has succeeded in establishing the presence of prospective basement rocks at depths shallow enough to present viable exploration targets for the Olympic Dam type mineralization sought. Focus of the ECBM joint venture will likely move to testing the nearby Santorini gravity anomaly for Olympic Dam type copper-gold-uranium mineralization. The driller has advised a rig will be available to the Company in late February / early March 2007.

On 1st November 2006 the Company will regain access to the Jericho gold project where drilling is planned to test the Poole anomaly and extensions to the gold bearing Victor Quartz reef. It is hoped that sufficient capital can be obtained in time to complete this drilling during the December quarter.

Flora and fauna surveys are scheduled for completion during the December quarter at the Caledonian prospect (Chiltern gold project). These surveys are expected to enable infill IP survey to be completed in preparation for drilling gold targets under shallow cover scheduled for the March 07 quarter.

During the report period every effort was made to gain stock broker support for an IPO of the Company's shares. However, despite these efforts, whilst stockbrokers remain supportive of the Company's objectives we have not as yet been able to gain a sponsoring broker. Directors are of the view that unless a suitable sponsoring broker can be found to manage the planned IPO then the Company will look to other routes which will enable it to gain access to capital and result in shareholders owning shares listed on the ASX. This endeavour remains the Company's principal focus.

The Board expresses its appreciation to Mr Adrian Wischer who resigned in July 2006. Adrian is a founding director of RLC – amassing 20 years of service since commencement in September 1986. His resignation facilitates the planned appointments of two new directors: Jonathan Hamer and Philip Lewis, who will join the Board in the event that the Company is listed.

G.H. Fethers
Managing Director
 October 2006

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

CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2006

		\$
Current Assets		
Cash	1	322,028
Receivables	2	<u>25,585</u>
Total Current Assets		<u>347,613</u>
Total Assets		<u>347,613</u>
Current Liabilities		
Accounts Payable	3	5,100
Borrowings - Related Parties	4	<u>-</u>
Total Current Liabilities		<u>5,100</u>
Non-Current Liabilities		
Borrowings - Related Parties	4	<u>661,705</u>
Total Non- Current Liabilities		<u>661,705</u>
Total Liabilities		<u>666,805</u>
Net Assets		<u><u>(319,192)</u></u>
Equity		
Contributed Capital		7,768,957
Accumulated losses		<u>(8,088,149)</u>
Total Equity		<u><u>(319,192)</u></u>
Note 1 - Cash		
Cheque Account		24,863
RLC CMA		227,165
RLC Bonds (Term Deposits)		<u>70,000</u>
		<u>322,028</u>
Note 2 - Receivables		
Sundry Debtor		1,865
Prepayments		10,000
GST Refundable		<u>13,720</u>
		<u>25,585</u>
Note 3 - Accounts Payable		
Trade Creditors		-
Audit Fees Accrued		3,500
Other Creditors & Accruals		<u>1,600</u>
		<u>5,100</u>
Note 4 - Loans from Related Party		
Chromite Pty Ltd		504,908
Cropten Pty Ltd		115,497
Geophysical Exploration Consultants Pty Ltd		24,300
Directors		<u>17,000</u>
		<u>661,705</u>

CONSOLIDATED INCOME STATEMENT
FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2006

	Sept 2006 Qtr	2006/07 YTD
	\$	\$
Revenue from ordinary activities	34,344	34,344
Expenses related to ordinary activities		
Administration expense	(9,429)	(9,429)
Exploration expenses	(15,215)	(15,215)
Other expenses from ordinary activities	(19,269)	(19,269)
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Loss from ordinary activities before income tax expense	(9,569)	(9,569)
Income tax expenses relating to ordinary activities	-	-
Net Loss attributable to members of Reedy Lagoon	(9,569)	(9,569)
Other revenues, expenses and valuation adjustments recognised directly in equity	-	-
	<hr/>	<hr/>
Total change in equity other than those resulting from transactions with owners as owners recognised directly in equity	(9,569)	(9,569)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2006

Cashflows from operating activities		
Receipts from Customers	30,000	30,000
Payments to suppliers and employees	(62,564)	(62,564)
Interest received	4,344	4,344
	<hr/>	<hr/>
Net cash provided by operating activities	(28,220)	(28,220)
Cash flows from investing activities	-	-
	<hr/>	<hr/>
Net Cash provided by investing activities	-	-
Cash flows from financing activities		
Proceeds from share issue	-	-
Payment of Prospectus costs	(120,129)	(120,129)
Repayment of Loans	-	-
Proceeds from Loans	13,287	13,287
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Net cash provided by financing activities	(106,842)	(106,842)
Net increase/(decrease) in cash held	(135,062)	(135,062)
Cash at the beginning of the period	457,090	457,090
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Cash at the end of the period	322,028	322,028