



REPORT TO SHAREHOLDERS DECEMBER 2006 QUARTER

HIGHLIGHTS

- **Agreement to purchase iron ore rights from Washington Resources Limited and thereby consolidate the Bullamine Iron Ore Project.**
- **Agreement to create a joint venture to seek uranium opportunities within a 30,000 sq km region in the Tanami (WA and NT). This joint venture includes three uranium exploration licence applications.**
- **Agreement to increase the Company's equity in the ECBMJV to 62%.**

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.

Exploration Activities

Bullamine (WA) EL 2846 (RLC 100%) Bulla JV (RLC 50%) (ELAs 2719 & 2720)

Iron : Investigations into land access continued.

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

Exploration expenditure: \$ 709

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.

Ongoing review of the region's uranium prospectivity was continued and, following the end of the period, resulted in an application for an additional tenement and agreement to joint venture a uranium search on 3 additional tenement applications and extending over a 30,000 sq km region in the Tanami with private company Elsinore Nominees Pty Ltd (the U3O8 Joint Venture).

Exploration expenditure: \$ nil

Edward Creek Base Metal Joint Venture ("ECBMJV") (SA) EL 3250 (440 sq km), ELA 355 RLC: 20%

Uranium: Continued review of the project area identified potential for unconformity-related and roll-front styles of uranium mineralization. Porous sediments of Jurassic age act as excellent aquifers and have potential to contain environments suitable for the accumulation of uranium mineralization. These sediments onlap the uranium enriched Peake and Denison Inliers along the eastern side of the project area and dip shallowly to the west. Where they onlap the Inliers these sediments are oxidised and would therefore present good aquifers for uranium bearing waters draining to the west. Pyrites has been observed within these sediments during prior drilling conducted to the west of the inliers. The presence of pyrites is an indication of a reducing environment. Oxidized ground water intersecting a reducing environment would give rise to a reduction-oxidation (REDOX) boundary. Such REDOX boundaries have potential to cause the precipitation of uranium if carried to the site by oxidized water. Uranium mineralization formed by such a mechanism is referred to as "roll-front" mineralization and deposits of such mineralization at Edward Creek are being targeted. Other styles of uranium mineralization which will be investigated include unconformity-related uranium deposits.

Anomalous mineralization (best assay: 45 ppm uranium with associated copper) has been identified in surface rock chip samples recovered in the September quarter from the War Loan South (A1) target area. Further investigation is warranted although high grade copper mineralization, associated with narrow veins, is known at sites located a few kilometres to the north and south (within EL 3250) and the presence of manganese may indicate secondary enrichment processes are responsible for the results.

Copper/Uranium//Gold:

Assay results from the drill samples submitted during the last quarter (Diamond drill hole No. HD-04 and HD-03) were received. No significant mineralization was identified in the 45 core samples submitted. This result downgrades the Herakleion target and exploration focus has shifted to the Santorini target.

The Santorini gravity anomaly is located 7.5 km south of the HD-04 site and is separate from the Herakleion gravity anomaly. The anomaly measures 3 km in diameter and rocks of SG 3.2 are modelled at a depth of 600 metres as a possible cause of the anomaly. Rocks of this density have potential to be associated with Olympic Dam style mineralization. Site preparation at Santorini is complete and a drill contractor is available to commence in March 2007 in the event that the Joint Venture partners elect to proceed.

Expenditure by Joint Venture Partners: \$ 242,975

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: \$ 127

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

Gold: Flora and fauna surveys were conducted at the Caledonian prospect but results have not been received.

Work planned includes:

- infill IP survey lines at the Caledonian Prospect to assist in siting drill holes, and
- 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: \$ 4,335

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

Gold: 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: \$ 300

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: \$ 175

Joint Venture Payment: \$ 10,000

New Project Development

Exploration expenditure: \$ nil

	RLC	JV Partners
TOTAL Expenditures on exploration for the quarter :	\$ 5,646	\$ 242,975
Joint venture payments:	\$ 10,000	

Issued Securities

at 31/12/06:

Shares	27,959,833	
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

333,333 options expired on 30/11/06

Finance

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

	\$
Operating (Income) Expenditure during the 3 month period:	
Non – exploration expenditure : general (admin, overheads, promotion, office)	18,316
Joint Venture payments – farm in (Diptank)	10,000
ECBMJV payment (income)	(30,000)
Exploration expenditure (by RLC)	5,646
Interest (Income)	(3,013)
	<u>\$ 949</u>

Financial position (see attached financial statements for details)

Assets

Cash at bank (including GST adjustment)	\$ 273,872
Term Deposits (supporting bonds lodged against exploration licences)	<u>\$ 70,000</u>
	<u>\$ 343,872</u>

Outstanding liabilities (excluding GST)

Accounts Payable (excl. amounts owing to director related parties which are included in "Non-current loans")	\$ 1,423
Non-current loans (from director related parties - repayment is deferred by agreement)	\$ 670,955 *

* 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:

Opportunity to expand the Pedestal Hill uranium project was recognised during the period and has led to substantial additional applications for tenements on the Western Australian side of the border and adjacent to the Pedestal Hill project. These applications comprise one by RLC and three by a private company, Elsinore Nominees Pty Ltd. The tenement applications together cover an area which totals 1,320 sq km. The Tanami region has attracted substantial uranium exploration in the current environment and the areas under application are considered prospective for both unconformity-related and roll-front uranium mineralization.

As part of the expansion of the Pedestal Hill project, a joint venture with Elsinore, the U3O8 Joint Venture, has been negotiated. Under the terms of the U3O8 joint venture RLC will sole fund exploration and hold a 90% interest in three Elsinore tenement applications. In addition, the joint venture will seek uranium opportunities in the surrounding 30,000 sq km.

The Bullamine Iron project remains the project most likely to deliver the earliest opportunity to commence commercial production. Work is continuing to build the database of land owners which will be critical to obtaining the necessary consents to all aspects of exploration and any subsequent development.

Subsequent to the report period the Company entered an agreement to purchase all the iron rights in the Bulla Joint Venture held by Washington Resources Limited on the day RLC's shares are listed on the ASX. The purchase will deliver to RLC 100% rights to the iron mineralization under Washington's ELA 2719 & ELA 2720 (286 sq km) thereby consolidating RLC's position at Bullamine.

The Company has also entered an agreement to buy a 42% interest in the ECBMJV and thereby build its existing 20% free carried interest in the ECBMJV to 62%, of which 20% is free carried. This agreement is subject to RLC listing on the ASX.

The December Quarter has seen the Company lay the foundations for a substantial expansion in its iron and uranium projects. The resources sector is showing considerable strength with prices for iron and gold continuing to rise and all metals trading at prices substantially higher than they were a few years ago.

G.H. Fethers
Managing Director
February 2007

For further information, please contact:
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CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2006

		\$
Current Assets		
Cash	1	344,852
Receivables	2	<u>10,886</u>
Total Current Assets		<u>355,738</u>
Total Assets		<u>355,738</u>
Current Liabilities		
Accounts Payable	3	4,924
Borrowings - Related Parties	4	<u>-</u>
Total Current Liabilities		<u>4,924</u>
Non-Current Liabilities		
Borrowings - Related Parties	4	<u>670,955</u>
Total Non- Current Liabilities		<u>670,955</u>
Total Liabilities		<u>675,879</u>
Net Assets		<u>(320,141)</u>
Equity		
Contributed Capital		7,768,957
Accumulated losses		<u>(8,089,098)</u>
Total Equity		<u>(320,141)</u>
Note 1 - Cash		
Cheque Account		45,241
RLC CMA		229,611
RLC Bonds (Term Deposits)		<u>70,000</u>
		<u>344,852</u>
Note 2 - Receivables		
Sundry Debtor		1,865
Prepayments		10,000
GST Refundable		<u>(979)</u>
		<u>10,866</u>
Note 3 - Accounts Payable		
Trade Creditors		-
Audit Fees Accrued		3,500
Other Creditors & Accruals		<u>1,423</u>
		<u>4,923</u>
Note 4 - Loans from Related Party		
Chromite Pty Ltd		514,158
Cropten Pty Ltd		115,497
Geophysical Exploration Consultants Pty Ltd		24,300
Directors		<u>17,000</u>
		<u>670,955</u>

CONSOLIDATED INCOME STATEMENT
FOR THE 6 MONTHS ENDED 31 DECEMBER 2006

	Dec 2006 Qtr	2006/07 YTD
	\$	\$
Revenue from ordinary activities	33,013	67,357
Expenses related to ordinary activities		
Administration expense	(16,725)	(26,154)
Exploration expenses	(15,646)	(30,861)
Other expenses from ordinary activities	(2,631)	(21,900)
Prospectus related costs	1,040	1,040
	<u> </u>	<u> </u>
Loss from ordinary activities before income tax expense	(949)	(10,518)
Income tax expenses relating to ordinary activities	-	-
Net Loss attributable to members of Reedy Lagoon	(949)	(10,518)
Other revenues, expenses and valuation adjustments recognised directly in equity	-	-
	<u> </u>	<u> </u>
Total change in equity other than those resulting from transactions with owners as owners recognised directly in equity	<u> (949)</u>	<u> (10,518)</u>

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

Cashflows from operating activities		
Receipts from Customers	33,000	66,000
Payments to suppliers and employees	(22,439)	(88,003)
Interest received	3,013	7,357
	<u> </u>	<u> </u>
Net cash provided by operating activities	<u> 13,574</u>	<u> (14,646)</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	-	-
Payment of Prospectus costs	-	(120,129)
Repayment of Loans	-	-
Proceeds from Loans	9,250	22,537
	<u> </u>	<u> </u>
Net cash provided by financing activities	<u> 9,250</u>	<u> (97,592)</u>
Net increase/(decrease) in cash held	22,824	(112,238)
Cash at the beginning of the period	322,028	457,090
	<u> </u>	<u> </u>
Cash at the end of the period	<u> 344,852</u>	<u> 344,852</u>