

15 December 2015

## **Shareholder update**

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Attached is a copy of a letter sent to shareholders today.

G Fethers  
COMPANY SECRETARY  
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reedylagoon.com.au

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Reedy Lagoon Corporation Limited is exploring for:  
gold in Victoria  
iron ore in Western Australia  
uranium on the Gawler Craton (South Australia)

Issued shares: 111,026,946  
Issued options: 2,700,000 unlisted (exercisable @ \$0.20)  
Share price (last traded): \$0.006  
Directors and management:  
Jonathan Hamer, Chairman, Non-Executive Director  
Geof Fethers, Managing Director, Co. Secretary  
Adrian Griffin, Non-Executive Director

15 December 2015

Dear Shareholder,

In the Age newspaper on Thursday 10 December there was an article which referred to MIN 5335, a mining tenement which RLC is interested in obtaining through an acquisition of Cassilis Mining Pty Ltd. Most of the article is not relevant to RLC or any acquisition of Cassilis Mining, but in view of some of the comments in the article, RLC is providing an update on the Cassilis project for shareholders.

RLC has entered into an agreement with Cassilis Mining and its shareholders (Robert Richter and Gary Samuel) under which Reedy Lagoon has the right to acquire Cassilis Mining. A decision by RLC to do so is dependent upon RLC being satisfied as to various matters, particularly the transfer of MIN 5335 from its present registered holder, Rocky Mining Pty Ltd (now in liquidation) to Cassilis Mining and successful evaluation of the tailings and mullock on site to determine whether processing these could provide a cash flow to fund exploration for a significant gold source in the area.

RLC's decision as to whether to exercise its rights under its agreement with Cassilis Mining and its shareholders has been frustrated by long delay in the processing of the transfer of MIN 5335 from Rocky Mining to Cassilis Mining.

The transfer process has been complicated by complaints brought against Rocky Mining by Hercules (a company owned by Mr Proelss) who has alleged that Rocky Mining and /or Starlodge owes Hercules \$700,000 for work related to the mining project at Cassilis. According to the Age article Mr Proelss seems to believe that he should be given MIN 5335 by the Mines Department as compensation for this unpaid amount. It seems likely that Hercules' interest in the fate of MIN 5335 may arise because Hercules holds an adjoining tenement which includes an adit leading to the old Cassilis mine under MIN5335.

Hercules has obtained judgements against Rocky Mining and Starlodge for \$700,000 plus costs in default of any appearance by either company. As a result of the judgements, both Rocky Mining and Starlodge have been put into liquidation, which has created further complications for the transfer of MIN 5335 to Cassilis Mining.

The liquidator appointed to Rocky Mining has sought to persuade Cassilis Mining to take Rocky Mining out of liquidation (by paying out all the creditors of Rocky Mining) on the basis that otherwise a transfer of MIN 5335 to Cassilis Mining was not possible. However, the advice given by the Mines Department to the liquidator (or, more likely, the liquidators' conclusions based on that advice) to the effect that approval of a transfer required Rocky Mining to be financial was incorrect.

The liquidator of Rocky Mining has also threatened to disclaim the mining tenement and, in the course of correspondence with Cassilis Mining about whether this would be a breach by the liquidator of the 2012 deed under which Rocky Mining sold MIN5335 to Cassilis Mining, the liquidator made the comment that the 2012 deed might be an "uncommercial agreement". This comment was reported in the article in the Age referred to above. In RLC's view the 2012 deed is not an "uncommercial agreement" and, more importantly, its status is irrelevant to the enforceability of the transfer (an uncommercial agreement can only be avoided by a liquidator if the agreement was entered into, or an act was done for the purpose of giving effect to it, within 2 years before the liquidator's appointment). The transfer under the 2012 Deed was lodged with the Mines Department in February 2013.

RLC has requested the Victorian government to review the Mining Department's delay in processing the 2013 transfer application. Recent discussions with the Department have given RLC reason to believe that the transfer will be processed shortly without regard to irrelevant considerations such as the financial capacity of Rocky Mining or the claims of Hercules that it should be given the licence.

Once the transfer of MIN5335 is approved, the various complaints, claims and manoeuvrings by persons having or seeking an interest in MIN 5335 should cease to impede completion of the acquisition of the Cassilis project by RLC. However, RLC still needs to do the work necessary to determine the grades and estimated quantities of recoverable gold in the mullock dumps before completing any acquisition. The expenditure by others on or in relation to the mining lease in the past indicates that those persons clearly believe that there is value in the tenement.

Geof Fethers  
Managing Director