



# Quarterly Report

25 July 2011

## QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2011

### Corporate Activities

During the June quarterly period the Company placed 5.0 million fully paid ordinary shares at \$0.90 per share to sophisticated investor clients of Azure Capital Limited.

The issue raised \$4.23 million after costs. Cash on hand at the end of the period was \$5.77 million and total FPO shares on issue increased to 72,958,996. There were no options on issue at 30 June 2011.

### Operations Report

#### Lake Disappointment Potash Project – Western Australia

In 2007, Reward Minerals announced a JORC compliant Indicated Resource of 24.4 million tonnes of Potassium Sulfate (Sulfate of Potash – SOP) within Lake Disappointment in the north west of Western Australia.

Lake Disappointment lies wholly within the Martu Lands Determination Area. Although the Company executed a Term sheet agreement with the Martu, Traditional Owner representative body WDLAC in March 2008, the execution of a Mining Agreement was not achieved at that time and the Lake Disappointment Potash project has remained dormant since then.

In the intervening period, the Company made several approaches to Western Desert Lands Aboriginal Corporation (WDLAC) to assess the possibility of resumption of talks relating to the project. Late in 2010, WDLAC on behalf of the Martu people agreed to hold preliminary discussions. These discussions have developed into negotiations as to terms Reward proposes for development of the Lake Disappointment project for consideration by WDLAC and the Martu Traditional Owners.

This has been done by the Company in the form of a Costs Agreement and Terms offer. Receipt of this documentation was acknowledged by WDLAC in March 2011 and announced to the Market on 1 April 2011. As mentioned in the April 1 announcement, WDLAC needs to properly consult with and seek approval of Martu Traditional Owners prior to entering any binding commitments.

In April 2011, the WDLAC Board comprising 15 Martu representatives agreed to call an on-country meeting for Martu Traditional Owners and authorised representatives to consider and provide their views on the Reward proposals for development of the Lake Disappointment project. A meeting was held on-country at Camp 3 late in June 2011 with the Lake Disappointment project being discussed on 25 June 2011.

### **Lake Disappointment Potash Project – Western Australia continued**

While the June 2011 on-country meeting was called to present and consider the Lake Disappointment project, it was not designed to formally decide on and resolve the issue at the time. However, an informal assessment of the views of the Martu and authorised representatives was called for by senior Traditional Owners at the meeting, this indicated that a majority of those present were in favour of project development on terms along the lines proposed by Reward Minerals Ltd.

Consequently, WDLAC has requested that Reward prepare draft Mining and Indigenous Land Use/Agreements for consideration by WDLAC and the Martu with the aim of presenting a resolution to determine the issue at the Annual General Meeting to be held in early September 2011. The draft documents are currently in preparation.

### **Lake Mackay Potash Project, Western Australia**

Lake MacKay is a modern, playa lake with a surface area of over 2,250km<sup>2</sup>. The Lake is situated in the Gibson Desert, straddling the Western Australia – Northern Territory border, 50 kilometres north of the Tropic of Capricorn. Reward Minerals has delineated a JORC compliant, Inferred Resource at Lake Mackay as follows:

**4,780,400,000 BCM\* at 4.3kg of K<sub>2</sub>SO<sub>4</sub> (SOP) per BCM for a total of 20.56 Million Tonnes of K<sub>2</sub>SO<sub>4</sub>**

The resource estimate was calculated on the basis of lakebed sediment volume (BCM) from surface to a depth of two metres and the water soluble potassium sulphate content of these sediments located within the Company's tenement holdings at Lake Mackay.

The next stage of development at Lake MacKay will involve infill drilling, construction of pilot ponds and pump testing as well as flow sheet development for the preparation of a project feasibility study.

Prior to committing to this phase the Company has engaged in discussions with Tjambu Tjambu people and other Traditional Owner groups aimed at reaching agreement on terms which would be acceptable for development to proceed at Lake Mackay in the event feasibility analysis proved favourable.

Following successful meetings with the Tjambu Tjambu people and other Traditional Owner groups, who indicated strong interest in the project, a Negotiation Protocol was executed and a TO Negotiation Committee was appointed. Several meetings were held with the representative body, the Central Desert (CDNTS). Unfortunately time lines indicated by CDNTS for moving towards execution of a Mining Agreement are less than encouraging and no definitive time line can be provided for the next phase of the Lake Mackay project.

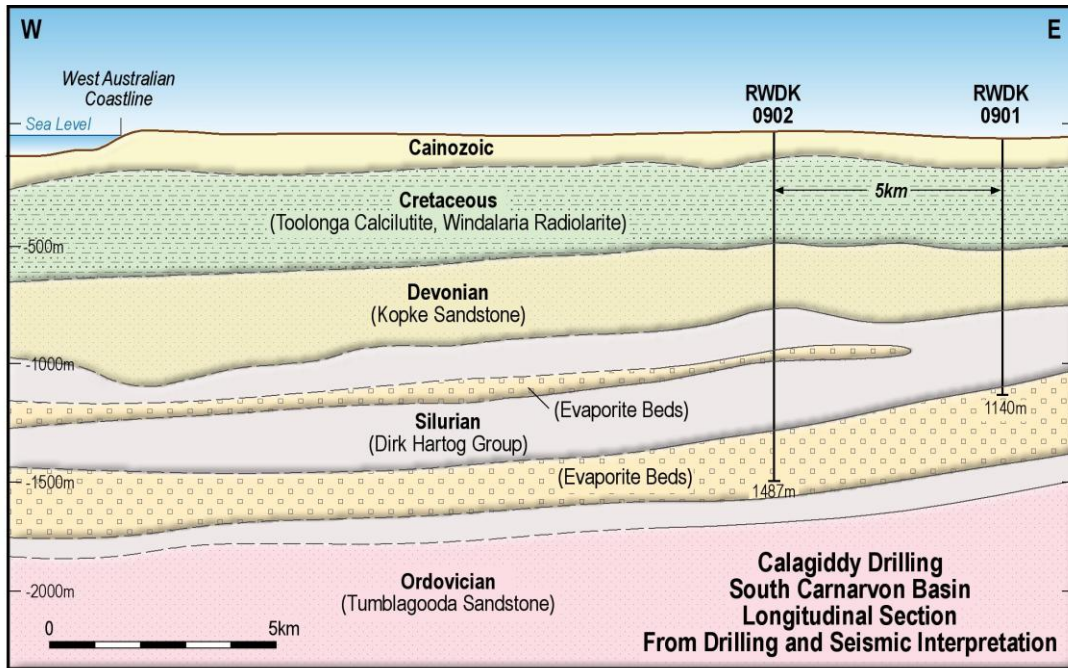
### **Carnarvon Basin Potash Project – Western Australia**

During the December quarter 2009, the Company completed drill hole RWDK0902 approximately 55 kilometres east south east of Carnarvon and 45 kilometres east of the coast (15 kilometres due south of Carnarvon). Although evaporites from this and earlier holes in this program contained only low levels of Potassium, the presence of combined water soluble evaporite intercepts of over 100 metres within the Yaringa Evaporite member of the Dirk Hartog Formation which so far spans over 300 metres in thickness in RWDK0902 in combination with (limited) available seismic data, suggest that a substantial evaporite basin exists within Reward's South Carnarvon tenements. Examination of the stratigraphy in the three holes drilled to date also suggests that the evaporite horizon has a shallow dip to the west and thickens in a westerly direction toward the WA coastline (see Figure 1).

**Carnarvon Basin Potash Project – Western Australia continued**

The seismic data also suggests that the low point of the Dirk Hartog Formation in an east west direction is close to the WA coastline. Assuming that evaporite deposition has proceeded to the Potash crystallisation stage and remained undisturbed, Potash minerals should be located at the low point of the evaporite basin – possibly between the area drilled and the coastline. Reward’s tenement holdings cover this area. The Company has received the requisite statutory approvals for the drilling of a further hole 25 kilometres south west of RWDK0902 some 6 kilometres from the WA coastline. A decision on drilling of this hole will be made shortly.

**Figure 1: Carnarvon Basin Drill Section, WA**

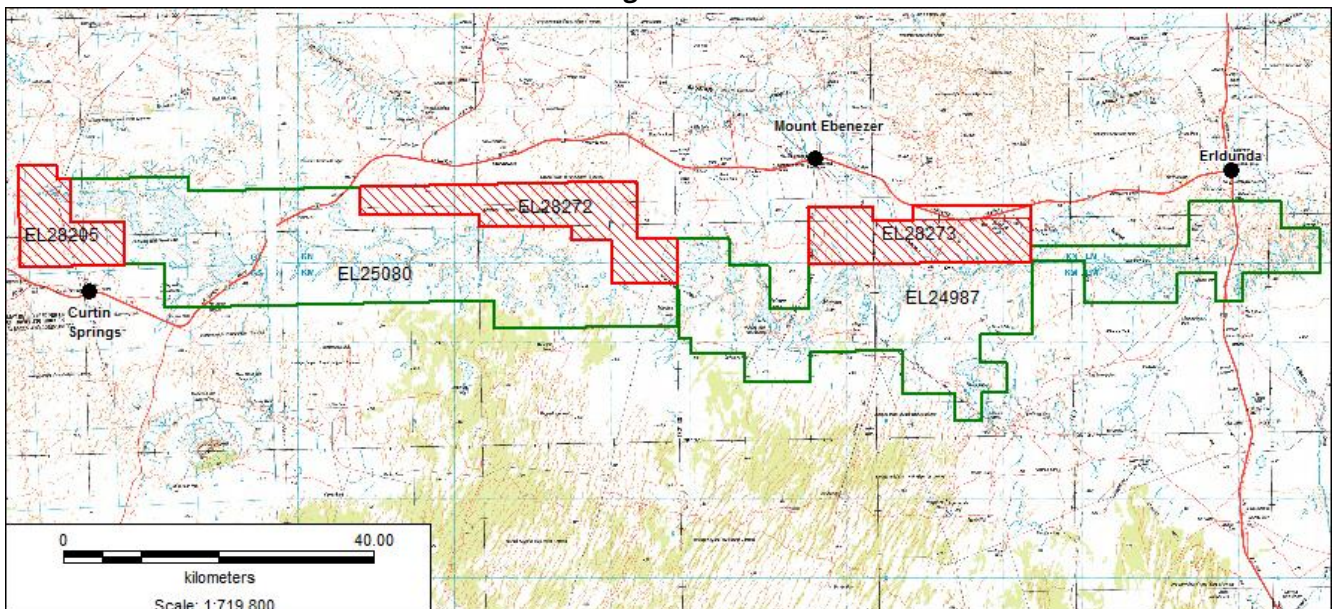


**Karinga Lakes, NT Potash Project**

**Rum Jungle Resources Ltd (RUM) | Reward Minerals Ltd (RWD) 50:50 Joint Venture**

The Karinga Lakes project comprises five Exploration Licences covering 1,823km<sup>2</sup> of playa lakes 150 kilometres south of Alice Springs, NT, which appear to be an extension of the Lake Amadeus paleo drainage system (Figure 2). The Eastern margin of the system of evaporite and salt lake deposits transects the Stuart Highway and the Central Australian Railway (Figures 2 and 3).

**Figure 2**



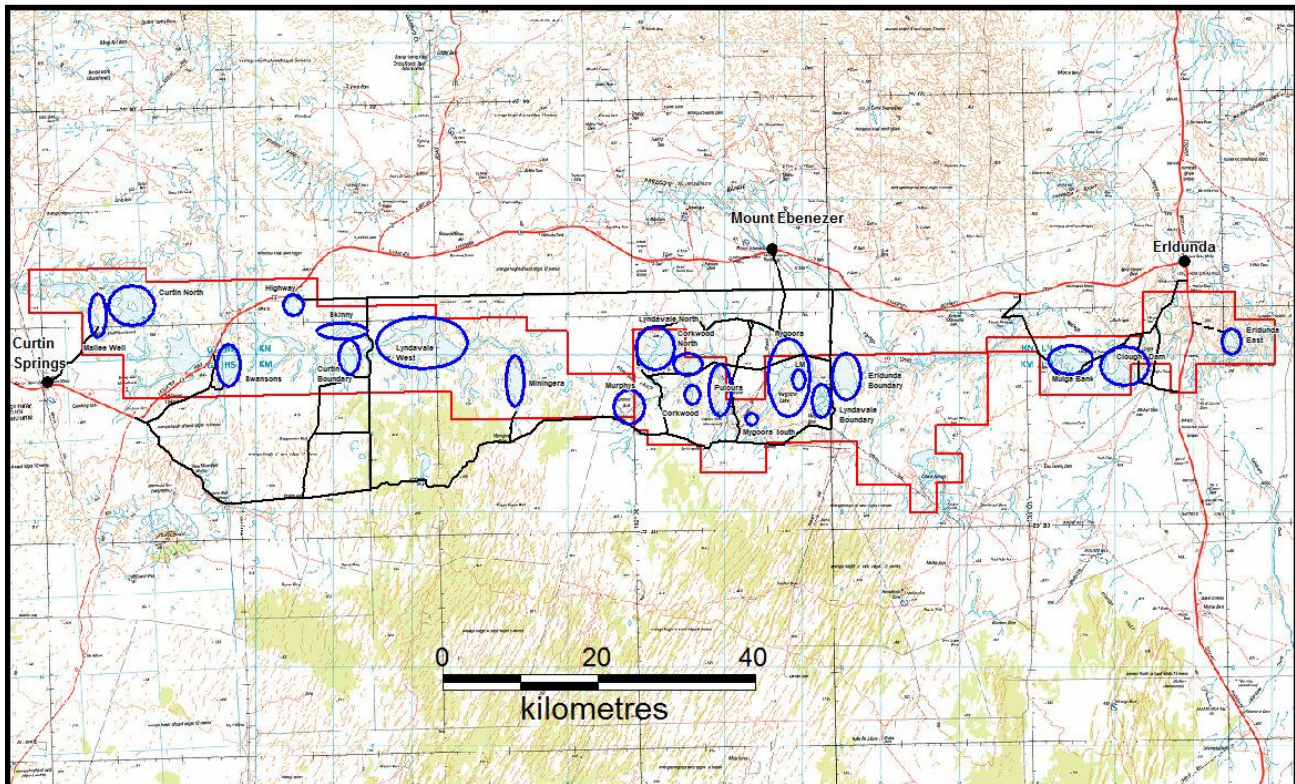
**Karinga Lakes, NT Potash Project**

**Rum Jungle Resources Ltd (RUM) | Reward Minerals Ltd (RWD) 50:50 Joint Venture continued**

RUM as manager of the JV has previously conducted comprehensive sampling over the tenement area and playa system. Samples from the sites indicated in Figure 2 and submitted them for analysis.

Potassium values ranged from 1800 ppm (0.18%) to 11000 ppm (1.1%) with an average 4777 ppm (4.7kg per m<sup>3</sup>) (0.47%). The average sulphate content of all samples was 31404 ppm (3.14%), thereby confirming the high sulfate nature of the brines. The average potassium content observed translates to 10.6kg of SOP per m<sup>3</sup> of brine. Typical brine composition values are provided in Table 1. The grades compare favourably with other significant occurrences as outlined in the tables below demonstrating similar molecular ratios in brines from four lake clusters at Karinga vs Lake Disappointment in WA and Great Salt Lake (USA) hence their potential to produce Schoenite K<sub>2</sub>SO<sub>4</sub> MgSO<sub>4</sub> 6H<sub>2</sub>O and potassium sulfate K<sub>2</sub>SO<sub>4</sub> (SOP) (Table 2).

**Figure 3: Location of Karinga Playa Lake System**



**Table 1**  
**Potassium Magnesium and Sulfate analyses for selected Karinga Lakes Brines**

Sample	K (mg/L)	Mg (mg/L)	SO <sub>4</sub> (mg/L)	Lake
122289	8000	9392	30842	Mallee Well East
122286	7700	11786	40872	Mallee Well East
122293	7500	8785	41803	Curtin West
122281	7700	17989	39008	Island Lake 5
122277	7100	10161	37766	Island Lake 3

**Karinga Lakes, NT Potash Project**

**Rum Jungle Resources Ltd (RUM) | Reward Minerals Ltd (RWD) 50:50 Joint Venture continued**

**Table 2**

**Mole percent ratios of key elements. Comparison of Karinga brines to Lake Disappointment (WA) and Great Salt Lake production area Utah (USA)**

Mole Percent Ratios	K <sub>2</sub>	Mg	SO <sub>4</sub>
Cluster 1 Amadeus	9.57	41.00	49.47
Miningera Amadeus	15.40	30.25	54.34
Cluster 2 Amadeus	7.94	47.72	44.34
Cluster 3 Amadeus	9.74	42.98	47.28
Lake Disappointment	11.92	42.06	46.03
Great Salt Lake US	10.70	55.40	33.90

Joint Venture Manager, RUM, has outlined an extensive drilling program in the 2011 field season aimed at providing preliminary Potassium/Magnesium resource data for the Karinga Lakes project (See RUM June 2011 Quarterly Report).

Reward Minerals Ltd currently holds a 50% interest in the Karinga Lakes project. However, due to anticipated commitments on its other Potash projects, Reward has elected not to contribute to the Year 2011 exploration at Karinga Lakes. As a consequence Reward will dilute its interest below 50% to a level dependent on future expenditure solely incurred by RUM.

Reward will continue to provide technical support to the Joint Venture.

**Adavale Potash Prospect – Queensland**

The Adavale prospect area is known to host a very large salt deposit which in some areas contains significant potash values (Potassium Chloride – MOP). The project area is near the coal mining site of Blackall 600km inland from Gladstone. In addition to their Potash potential the Adavale deposits could readily provide salt for the manufacture of caustic soda which is utilised in substantial quantities at the Gladstone Alumina operations of Comalco Ltd. Data available suggests that annual imports of caustic soda to Gladstone are of the order of 1.5 million tonnes at a cost in excess of \$500 million.

Reward's Adavale Potash Project tenements are over Freehold land. The Company had executed access agreements with holders of the two pastoral leases covering the Adavale prospect area and received clearance from the Queensland Department of Mines & Energy. During the March quarter, in line with recent legislation, Reward sought Heritage clearance for the two drill sites from the relevant Traditional Owners (Bidjara 3) of the area. The initial Work Programme documentation has been sent to the Bidjara representative body, the Queensland South Native Services, to be presented at a meeting in Charleville followed by a visit to the site of the proposed drilling shortly thereafter.

The resultant delay of Heritage clearance for the proposed drill hole (Bury 1A), the access agreements with the Freehold Title Owners have now expired and are currently being renewed. The Company is also presently involved in negotiations with several parties interested in farming in to the Adavale prospect tenements. The Company will advise the Market and Shareholders should these negotiations result in a satisfactory outcome.

We advise in accordance with ASX Limited Listing Rules 5(6) that the exploration results contained within this ASX Release is based on information compiled by Mr. Nigel Cranley who is a member of the Australian Institute of Mining and Metallurgy. Mr. Cranley is a consultant to Reward Minerals Ltd and has consented in writing to the inclusion in this ASX Release of matter based on the information so compiled by him in the form and context in which it appears. Mr. Cranley has sufficient experience relevant to the style of mineralisation and type of deposit under consideration to be qualified as a Competent Person as defined by the 2004 Edition of the "Australian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10, 30/06/11.

Name of entity

**Reward Minerals Ltd**

ABN

**50 009 173 602**

Quarter ended ("current quarter")

**30 June 2011**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors		7
1.2 Payments for (a) exploration & evaluation	(382)	(477)
(b) development	-	-
(c) production	-	-
(d) administration	(230)	(374)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	16	55
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(56)	(35)
1.8 Native title costs		(90)
<b>Net Operating Cash Flows</b>	<b>(652)</b>	<b>(914)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	5	5
(c) other fixed assets	-	-
1.10 Loans to other entities	-	(230)
1.11 Loans repaid by other entities	480	480
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>485</b>	<b>255</b>
1.13 Total operating and investing cash flows (carried forward)	(167)	(659)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(167)	(659)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	4,500	4,500
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (capital raising costs)	(270)	(270)
<b>Net financing cash flows</b>		4,230	4,230
<b>Net increase (decrease) in cash held</b>		4,063	3,571
1.20	Cash at beginning of quarter/year to date	1,709	2,201
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>5,772</b>	<b>5,772</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	49
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Director's fees and consulting fees paid at commercial rates.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
4.3 Production	-
4.4 Administration	300
<b>Total</b>	<b>500</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	522	459
5.2 Deposits at call	5,250	1,250
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>5,772</b>	<b>1,709</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	None		
6.2	Interests in mining tenements acquired or increased	None		

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	72,958,996	72,958,996	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,000,000	5,000,000	90	90
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:   
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Ross Paterson  
Company Secretary

Date: 19 July 2011

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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