



31 January 2011

QUARTERLY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2010

Operations Report

Lake Mackay Potash Project, Western Australia

Lake Mackay is a modern, playa lake with a surface area of over 2,250km². 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 K₂SO₄ (SOP) per BCM for a total of 20.56 Million Tonnes of K₂SO₄

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 Tjamu Tjamu 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.

On 8th November, Company representatives attended an on-country meeting at Kiwirrkurra to discuss the Lake Mackay project with the Tjamu Tjamu and other aboriginal stakeholders from Balgo, Kintor and Papunya and with the authorised Negotiating Committee for further discussions. The meeting was coordinated by Central Desert Native Title Services. In respect of a Mining Agreement for a Potash recovery operation at Lake Mackay, an outline of essential terms of such an agreement have been proposed by Reward and presented to the Committee.

In the meantime, the Company is preparing additional presentation material to provide the Tjamu Tjamu people with better understanding of the project and its effect on their lands and social environment. CDNTS are coordinating a base line heritage study of areas likely to be affected by Rewards' activities both pilot and development scale at Lake Mackay. The Company is gathering cost quotations for a desk top study into the likely environmental parameters and assessment level of a Potash development at Lake Mackay.

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.

The Company executed a Term Sheet agreement applicable to mining of the resource with the Martu Traditional Owners in March 2008. However, execution of a follow up Mining Agreement and Indigenous Land Use Agreement were not achieved and the project has remained dormant since 2008.

Reward Minerals Ltd has continued its endeavors to move the project forward as it is of the view that many of the Martu people are in favour of development provided an acceptable Heritage and commercial agreement can be reached. In this context the Company has approached the Martu via the Western Desert Lands Aboriginal Corporation for their views on resumption of negotiations. Some encouragement has been forthcoming but no significant progress to the time of reporting.

The Company is maintaining the Lake Disappointment Exploration Licences and continuing with metallurgical testwork required for future production of potassium sulfate from Lake Disappointment and Lake Mackay.

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).

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.

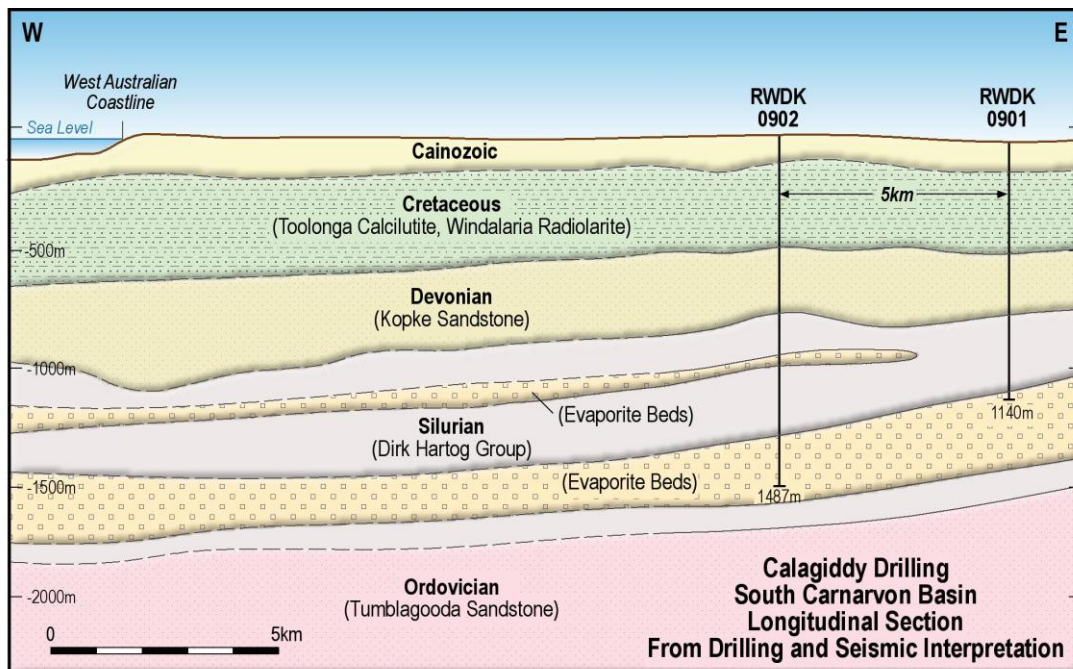


Figure 1: Carnarvon Basin Drill Section, WA

Karinga Lakes, NT Potash Project
Rum Jungle Resources Ltd (RUM) | Reward Minerals Ltd (RWD) 50:50 Joint Venture

During the quarter, Joint Venture partner Rum Jungle Minerals Ltd reported that assay results from the two Air Core drilling programs have been received and sampling of brines from shallow costeans highlight significant potassium, magnesium and sulphate levels in aquifers surrounding the Karinga Creek salt lakes. These results are significant in that they show the spring water recharging the lakes is relatively high in key minerals as it enters the lakes where it evaporates to near saturation levels.

The diagenetic clays are enriched in potassium minerals via entrained brine and which are widespread throughout the entire project area may also be amenable to a washing/leaching process to extract potassium minerals.

Table 1
Highlight Water Assays from Air Core Drill Holes

Sample Number	SG	TDS mg/L	Na mg/L	K mg/L	Mg mg/L	SO ₄ mg/L	Cl mg/L
KPB8	1.076	102,238	30,000	1,600	2,940	13,573	53,190
KPB14	1.065	84,073	24,000	1,140	3,026	12,906	42,552
KPB15	1.089	123,847	33,000	1,500	3,767	21,092	63,828
KPB18	1.052	61,815	19,200	2,200	2,479	8,044	28,368
KPB19	1.054	64,353	19,000	2,200	1,519	15,095	24,822
KPB20	1.062	78,812	22,000	2,000	2,820	18,573	31,914
KPB51	1.074	98,425	44,000	2,200	2,431	13,310	35,460

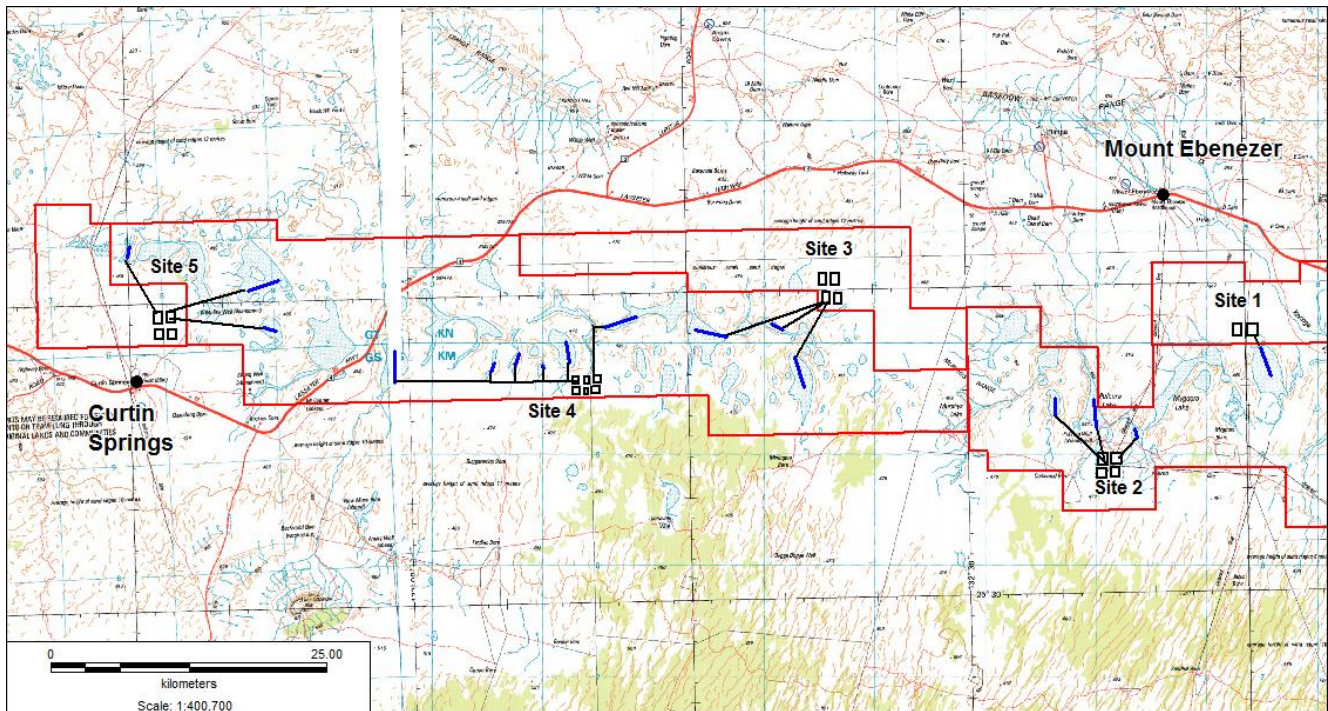
During early December, pump flow testing was carried out on four trenches on selected salt lakes and recharge rates calculated. The Joint Venture is extremely pleased with recharge rates obtained even though the trenches for logistical reasons were located on the outer edge and surrounds of the salt lakes where recharge is expected to be significantly less than the central parts of the lakes. The wetter middle parts of the lakes will be tested in 2011 once roads are constructed on the lakes to allow excavator access without getting bogged. Results of the costean brine assays are yet to be received but are expected to be considerably higher in salinity (TDS) and Potash minerals than the Air Core hole samples shown in Table 1.

The Joint Venture will ramp up exploration in 2011 to include resource drilling with a helicopter supported vibracore drill rig. The Joint Venture will also commence process route testing for potassium sulphate and schoenite bench scale production trials. Baseline environmental surveys and hydrological assessment will also commence. A number of sites will also be selected for trenching and pumping to trial production ponds.

In-house resource calculations are currently being made for potassium sulphate and schoenite output potential using known lake dimensions, 2m brine thickness and assumed brine content based on assay results on brine samples now available.

Based on exploration results from 2010 five potential potassium salt production sites have been selected with varying numbers of salt lakes at each site. Production trenches will be dug into the salt lakes with brine then pumped to solar evaporation ponds at each site.

Potential Production Sites (production trenches in blue, pipelines in black)



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 December quarter, in line with recent legislation, Reward sought Heritage clearance for the two drill sites from the relevant Traditional Owners of the area. The Company has been advised that the Bidjara people wish to invoke Native Title Protection Conditions (NTPC’s) over all three of Reward’s tenements.

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.

Name of entity

Reward Minerals Ltd

ABN

50 009 173 602

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(166)	(558)
(b) development	-	-
(c) production	-	-
(d) administration	(51)	(307)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	39	133
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(20)	14
1.8 Native title costs	(2)	(148)
Net Operating Cash Flows	(200)	(866)
Cash flows related to investing activities		
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	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	(250)	(250)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(250)	(250)
1.13 Total operating and investing cash flows (carried forward)	(450)	(1,116)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(450)	(1116)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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 (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(450)	(1,116)
1.20	Cash at beginning of quarter/year to date	2,651	3,317
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,201	2,201

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	16
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	100
4.2 Development	-
4.3 Production	-
4.4 Administration	250
Total	350

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	951	301
5.2 Deposits at call	1,250	2,350
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,201	2,651

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			
6.2	Interests in mining tenements acquired or increased			

+ 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 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	67,958,996	67,958,996	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <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 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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: Date: 28 January 2011
Michael Ruane
Director

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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