



January 2012

QUARTERLY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2011

Operations Report

► Lake Disappointment Potash Project – Western Australia

Mining and Indigenous Land Use Agreement (ILUA) executed.

On 20 December 2011, a Special General Meeting of Martu people was held at Parngurr to vote on the Resolution to approve or disapprove a Mining and Indigenous Land Use Agreement between the Martu representative body, Western Desert Lands Aboriginal Corporation (WDLAC) and Reward Minerals Ltd for recovery of Potash from Lake Disappointment.

The Martu members present voted in favour of the Agreement. A Members Certificate required for registration of the Agreement as an ILUA was signed by the Martu Common Law Holders present.

Following the favourable vote at the SGM on 20 December 2011, the respective legal teams finalised the Agreement documentation and on 23 December 2011, the Lake Disappointment Mining and Indigenous Land Use Agreement was executed in Perth by WDLAC and Reward Minerals Ltd with Chairman Brian Sampson and Deputy Chairman Teddy Biljabu signing on behalf of WDLAC and Colin McCavana and Michael Ruane signing on behalf of Reward Minerals Ltd.

The Company believes that the Lake Disappointment Agreement is a landmark agreement between a mining company and Aboriginal landowners covering a site of high Cultural and Heritage significance.

The Agreement provides significant commercial benefits for the Martu people including milestone cash payments, a royalty on production and equity in Reward Minerals Ltd via stock options. The Agreement also provides undertakings by the Company in respect of Martu Cultural and Heritage matters, Martu training, employment and business (eg contracting) opportunities. Some essential elements of the Agreement were outlined in the Company's ASX release of 23 December 2011.

Reward is looking forward to developing a strong working relationship with WDLAC and the Martu which will assist in expediting commercial production of Potash from the Lake Disappointment resource.

The Company will undertake a Heritage Clearance Survey as early as possible in 2012 to accurately define the operating and non disturbance areas of Lake Disappointment so that the infill drilling and pilot scale pumping/evaporation trials can commence as soon as Section 18 and other statutory approvals are granted (DMP etc). The Company is now seeking new staff and technical advisors to recommence activities on the Lake Disappointment Project.

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

As shareholders are aware the achievement of an agreement with the Martu people in respect of Lake Disappointment has been a long and complex process for all parties. Lake Disappointment is a site of great significance to Martu people and consequently the ability of Martu to make a fully informed consensus decision to allow entry and Potash recovery from the lake has required careful deliberation and much discussion between respective Martu groups. Reward expresses its appreciation of the very positive and constructive manner in which the Martu people have approached the negotiation process and for the concessions offered by Martu aimed at improving the project feasibility and potential.

▶ **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 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.

The Tjamu Tjamu people and other Traditional Owner groups 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 Central Desert Native Title Services (CDNTS).

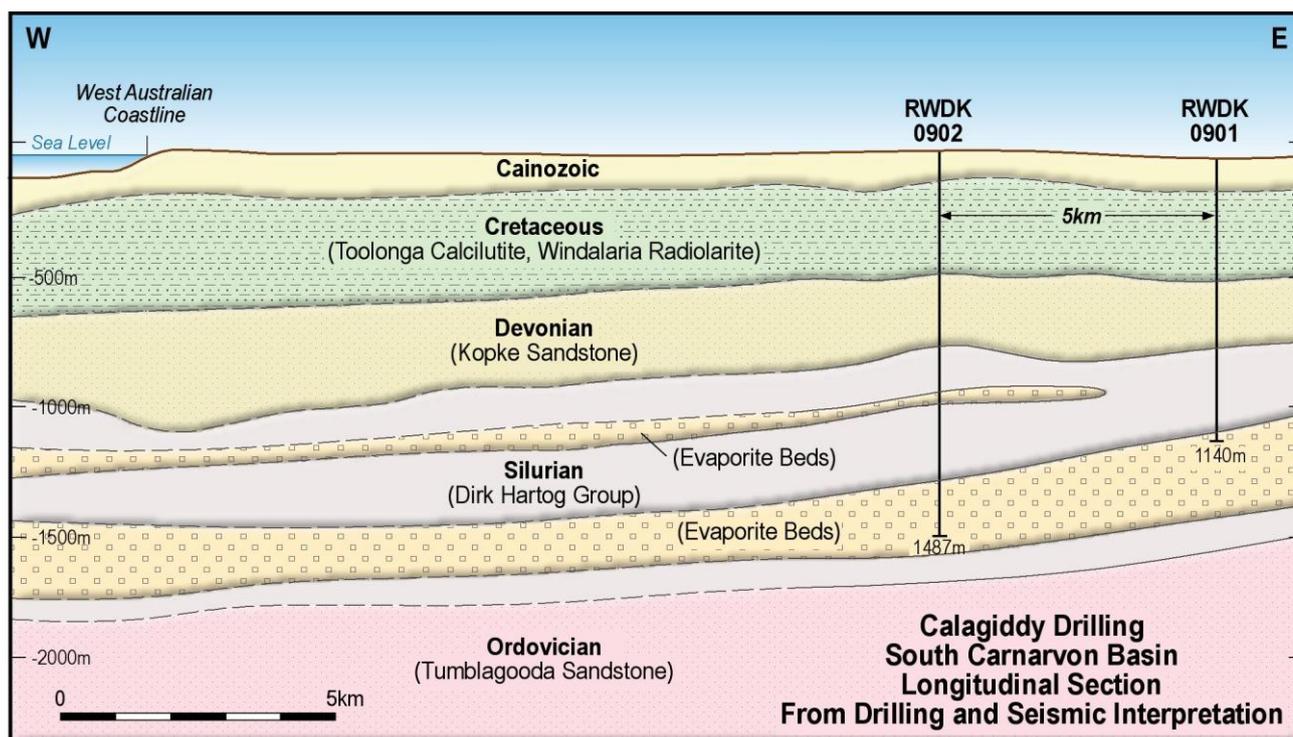
Unfortunately, the two year timeline and cost structure proposed by CDNTS for negotiating a Mining Agreement are unacceptable to Reward. The Company believes that the timeline and costs proposed are unrealistic, particularly in view of the strong interest from the Tjamu Tjamu in advancing the negotiations on the project expeditiously. Consequently, no definitive timeline can be provided for the next phase of development of the Lake Mackay project.

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

During 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 are 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) Joint Venture. (RUM 71% – RWD 29%)

The Karinga Lakes project comprises five Exploration Licences covering 1,801km² 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 – applications hachured). The Eastern margin of the system of evaporite and salt lake deposits transects the Stuart Highway and the Central Australian Railway (Figure 2). In view of commitments to its other projects Reward elected not to contribute to the previous annual expenditure on the Karinga Lakes Project and consequently has diluted its current interest to 29%.

► **Karinga Lakes, NT Potash Project continued**

The 2011 drilling campaign was completed in the Karinga Creek Lakes Potash Project during the quarter with the drilling of a further 55 holes for 174.25m, with an average depth of 3.2m. Drilling has confirmed that brine is hosted in the Cainozoic lake sediments, the underlying fractured/weathered Devonian siltstone, or both one atop the other. Lyndavale West Lake sediments which are about 3.5m thick are the most encouraging of the lake sediments, but the brine geochemistry from core samples is yet to be determined. The fractured siltstone aquifer below the clay layer was found to be widespread and was intersected under many of the lakes (eg Eridunda Boundary, Pulcura, Corkwood North, Miningere, Curtin Boundary, Skinny and Curtin Island). A dozen piezometers were installed to enable pump testing and sampling of brines from both aquifers. Brine assays were very encouraging with peak values of 8,900mg/l potassium, 22,000mg/l magnesium and 79,000mg/l sulfate being the highest recorded in the project to date.

Figure 2: The Eastern margin of the system of evaporite and salt lake deposits transects the Stuart Highway and the Central Australian Railway

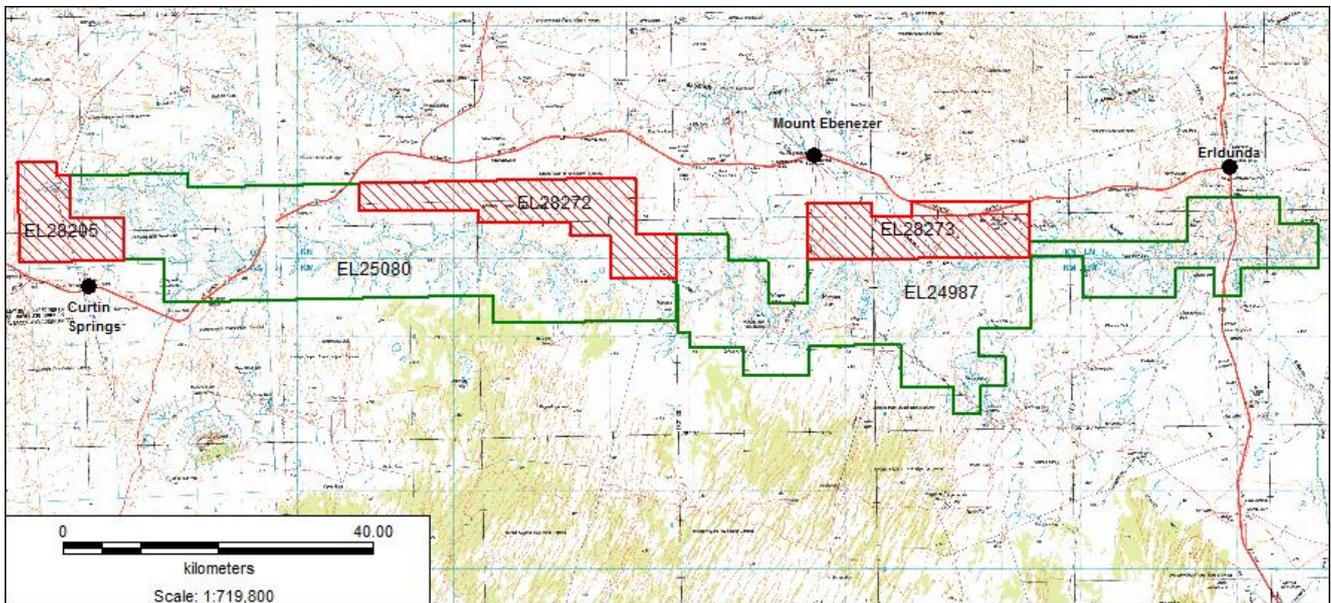
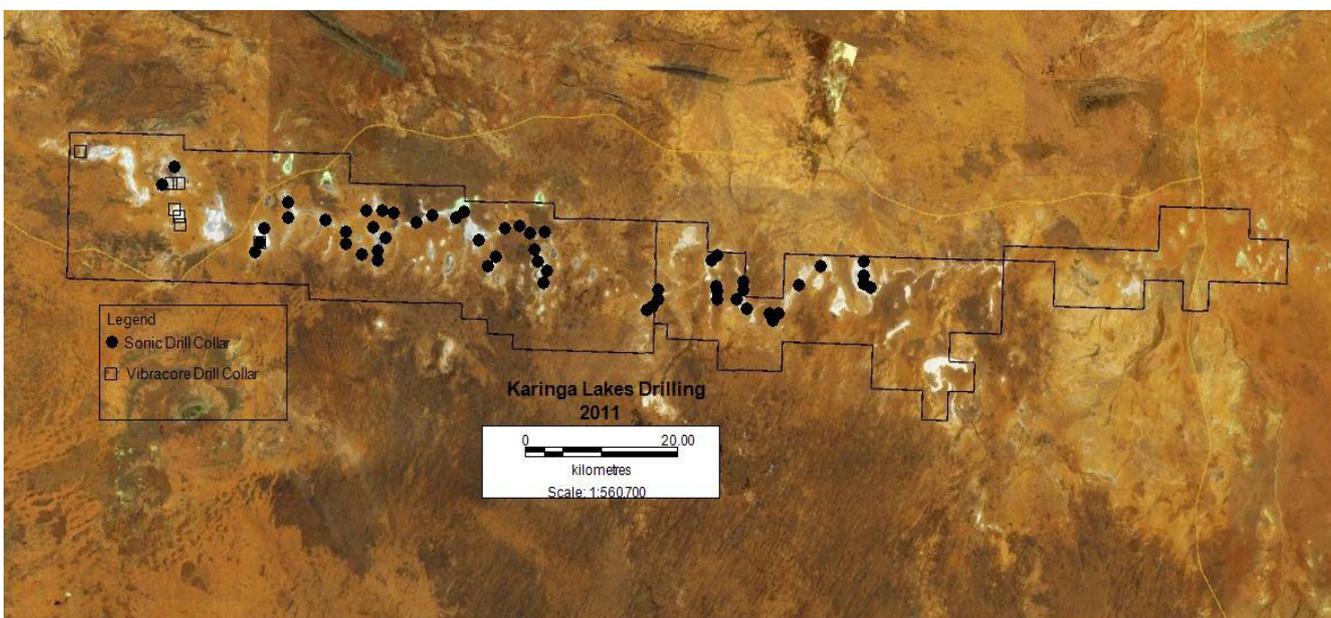


Figure 3: All vibracore and sonic core drill holes to date in the Karinga Lakes Project



▶ **Karinga Lakes, NT Potash Project continued**

The cores from the 2011 drilling, currently stored in the Department of Resources cool room in Darwin, were prepared for assay during the quarter. Samples from the cores are now ready for attritioning, settling and sub-sampling in January 2012. GEOS Mining has been engaged to undertake a JORC Resource estimation which should be available in the first quarter of 2012 or shortly thereafter.

▶ **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.

The resultant delay of Heritage clearance for the proposed drill hole (Bury 1A), the access agreements with the Freehold Title Owners need to be renegotiated. 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 2011

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|----------------------------|--|
| 1.1 Receipts from product sales and related debtors | - | 7 |
| 1.2 Payments for (a) exploration & evaluation | (88) | (947) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (339) | (835) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 115 | 233 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) | 59 | 45 |
| 1.8 Native title costs | (990) | (1,080) |
| Net Operating Cash Flows | (1,243) | (2,577) |
| 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 | - | 5 |
| (c) other fixed assets | - | - |
| 1.10 Loans to other entities | - | (230) |
| 1.11 Loans repaid by other entities | - | 480 |
| 1.12 Other (provide details if material) | - | - |
| Net investing cash flows | 0 | 255 |
| 1.13 Total operating and investing cash flows (carried forward) | (1,243) | (2,322) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|----------------|--------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (1,243) | (2,322) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | 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) |
| | Net financing cash flows | 0 | 4,230 |
| | Net increase (decrease) in cash held | (1,243) | 1,908 |
| 1.20 | Cash at beginning of quarter/year to date | 5,352 | 2,201 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 4,109 | 4,109 |

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 | 250 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 250 |
| Total | 500 |

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 | 205 | 1,352 |
| 5.2 Deposits at call | 4,005 | 4,000 |
| 5.3 Bank overdraft | (101) | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 4,109 | 5,352 |

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 | E69/2391 | Surrendered | 100% | 0% |
| | E69/2392 | Surrendered | 100% | 0% |
| | E09/1565 | Surrendered | 100% | 0% |
| 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 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 | 72,958,996 | 72,958,996 | - | - |
| 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> | Unlisted Directors Options 3,000,000 | Unlisted Directors Options 3,000,000 | <i>Exercise price</i> \$0.50 | <i>Expiry date</i> 31 August 2014 |
| 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:


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Ross Paterson
Company Secretary

Date: 23 January 2012

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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