Reward Minerals Limited

ABN 50 009 173 602
ACN 009 173 602

ANNUAL REPORT
31 DECEMBER 2005

Contents

Company Particulars

Directors
Geoffrey E Lambert
Cyrille J Van Heyst
William P Brooks
Michael Ruane

Company Secretary
John Sendziuk

Registered Office and Principal Place of Business
Level 1
10 Stirling Highway
NEDLANDS WA 6009
Telephone: 08 9386 4699
Facsimile: 08 9386 9473

Solicitors
Fairweather & Lemonis
Level 9
172 St George's Terrace
PERTH WA 6000
Telephone: 08 9420 5000
Facsimile: 08 9420 5001

Share Registry
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone : 08 9315 0933
Facsimile: 08 9315 2233

Auditors
Horwath Audit (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
Telephone: 08 9380 8400
Facsimile: 08 9380 8499

Principal Banker
ANZ
Allendale Square
77 St George's Terrace
PERTH WA 6000

Chairman's Letter

Dear Shareholder

Year 2005 has been a busy and exciting annual period for your Company.

During the year the Company obtained excellent drilling results from its first campaign of drilling at the Gabanintha Project near Meekatharra, Western Australia. A resource of 511,000 tonnes grading 4.35g/t gold has been established at the Yagahong North prospect at Gabanintha. This includes a high grade section of approximately 150,000 tonnes grading 11-12 g/t of gold. A number of other attractive targets have been identified at Gabanintha including possible repetitions or extensions of the Yagahong mineralisation. Drilling will recommence on these targets shortly with the start of the new field season.

Exploration at the Company's Jervois Project has been limited this year by problems of obtaining suitable drilling equipment in the Northern Territory and also by the termination of a proposed farm in to the project by a potential partner. However, a new extensive programme of RC and Core drilling has been set out for the coming field season by the exploration team. This programme is due to commence in early March. The campaign will test several new major targets at Jervois and will also attempt to significantly expand the dimensions of known mineralisation in others. The Company is looking forward to an exciting year for this very promising project.

In August 2005 the Company announced that it had obtained the right to acquire 100% interest in a large portfolio of exploration tenements which are highly prospective for Potash mineralisation. In January 2006 shareholders approved the acquisition of the tenement package comprising 25 Exploration Licences covering 8,800km^2. The acquisition cost was $200,000.

Follow up investigations during the period leading up to shareholder approval at the instigation of the vendor led to the Company applying for a further eight Exploration Licences covering a number of salt lake systems in Australia including the Lake Disappointment – Lake Auld system located in the Western Desert area of WA.

Preliminary sampling of Lake Disappointment has indicated potential for a large resource of potassium sulphate (SOP) rich brine similar in composition to brine of Great Salt Lake Utah which is a major producer of SOP in the USA.

The project is particularly exciting for the Company as Australia is a major importer of Potash chemicals used in agriculture. Currently imports of Potash to Australia exceed 400,000 tonnes per annum with a value at the retail level in excess of $200 million. There are no domestic producers of Potash or known resources of significance in Australia at the present time. For further particulars in respect of this major project I refer you to the Operations Report section of this Annual Report and to the Information Memorandum which accompanied the Notice of Meeting to shareholders seeking approval of the Potash Tenements acquisition.

Approval for the acquisition was cleared at the 17 January 2006 meeting and the Company is now vigorously pursuing activities required to advance this project to commercial reality aimed at establishing Reward Minerals Ltd as the first producer of potash chemicals in Australia. These are exciting times for your Company.

The Board are looking forward to the 2006 year with great optimism. We welcome your attendance at the Annual General Meeting of Shareholders to receive an update on all of the Company's activities and plans for the future.

G E Lambert
Chairman

Operations Report

Potash Project, Western Australia, Northern Territory

In August 2005 the company announced that it had obtained rights to acquire a 100% interest in a major portfolio of exploration tenements, regarded as highly prospective for potash mineralisation. The tenements cover over 8,800 square kilometres within three, individual sedimentary basins, two in Western Australia and one in the Northern Territory. These tenements are known to cover very extensive, thick evaporite deposits akin to sequences that host the major commercial potash deposits in other parts of the world.

The acquisition involves 25 Exploration Licences and Exploration Licence Applications. Cost of the acquisition is $200,000, being part reimbursement of previous expenditure, and inclusive of all associated data and intellectual property.

A Notice of General Meeting and Explanatory Statement was sent to all shareholders during December 2005. The General Meeting of Shareholders of Reward Minerals was held at 10am on 17th January 2006, where shareholders approved the acquisition of 100% interest in the Potash Project Tenements from Tyson Resources Pty Ltd.

In addition to the tenements acquired from Tyson and at the direction of Tyson a further eight exploration licences covering 1,498km^2 of the Lake Auld – Lake Disappointment drainage system in the Western Desert area of Western Australia have been applied for under the following application numbers E69/2156–59 and E45/2801-2804.

Brine samples collected from Lake Disappointment analysed between 1.0 and 3.5% potassium sulphate and between 2.7 and 9.9% magnesium sulphate. The variations in the concentrations shown are primarily a function of water content of the brine in the respective sampling locations. The composition of the brine samples collected to date are relatively consistent in terms of Potassium/Magnesium/Sulphate ratios. The brines are similar in composition to those which occur in Great Salt Lake Utah and are used for potassium sulphate production in that location.

Analysis of sediments and brines from Lake Disappointment and Lake Auld indicated the following soluble potassium sulphate contents:

	Lakebed Solids*	Lakebed Brines**
Lake Disappointment	0.33 – 0.61%	1.00 – 3.50
Lake Auld	0.74 – 0.82%	3.10 – 3.37

* grams of Potassium Sulphate per 100 grams of dry (lake bed) solids.
** grams of Potassium Sulphate per 100 grams of brine.

Since the lakes cover substantial areas, in particular Lake Disappointment (1,600km^2), they have potential to host large resources of potassium and magnesium sulphates in a form amenable to recovery by conventional solar evaporation and chemical separation technologies.

Recently the Company executed a Land Access & Mineral Exploration Agreement with the Western Desert Lands Aboriginal Corporation which acts on behalf of the Martu People who are the Traditional owners of the Lake Disappointment tenement area. Execution of the agreement should expedite the grant and access to the tenement area for the forthcoming field season.

Upon clearance of access and heritage matters the company will undertake comprehensive drilling/sampling of the Lake Disappointment lakebed sediments and brine reservoir under the direction of RSG Global. The programme will provide the basis for calculation of a JORC compliant Indicated Resource of potash and magnesium salts in the lake. It will also provide valuable information as per the specific evaporite salts occurring in Lake Disappointment and the brine flow characteristics of the lakebed sediments.

Metallurgical testwork will commence immediately upon receipt of brines and sediment samples from the drilling campaign.

Operations Report

Gabanintha Project, Western Australia

This gold project consists of 5 granted Prospecting Licences, 12 Prospecting Licence Applications, 2 Mining Lease Applications and 3 Exploration Licence Applications, covering a total area of 81 sq km.

During the year Reward completed a significant programme of RC drilling at the Yagahong North Prospect at Gabanintha. Holes were completed on a 20m x 20m grid covering an area 150 metres long by 100 metres wide, immediately north of the 60 metre deep Yagahong Pit (See Figure 1).

The Company commissioned consultants GC Arthur and Associates, to prepare a preliminary 3D Visualization and resources estimate for Gold/Copper mineralization intersected in the Yagahong North drilling. The commission was to establish whether a mining feasibility study is warranted and to highlight further drilling targets. The results of this study suggest that an underground mining operation may be viable, and a pre feasibility study is recommended. The orientation of the ore shoots can be visualised by examination of Figure 2.

The attached tables report the quantity estimates at both 4g/t Au and 1g/t Au cutoff grade. A JORC compliant Drill Indicated Resource has been calculated as follows:

4g/t Au lower cut
151,000 tonnes @ 12.1g/t Au for 59,121ozs (no upper cut)
148,000 tonnes @ 10.7g/t Au for 51,027ozs (50g/t upper cut)

1g/t Au lower cut
511,470 tonnes @ 4.35g/t Au for 71,559ozs (50g/t upper cut)

Table 1

Preliminary Quantity Estimates
Yagahong "potential underground" 4gpt Au lower cutoff

Zone	Au (Oz) Uncut	Au (Oz) Cut 50g	Cu
A	43,935	**35,841** 104,000t @ 10.73g	0.37%
B	6,230	**6,230** 24,800t @ 7.81g	2.50%
C	4,059	**4,059** 12,400t @ 10.2g	2.40%
D	4,897	**4,897** 6,900t @ 22.0g	n/a
Total	**59,121** 151,800t @ 12.1g	**51,027** 148,000t @ 10.7g	

Notes:

- *Table 1 reports grade, tonnage and contained metal estimates above a block cutoff of 4 gpt gold.*
- *10 out of 35 drillholes have not yet been surveyed downhole. Most drillholes are vertical so it is anticipated that position error will not be very significant.*

Operations Report

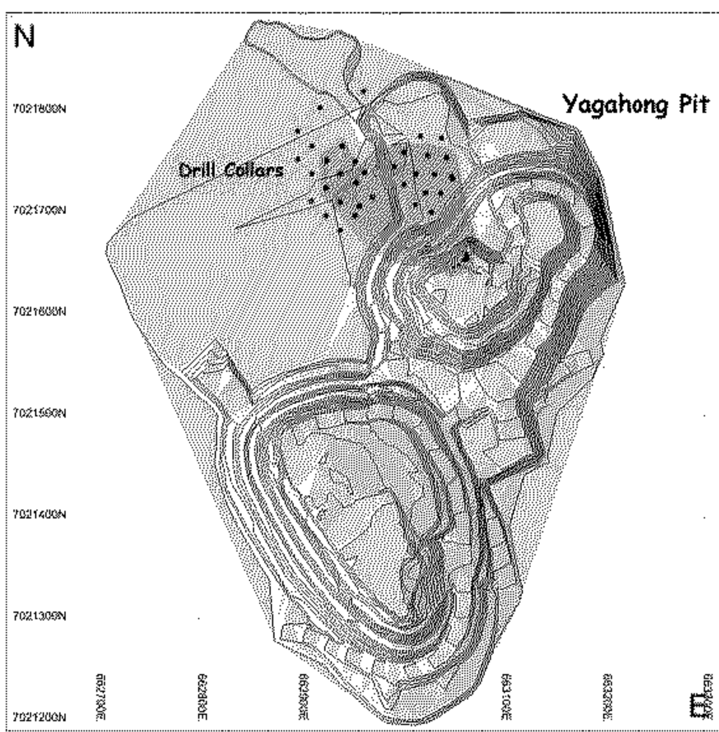
Table 2

Preliminary Quantity Estimates
Yagahong mineralization at 1gpt Au lower cutoff

Zone	Au (Oz) Uncut	Au (Oz) Cut 50g	Tonnes/Grade Cut 50g	Cu
A 1	62,886	55,013	364,020t @ 4.7g	0.21%
B 1	16,547	16,547	147,450t @ 3.49g	0.95%
Total		**71,559**	**511,470t @ 4.35 g**	**0.38%**

Figure 1

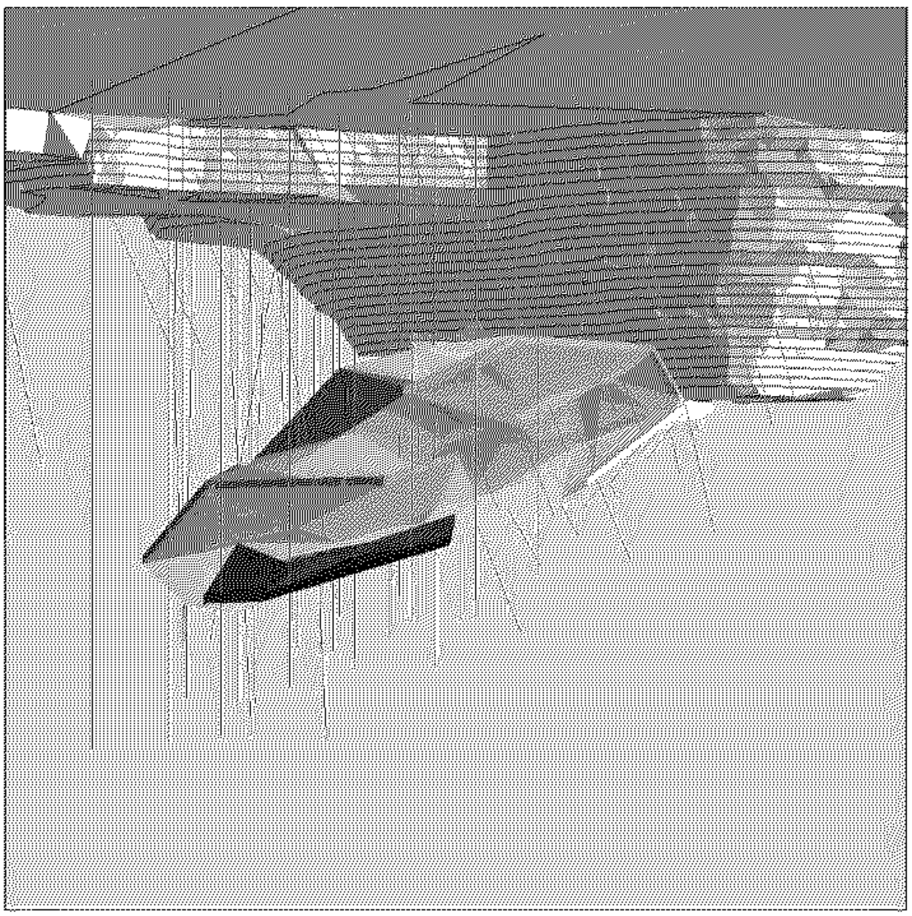
Yagahong Pit Plan



Operations Report

Figure 2

Ore Lenses
Yagahong North Pit
3D view looking east from below ground



North **South**

The mineralization has been interpreted as four shallow dipping high grade zones (A,B,C,D) with potential for profitable underground mining. The zones lie within two discrete envelopes of lower grade mineralization (A1, B1). (See Tables 1 and 2).

Copper occurs at significant concentrations within the high grade gold zones, but, from the 3D isosurfaces, appears to be also aligned on a steeply dipping cross structure. Zones B and C have higher copper grades than zone A, 2.5% versus 0.4%, but this is in part due to lack of copper analyses for some of zone A. Zone D has no copper analyses available. The zones are open downwards to the east.

High gold grades occur in rock with Ni content less than 1000 ppm, consistent with the interpretation that mafic units such as basalt and dolerite are favourable host rock types, and with descriptions of ore produced from previous mining at Gabanintha.

The Company is currently reviewing the Yagahong North drill results and their relationship with high copper/gold values obtained in shallow exploratory drilling in area 500 metres to the north (Golden Hope North Prospect). A programme of deeper (100-150m) holes is planned to follow up on intersections of 2m at 9.7 g/t Au (62-64m) and 2m at 5.4g/t Au (92-94m) in hole GRC056 drilled by Dominion Mining Ltd at Golden Hope North in 1991.

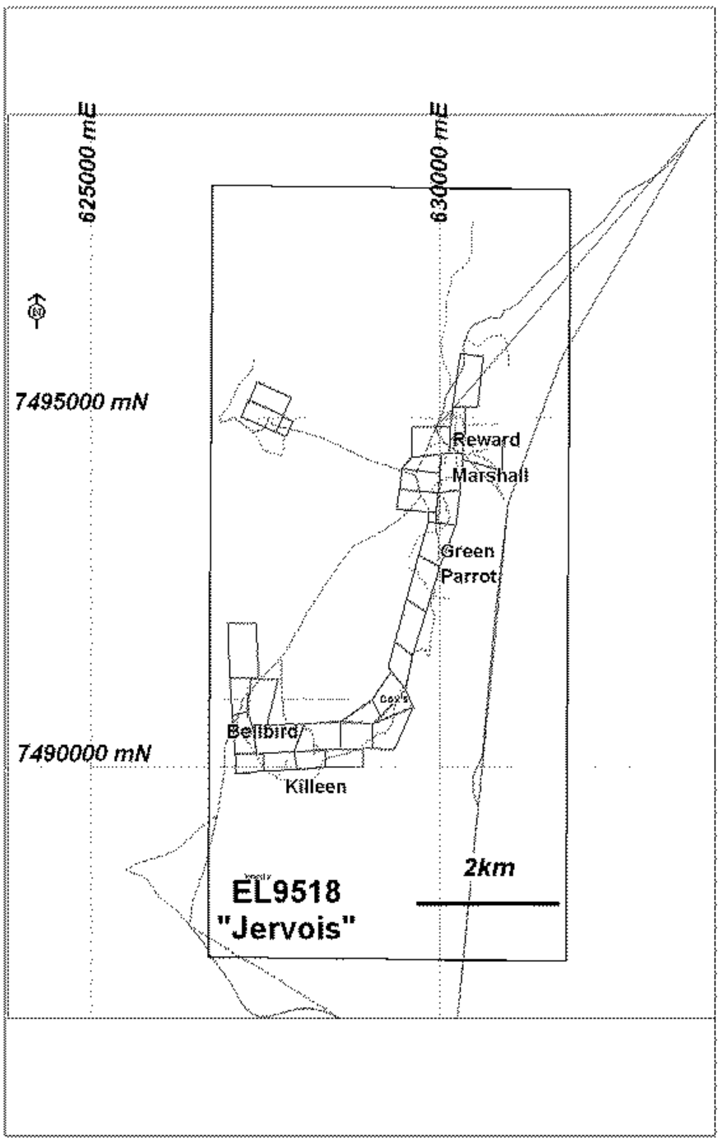
Operations Report

Jervois Base Metal Project, Northern Territory

Introduction

The Jervois Range project is located approximately 380km northeast of Alice Springs. It consists of 32 contiguous tenements covering a total area of 117 sq km. Base metal mineralisation has been known in the area since 1920 and exploration since then has demonstrated that substantial mineralisation (mainly copper) occurs intermittently over a strike length of at least 10km and to a depth, in places, of 400m.

Figure 3



Operations Report

Exploration at Jervois during the year 2005 was restricted by lack of a suitable drilling rig in the remote location. In mid 2005 the Company received an expression of interest from Teck Cominco Australia Pty Ltd (TCA) for a farm-in by TCA into the Jervois Project. In 24 August 2005 the Company signed a Letter of Intent with TCA setting out certain terms applicable to a farm-in by TCA at the Jervois Project should it proceed. Details have been previously reported to ASX.

However, following significant delays in preparation of documentation and the introduction of a requirement to obtain FIRB approval for the farm-in, Reward elected not to proceed with the TCA farm-in and instead to resume exploration of the Jervois tenements in-house.

As a result of the circumstances outlined, little on ground activity occurred during the calendar year 2005. Following a detailed data review, a programme of 30 holes (2,560 metres) of RC drilling has been outlined for commencement in March 2006. Additional camp facilities have been acquired and drill pads prepared for the programmed holes. Diamond core extensions for a number of the holes have also been included in the programme but are subject to results of the RC drilling. In particular, several deep diamond core holes will test the Reward North zone of mineralisation previously identified by MIM Exploration Pty Ltd (MIMEX) in hole J15 in year 2000 which intersected a 19 metre (true width) zone grading 2.86% copper 0.69 g/t gold at a vertical depth of 400 metres. The zone included 11 metres grading 5.7% copper.

Other targets to be tested include the following (see Figure 3)

a) **North East Reward** Several deep RC holes to test a 800 metre x 300 metre flat lying IP anomaly previously identified but not tested effectively by MIMEX.

b) **Bellbird North** An initial four RC holes to test a low level IP/EM anomaly below outcropping copper, lead, zinc, mineralisation not previously drilled.

c) **Bellbird** Drilling to test for southerly extensions of the known high grade mineralisation at Bellbird. See Figure 4.

d) **Killeen** Initial ten RC holes to test for Cu Pb Zn mineralisation below highly anomalous values previously identified in costeans in the Killeen area. The Killeen prospect may be a southern faulted offset of the Bellbird mineralisation but contains high zinc values an addition to copper as found at Bellbird.

The Killeen sector to be tested corresponds with a strong East West IP anomaly identified by MIMEX in 2000.

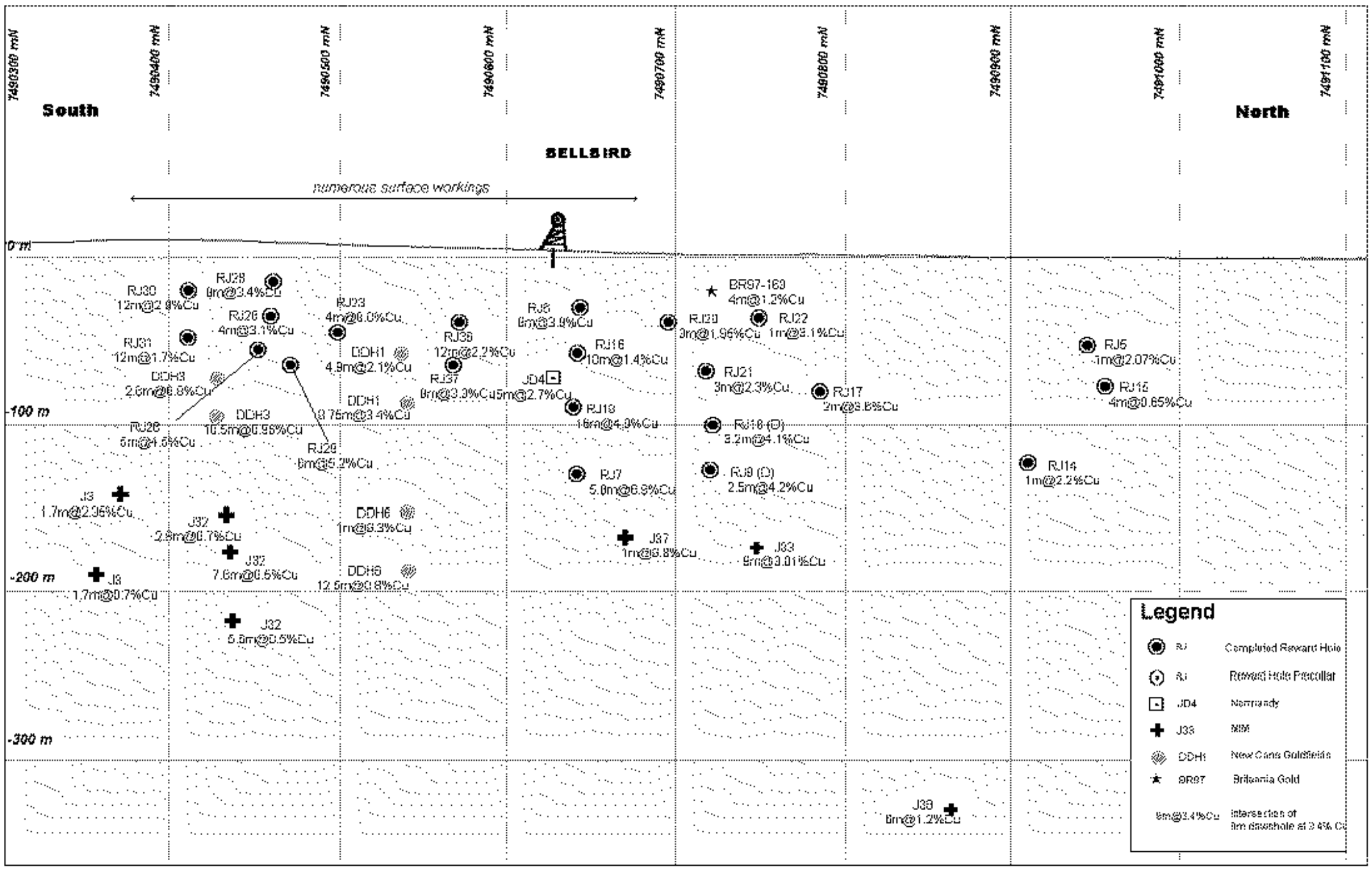
e) **Cox's** Follow up drilling to test for down dip extension of copper mineralisation identified in Year 2004 drilling (10 metres at 0.42% Cu including 1 metre at 1.19% Cu in sulphides).

f) **Cox's North** Several RC holes to test for copper mineralisation below widespread anomalous values discovered in earlier shallow RAB drilling 800 metres north of the Cox's copper workings.

g) **Green Parrot** Follow up RC drilling to test down dip and southward extensions of the known mineralisation at the Green Parrot Mine area. Drilling by Reward in 2004 indicated continuation of the high grade Green Parrot in Pb/Zn/Ag mineralisation to the south east in contrast to earlier reports that the mineralisation had terminated around 7,493,450 north coordinate.

Operations Report

Figure 4
Longitudinal Section Bellbird



Operations Report

Ravensthorpe Project, Western Australia

This gold project, which consists of a single 11-block Exploration Licence Application EL(A)74/253, lies 4km west of the town of Ravensthorpe some 700km east southeast of Perth. Late in the year the prospect was sold to Pioneer Nickel Ltd.

Richenda Project, Western Australia

This gold-base metal project is located 192km east of Derby in the Kimberley region of Western Australia. The project area consists of a single Exploration Licence Application, EL(A)4/1419, consisting of 44 graticular blocks with a total area of about 118km^2. The Company recently executed a Standard Heritage Agreement with the Traditional Owners of the land covering the Richenda Prospect Area. The tenement should now proceed through to grant and become available for exploration in the forthcoming field season.

Operations Report

Tenement Schedule

Prospect Area	Tenement	Area (ha)	RWD Equity	Registered Holder/ Applicant
Gabanintha	P51/2328	141	100%	RML
	P51/2329	192	100%	RML
	P51/2330	196	100%	RML
	P51/2331	127	100%	RML
	ML(A)51/836	651	100%	RML
	PL(A)51/2332	200	100%	ABB
	PL(A)51/2395	109	100%	A
	PL(A)51/2432	114	100%	ABB
	PL(A)51/2433	148	100%	ABB
	PL(A)51/2434	116	100%	ABB
	PL(A)51/2435	121	100%	ABB
	PL(A)51/2436	116	100%	ABB
	PL(A)51/2437	85	100%	ABB
	PL(A)51/2438	195	100%	ABB
	PL(A)51/2439	88	100%	ABB
	PL51/2483	188	100%	RML
	EL51/1029	270	100%	RML
	EL51/1030	560	100%	RML
	EL(A)51/1005	1960	100%	A
	PL(A)51/2523	13	100%	RML
	PL(A)51/2513	39	100%	RML
Jervois	MCS13	32.40	100%	RML
	MCS14	32.40	100%	RML
	MCS15	32.40	100%	RML
	MCS16	32.40	100%	RML
	MCS17	32.40	100%	RML
	MCS18	32.40	100%	RML
	MCS19	32.40	100%	RML
	MCS20	16.19	100%	RML
	MCS21	30.67	100%	RML
	MCS22	18.2	100%	RML
	MCS23	25.9	100%	RML
	MCS24	25.9	100%	RML
	MCS25	24.8	100%	RML
	MCS26	32.4	100%	RML
	MCS27	1.2	100%	RML
	MCS28	11.7	100%	RML
	MLS10	16.19	100%	RML
	MLS16	15.86	100%	RML
	MLS17	15.86	100%	RML
	MLS23	8.09	100%	RML
	MLS51	16.18	100%	RML
	MLS52	16.18	100%	RML

Operations Report

Tenement Schedule (continued)

Prospect Area	Tenement	Area (ha)	RWD Equity	Registered Holder/ Applicant
Jervois	MLS53	16.18	100%	RML
	MLS54	16.18	100%	RML
	MLS55	16.18	100%	RML
	MLS56	16.18	100%	RML
	MLS57	16.18	100%	RML
	MLS61	16.18	100%	RML
	MLS62	16.18	100%	RML
	MLS90	3.67	100%	RML
	ANS19	2.45	100%	RML
	ANS20	16.17	100%	RML
	ANS21	16.17	100%	RML
	EL10419	53.9 km^2	100%	RML
	EL9518	57 km^2	100%	RML
Richenda	EL(A)04/1419	143.9 km^2	100%	TYS
Lake Disappointment	ELA69/2156	162.2 km^2	100%	PAL
	ELA69/2157	200 km^2	100%	PAL
	ELA69/2158	200 km^2	100%	PAL
	ELA69/2159	200 km^2	100%	PAL
	ELA45/2801	200 km^2	100%	PAL
	ELA45/2802	200 km^2	100%	PAL
	ELA45/2803	200 km^2	100%	PAL
Lake Auld	ELA45/2804	189 km^2	100%	PAL
Connolly	ELA69/2121	200 km^2	100%	PAL
	ELA69/2122	200 km^2	100%	PAL
	ELA69/2123	200 km^2	100%	PAL
	ELA69/2124	200 km^2	100%	PAL
	ELA69/1928	200 km^2	100%	TYS
	ELA45/2598	200 km^2	100%	TYS
	ELA45/2599	200 km^2	100%	TYS
	ELA45/2600	200 km^2	100%	TYS
Lake Carnegie	ELA38/1855	215 km^2	100%	PAL
	ELA38/1856	215 km^2	100%	PAL
Yalbalgo	E09/1120	217 km^2	100%	TYS
	E09/1121	214 km^2	100%	TYS
	E09/1122	217 km^2	100%	TYS
	E09/1123	218 km^2	100%	TYS
	E09/1124	218 km^2	100%	TYS
Talisker	E09/1124	216 km^2	100%	TYS
	E09/1226	194 km^2	100%	TYS
	E09/1127	216 km^2	100%	TYS
	E09/1128	215 km^2	100%	TYS
	ELA09/1155	200 km^2	100%	TYS
	ELA09/1156	217 km^2	100%	TYS

Operations Report

Tenement Schedule (continued)

Prospect Area	Tenement	Area (ha)	RWD Equity	Registered Holder/ Applicant
Tamala	ELA09/1185	215 km²	100%	TYS
Madley	ELA69/1723	169 km²	100%	TYS
	E69/1809	220 km²	100%	TYS
	E69/1810	220 km²	100%	TYS
	E69/1811	219 km²	100%	TYS
	E69/1925	220 km²	100%	TYS
Lake Amadeus	ELA25080	1,298 km²	100%	TYS
	ELA25081	176 km²	100%	TYS
Allambi	EL23045	403.6 km²	100%	TYS
	EL23773	1,495 km²	100%	TYS
	EL23774	1,558 km²	100%	TYS
	EL24312	954.1 km²	100%	TYS
	ELA24891	422.1 km²	100%	PAL

RML Reward Minerals Ltd
ABB Allarrow, Bondini, Bondini
HTW Hitch, Tyson, Wolzak
A Allarrow
TYS Tyson Resources Pty Ltd
PAL Potash Australia Ltd (wholly owned subsidiary of Reward Minerals)

Directors' Report

Your Directors have pleasure in presenting their report together with the financial statements of the economic entity for the year ended 31 December 2005 and the auditor's report thereon.

Directors
The names of the directors of Reward Minerals Ltd during the financial year and to the date of this report are:

Geoffrey E Lambert
William P Brooks
Cyrille J Van Heyst
Michael Ruane

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Corporate Information
Reward Minerals Ltd is a company limited by shares and is domiciled in Australia.

Principal Activities
During the year the company was involved in mineral exploration.

Results of Operations
The results for the year ended 31 December 2005 was a loss of $471,787 (2004: loss $170,707).

Dividends
No dividends were paid or declared since the end of the previous year. The Directors do not recommend the payment of a dividend.

Review of Operations
See separate Operations Report pages 5 to 15.

Significant Changes in the State of Affairs
There were no significant changes in the state of affairs of the company during the year ended 31 December 2005.

Matters Subsequent to the end of the Financial Year
At the date of this report there are no other matters or circumstances which have arisen since 31 December 2005 that has significantly affected or may significantly affect:

(i) the operations of the company;
(ii) the results of its operations; or
(iii) the state of affairs of the company in years subsequent to 31 December 2005.

Likely Developments and Expected Results of Operations
Further information on the likely developments in the operations of the company and the expected results of operations have been included in the review of operations.

Directors' Report

Environmental Regulation
The company's future operations will be subject to environmental regulation under the law of the Commonwealth and the States. Some of the economic entity's tenements are granted under the Western Australian Mining Act 1978 and Northern Territory Legislation, with specific conditions relating to rehabilitation.

Directors Information

Chairman - Geoffrey E Lambert, M.Ec., FAICD, ASIA
Mr Lambert holds a Masters Degree in economics from Sydney University and has over 31 years experience in investment banking, corporate restructuring and new equity raisings. Mr Lambert has held Directorships of listed public companies for over 25 years. He is presently a Director of ICS Global Ltd, Wedgetail Exploration NL, Stratatel Ltd, and Plantcorp Ltd, and has been a Director of Prairie Downs Metals Ltd, Riversdale Mines Ltd and Encos Ltd in the past three years. He is a fellow of the Australian Institute of Company Directors, a member of the Financial Services Institute of Australia.

Managing Director – Dr Michael Ruane PhD MRACI
Dr Ruane holds a PhD in Chemistry and has over 30 years experience as a Technical Consultant in the chemical and metallurgical fields. He is also a Director of Intermin Resources Ltd and Heartlink Ltd and has been a Director of Solbec Pharmaceuticals Ltd, Jetset Travelworld Ltd and Greater Pacific Gold NL in the past three years.

Non Executive Director - William Paul Brooks
Mr Brooks has been involved in the exploration and mining industry for over twenty years and has extensive industry knowledge and contacts in the mineral industry. Mr Brooks and his private companies have been involved in many exploration joint ventures and project agreements with major and junior companies in the Goldfields. Mr Brooks also has substantial interests in the hospitality industry, developing and owning two successful motel businesses.

Non Executive Director - Cyrille J Van Heyst, B.Ec.
Mr Van Heyst has many years of experience in devising and implementing strategies in take-overs and acquisition. Mr Van Heyst has over 35 years experience as a Director of numerous listed companies. He currently runs his own corporate advisory services, Mercator Capital Services Pty Limited.

	Directors Interests in the Shares of the Company	
Name of Directors	**Directly held interest in Shares**	**Indirect interest in Shares**
Geoffrey E Lambert	50,000	20,000
Cyrille J Van Heyst	20,000	210,000
William P Brooks	10,000	1,392,124
Michael Ruane	89,129	11,466,225

Directors Benefits
Since 31 December 2005 no director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements) by reason of a contract made by the company with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

J Sendziuk (Company Secretary)
John Sendziuk is a Chartered Accountant. He has been in practice for 19 years providing corporate secretarial, taxation and business advice to a diverse group of business clients and public companies.

Directors' Report

Directors Meetings

The number of directors meetings attended and number of written resolutions signed by each of the directors of the Company during the year were:

Director	No. of Meetings while in office	No. of Meetings attended
Geoffrey E Lambert	6	6
Cyrille J Van Heyst	6	5
William P Brooks	6	5
Michael Ruane	6	6

REMUNERATION REPORT

Remuneration of specified directors (audited)

Details of the nature and amount of each element of remuneration of each Director of the Company for the financial year are as follows:-

2005

Name	Consulting Fees Related Parties $	Salary $	Directors' Fee $	Total $
Geoffrey Lambert	26,000	-	-	**26,000**
Cyrille Van Heyst	26,000	-	-	**26,000**
William Brooks	24,000	-	-	**24,000**
Michael Ruane	84,000	-	-	**84,000**
	160,000	-	-	**160,000**

2004

Name	Consulting Fees Related Parties $	Salary $	Directors' Fee $	Total $
Geoffrey Lambert	20,000	-	-	**20,000**
Cyrille Van Heyst	20,000	-	-	**20,000**
William Brooks	24,000	-	-	**24,000**
Michael Ruane	-	-	-	-
	64,000	-	-	**64,000**

The Company has no formal policy regarding the provision of Directors' remuneration. Directors fees in total are determined by the shareholders in a general meeting.

Director's are not held under contract. Directors may be paid consulting fees at commercial rates calculated according to the amount of time spent on Company business. All directors may receive consulting fees on an hourly basis which are paid from time to time for specialist services beyond normal duties.

Directors' Report

Remuneration of specified executive (audited)
2005

Name	Consulting Fees $	Salary $	Superannuation $	Total $
Gregory Cunnold	14,136	42,308	3,808	**60,252**

The Company's policy regarding specified executives remuneration is that the executives are paid a commercial salary and benefits based on the market rate and experience. Options are granted as a bonus for exceptional work and loyalty to the Company.

Corporate Governance
A description of the Company's main corporate governance practices is set out below. Unless otherwise stated, all these practices were in place for the entire year.

The Board Of Directors
The Board of Directors takes ultimate responsibility for corporate governance and operates in accordance with the following broad principles:

- the Board should comprise between 3 and 8 Directors;
- at least half of the Board should be non-executive Directors;
- the Chairman should be a non-executive Director;
- on appointment, Directors should desirably be able to serve a minimum of three years before retirement; and
- the Board should comprise Directors with a broad range of skills and experience.

At the date of signing the Directors' report the Board consisted of four non-executive directors. Details of the Directors are set out in the Directors' report under the heading "Directors Information."

Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting of shareholders, and re-election at three-yearly intervals.

Chairman
The Chairman of the Board is a non-executive director who is elected by the full Board.

Non-Executive Directors
The performance of non-executive directors is reviewed by the Chairman on an ongoing basis. Any Director whose performance is considered unsatisfactory is asked to resign.

Trading In Company Shares
The Board does not place any restrictions on the Directors or staff in trading in the Company's shares other than that no trading is to take place unless all information which is price sensitive is first released to the market. It is the Board's policy to keep the market informed at all times.

Independent Professional Advice
Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, which will not be unreasonably withheld.

Audit Committee
The Company currently does not have an Audit Committee, as matters which would normally be considered by such a committee come under the review of the entire board.

Directors' Report

Explanations for Departures from Best Practice Governance Recommendations

The Directors have considered the ASX Principles of Good Corporate Governance and Best Practice Recommendations and their relevance to this consolidated entity, taking into account the Board, the management structure and the size of the Company. Not all of the recommendations have been implemented due to the small size of the Company and the Board. As the Company grows then adherence will become more relevant.

(1) Principle 1 - Not relevant to the Company. The Company is directly managed by the Board, contractors are used to perform functions as required.

(2) Principle 2 – The Chairman is deemed to be independent as his share holding in the company is very small. Two of the non executive directors are also deemed to be independent due to low share holdings.

One of the directors Dr Michael Ruane is considered not to be independent due to the substantial holdings that companies associated with him have in the Company. This is not a disadvantage to the Company. The Company's well being is of primary interest to Dr Ruane and his skill and experience is necessary to the Company.

(3) Principle 3 is not relevant to the Company.

(4) Principle 4 – The Directors are aware of the day to day operations of the Company from reports provided by consultants. The Board believe that the Company is not of a size nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the functions associated with an audit committee.

(5) Principle 5 has not been complied with, the Company does not have published policies and procedures. The Board directly deals with all reporting to the ASX and the public through formal reporting procedures as required by the Listing Rules.

(6) Principle 6 – The Company complies with the recommendation, the Company communicates with shareholders in an open and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company.

(7) The Principle 7 has not been complied with, the Company does not have a published risk management policy. A Board member is responsible for the day to day management of the Company and communicates directly with the other Board members, this ensures that any potential risk to the Company is dealt with immediately.

(8) Principle 8 has not fully been complied with, the Board has only four members, performance evaluation by committee is thus inappropriate. The Board evaluates its own performance on the success of the Company on a yearly basis. The Chairman evaluates the performance of the other board members annually to assess their suitability and also to ensure that additional directors are not required. The shareholders also have the right and are given the opportunity to question the Board members formally at meetings or informally by direct contact.

(9) Principle 9 has not been complied with. The Company does not have a remuneration policy. The Directors salaries are published annually and are controlled by the shareholders. The Company's administrative activities are carried out by contractors under instruction from the Board. Commercial rates are paid. Work performed by Director controlled entities is at commercial rates and disclosed annually. The Board has an unwritten policy of not having employment agreements or long term contracts with the directors or associated parties. The Company's geologist is paid a salary commensurate with his experience and market conditions.

(10) Principle 10 has not been complied with. Currently the Company does not have a published code of conduct. The Board complies with all legislation and regulations applicable to the Company and endeavours to deal fairly with the suppliers of goods and services to the Company.

Directors' Report

Proceedings On Behalf Of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Environmental Issues

The consolidated entity's exploration and mining operations are subject to environment regulation under the law of the Commonwealth and the States. The Company holds exploration/mining tenements in Western Australia and the Northern Territory thus is subject to the Mining Acts of these states each with specific conditions relating to environmental management. In some instances bonds may be held by the Company's bank in favour of the Minister for Mines to be released to the Company when the Minister is satisfied that conditions imposed on tenement licences have been met. In some jurisdictions Cash Bonds must be lodged with the relevant Department until conditions are fulfilled. There are no bonds currently in place in respect of the Company's tenement holdings.

The Directors advise that during the year ended 31 December 2005, no claim has been made by any competent authority that any environmental issues, condition of license or notice of intent has been breached, and no claim has been made for increase of bond.

Auditors Independence Declaration

In accordance with section 307C of the Corporations Act 2001, the Directors have obtained a declaration of independence from Horwath Audit (WA) Pty Ltd, the company's auditors, as presented on page 22 of this annual financial report.

Dated this 24th day of March 2006 in accordance with a resolution of the Directors.

Michael Ruane
Director

Horwath Audit (WA) Pty Ltd
ABN 79 112 284 787
Chartered Accountants
A member of Horwath International
128 Hay Street Subiaco WA 6008
PO Box 700 West Perth WA 6872
Email horwath@perth.horwath.com.au
Telephone (08) 9380 8400
Facsimile (08) 9380 8499

24 March 2006

The Board of Directors
Reward Minerals Limited
Level 1, 10 Stirling Highway
NEDLANDS WA 6009

AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with my audit of the financial report of Reward Minerals Ltd and controlled entities for the year ended 31 December 2005 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor I declare that, to the best of my knowledge and belief, there have been:

No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this review;

No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this review.

Yours sincerely
HORWATH
Audit (WA) Pty Ltd

HORWATH

GLYN O'BRIEN
Director

Horwath Audit (WA) Pty Ltd
ABN 79 112 284 787
Chartered Accountants

128 Hay Street Subiaco WA 6008
PO Box 700 West Perth WA 6872
Email horwath@perth.horwath.com.au
Telephone (08) 9380 8400
Facsimile (08) 9380 8499

Independent audit report on the financial report to members of Reward Minerals Limited

We have audited the accompanying financial report of Reward Minerals Limited for the year ended 31 December 2005. The financial report comprises the balance sheet at 31 December 2005, and the income statement, statement of changes in equity, cash flow statement, summary of significant accounting policies and other explanatory notes for both the company and consolidated entity, and the directors' declaration for the year then ended. The consolidated entity comprises both the company and the entities it controlled at the year-end or during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Auditing Standards in Australia. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the company and group, and have complied with the independence requirements of the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Horwath

We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Reward Minerals Limited on 31 December 2005, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Reward Minerals Limited is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 2005 and of their performance for the year ended on that date; and

(b) complying with Accounting Standards in Australia and the Corporations Regulations 2001.

Dated the 24th day of March 2006.

HORWATH
Audit (WA) Pty Ltd

HORWATH
Glyn O'Brien

GLYN O'BRIEN
Director

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 26 to 44:

(a) comply with Accounting Standards, other mandatory professional reporting requirements and the Corporations Regulations 2001; and

(b) give a true and fair view of the Company's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Dated this 24th day of March 2006

Michael Ruane
Director

Income Statements
For The Year Ended 31 December 2005

	Note	Economic Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
Revenue from continuing operations	2	100,124	100,124	113,834
		100,124	**100,124**	**113,834**
Depreciation	3	(2,890)	(2,890)	(227)
Audit fees	3	(14,004)	(14,004)	(18,814)
Consulting fees	3	(164,136)	(164,136)	(64,000)
Exploration expenses	3	(289,637)	(289,637)	(27,275)
Corporate fees	3	(9,092)	(9,092)	(28,143)
Legal expense	3	(4,927)	(4,927)	(2,760)
Employee benefits expense	3	(61,067)	(61,067)	(81,198)
Administration expenses	3	(26,158)	(26,158)	(62,124)
Loss before income tax	5	(471,787)	(471,787)	(170,707)
Income tax benefit	6	-	-	-
Loss for the year		(471,787)	(471,787)	(170,707)
Loss attributable to members of Reward Mineral Limited		**(471,787)**	**(471,787)**	**(170,707)**
		2005	**2005**	**2004**
Basic earnings per share		(0.02 cents)	(0.02 cents)	(0.07 cents)
Diluted earnings per share		(0.02 cents)	(0.02 cents)	(0.07 cents)

The above Income Statements should be read in conjunction with the accompanying notes.

Balance Sheets
As At 31 December 2005

	Note	Economic Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
Current Assets				
Cash and cash equivalents	7	1,411,117	1,411,116	2,350,749
Receivables	8	76,370	76,370	104,255
Total Current Assets		**1,487,487**	**1,487,486**	**2,455,004**
Non-Current Assets				
Available-for-sale financial assets	10	1,800	1,800	-
Other financial assets	11	-	1	-
Property, plant and equipment	9	2,028,516	2,028,516	1,471,133
Total Non-Current Assets		2,030,316	2,030,317	1,471,133
Total Assets		**3,517,803**	**3,517,803**	**3,926,137**
Current Liabilities				
Payables	12	93,611	93,611	32,170
Provisions	13	2,012	2,012	-
Total Current Liabilities		95,623	95,623	32,170
Non-Current Liabilities				
Total Non-Current Liabilities		-	-	-
Total Liabilities		95,623	95,623	32,170
Net Assets		**3,422,180**	**3,422,180**	**3,893,967**
Equity				
Contributed equity	14	3,821,162	3,821,162	3,821,162
Reserves	15	40,000	40,000	40,000
Retained profits/(losses)	15	(438,982)	(438,982)	32,805
Total Equity		**3,422,180**	**3,422,180**	**3,893,967**

The above Balance Sheets should be read in conjunction with the accompanying notes

Statements of Changes in Equity
As At 31 December 2005

	Note	Economic Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
Total equity at the beginning of the financial year		**3,893,767**	**3,893,767**	**929,310**
Net income recognised directly in equity		-	-	-
Loss for the year		(471,787)	(471,787)	(170,707)
Total recognised income and expense for the year		**(471,787)**	**(471,787)**	**(170,707)**
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity (net of transaction costs)		-	-	3,095,364
Share options issued to brokers		-	-	40,000
		-	-	3,135,364
Total equity at the end of the financial year		**3,422,180**	**3,422,180**	**3,893,967**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes

Cash Flow Statements
For The Year Ended 31 December 2005

	Note	Economic Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
Cash flows From Operating Activities				
Payments to suppliers and employees		(254,548)	(254,548)	(231,982)
Payments for mineral exploration		(251,452)	(251,452)	(27,275)
Tax refund received		-	-	8,306
Interest received		128,642	128,642	39,727
Net Cash Used In Operating Activities	20(b)	(377,358)	(377,358)	(211,224)
Cash Flows From Investing Activities				
Payment for investments		(2,000)	(2,001)	-
Payments for property plant & equipment		(50,071)	(50,071)	(4,069)
Payments for mineral exploration tenements		(510,203)	(510,203)	(582,291)
Net Cash Used In Investing Activities		(562,274)	(562,275)	(586,360)
Cash Flows From Financing Activities				
Proceeds from share issue		-	-	2,775,363
Net Cash Provided By Financing Activities		-	-	2,775,363
Net (Decrease)/Increase In Cash Held		(939,632)	(939,633)	1,977,779
Cash and Cash Equivalent at The Beginning Of The Financial Year		2,350,749	2,350,749	372,970
Cash and Cash Equivalents at The End Of The Financial Year	20(a)	**1,411,117**	**1,411,116**	**2,350,749**

The above Cash Flow Statements should be read on conjunction with the accompanying notes.

Notes To And Forming Part Of The Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards.

These financial statements are the first financial statements to be prepared in accordance with AIFRSs. AASB 1 First time adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Reward Minerals Ltd until 30 June 2005 had been prepared in accordance with previously accepted Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the 2005 year end financial report, management had amended certain accounting methods applied in AGAAP financial statements to comply with AIFRS. Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the group's equity and it net income are given in note 28.

The financial report is prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated. Comparative information is reclassified where appropriate to enhance comparability.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report.

1a Principles of consolidation

The consolidated financial statements comprise the financial statements of Reward Minerals Ltd and its controlled entity, Potash Australia Ltd. Control exists where the economic entity has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the economic entity to achieve the objectives of the economic entity. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits and losses have been eliminated on consolidation. Outside equity interests in the results and equity of the consolidated entities are shown separately in the consolidated Income Statement and consolidated Balance Sheet respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated Income Statement from the date on which control commences.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the economic entity exercises significant influence, but not control.

1b Income tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Notes To And Forming Part Of The Financial Statements

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Reward Minerals Ltd and its wholly-owned Australian subsidiaries have not formed an income tax consolidated group under the Tax Consolidation Regime.

1c Trade receivables and revenue recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Service income is recognised in the period in which the service is provided.

Other debtors are recognised at the amount receivable and are due for settlement within 30 days from the end of the month in which services were provided.

Loans granted are recognised at the amount of consideration given or the cost of services provided to be reimbursed.

1d Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against operating results in the year in which the decision to abandon the area is made.

When production commences the accumulated costs for the relevant area of interest are amortised over the life of the project area according to the rate of depletion of the economically recoverable reserves.

Where independent valuations of areas of interest have been obtained, these are brought to account. Subsequent expenditure on re-valued areas of interest is accounted for in accordance with the above principles.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

At 31 December 2005 the Directors considered that the carrying value of the mineral tenement interests of the economic entity was as shown in the accounts and did not need adjusting.

1e Investments

Interests in listed and unlisted securities are brought to account at market value.

Notes To And Forming Part Of The Financial Statements

1f Non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is re-valued to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. To the extent that a revaluation decrement reverses a revaluation increment previously credited to, and still included in the balance of, the asset revaluation reserve, the decrement is debited to the income statement.

The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted to their present values using a market-determined, risk-adjusted discount rate.

1g Revaluations of non-current assets

Mining tenements are re-valued regularly. Revaluations reflect independent assessments of the fair market value of the tenements based on existing market conditions.

Revaluation increments are credited directly to the asset revaluation reserve.

Revaluation decrements are recognised as expenses in the income statement.

1h Property, plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Plant and Equipment	10-20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Notes To And Forming Part Of The Financial Statements

1i Trade and other payables

These amounts represent liabilities for goods and services provided to the economic entity prior to the end of the financial year and which are unpaid, together with assets ordered before the end of the financial year. The amounts are unsecured and are usually paid within 30 days of recognition.

1j Employee entitlements

(i) Wages, salaries and annual and sick leave

A liability for wages, salaries and annual leave expected to be settled within 12 months of the reporting date is recognised in other payables and is measured as the amount unpaid at balance date at current pay rates in respect of employees' services up to that date. No liability exists for sick leave.

(ii) Long service leave

A liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees' up to balance date.

No employee entitlements exist at 31 December 2005.

1k Equity-based payments

Equity-based compensation benefits are provided to directors and executives.

The fair value of options granted to directors and executives is recognised as an employee benefit expense with a corresponding increase in contributed equity. The fair value is measured at grant date and recognised over the period during which the directors and/or executives becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected divided yield and the risk-free interest rate for the term of the option.

1l Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1m Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

Notes To And Forming Part Of The Financial Statements

1n Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the economic entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the economic entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1o Impairment of assets

Assets that have an indefinite useful like are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

1p Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1q Investments and other financial assets

The economic entity classifies its investments as available-for-sale financial assets and other financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Available-for-sale financial assets
These comprise listed equity securities. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Other financial assets
These comprise investments in subsidiaries.

Notes To And Forming Part Of The Financial Statements

Investments are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the economic entity has transferred substantially all the risks and rewards of ownership.

The economic entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets has been impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

1r Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

1s Provisions

Provisions are recognised when the economic entity has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

1t Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

	Economic Entity	Parent Entity	
	2005	2005	2004
	$	$	$
2 REVENUE			
Interest income	98,124	98,124	113,834
Other revenue	2,000	2,000	-
	100,124	**100,124**	**113,834**

Notes To And Forming Part Of The Financial Statements

	Note	Economic Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
3 EXPENSES				
Depreciation		2,890	2,890	227
Audit fees		14,004	14,004	18,814
Consulting fees		164,136	164,136	64,000
Exploration expenses		289,637	289,637	27,275
Legal expenses		4,927	4,927	2,760
Corporate fees		9,092	9,092	28,143
Employee benefits expense		61,067	61,067	81,198
Administration expenses		26,158	26,158	62,124
		571,911	**571,911**	**284,541**
4 BASIC EARNINGS/ LOSS PER SHARE				
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share		28,884,077	28,884,077	24,684,077
5 LOSS BEFORE INCOME TAX				
The loss before income tax is arrived at after charging and crediting the following items:				
Net Gains				
Interest received - other	2	98,124	98,124	113,834
		98,124	**98,124**	**113,834**
6 INCOME TAX EXPENSE				
(a) Income tax expense:				
Current tax		-	-	-
Deferred tax		-	-	-
		-	-	-
(b) Reconciliation of income tax expense to prima facie tax payable				
Loss before income tax		(471,787)	(471,787)	(170,707)
Prima facie income tax at 30% (2004: 30%)		(141,536)	(141,536)	(51,212)
Tax-effect of amounts not deductible in calculating taxable income:				
Depreciation		867	867	227
		(140,669)	(140,669)	(50,985)
Tax loss not recognised		140,669	140,669	50,985
Income tax expense		-	-	-
(c) Tax losses:				
Unused tax losses for which no deferred tax asset has been recognised		891,257	891,257	383,403
Potential tax benefit @ 30%		267,377	267,377	115,021

Notes To And Forming Part Of The Financial Statements

	Note	Economic Entity 2005 $	Parent Entity 2005	Parent Entity 2004 $
7 CURRENT ASSETS – CASH AND CASH EQUIVALENTS				
Cash at bank		111,177	111,176	150,749
Term deposit		1,299,940	1,299,940	2,200,000
		1,411,117	**1,411,116**	**2,350,749**

The term deposit carries an interest rate of 5.60% and matures on 24 May 2006.

8 CURRENT ASSETS – RECEIVABLES				
Prepayments		5,283	5,283	-
GST assets		27,010	27,010	29,660
Accrued interest		44,077	44,077	74,595
		76,370	**76,370**	**104,255**
9 NON-CURRENT ASSETS - PROPERTY, PLANT & EQUIPMENT				
Mining tenements at cost		1,977,493	1,977,493	1,467,291
Plant and equipment at cost		54,140	54,140	4,069
Less provision for depreciation		(3,117)	(3,117)	(227)
		2,028,516	**2,028,516**	**1,471,133**
Reconciliations:				
Plant & Equipment				
Carrying amount at the beginning of the year		3,842	3,842	-
Additions		50,298	50,298	4,069
Depreciation		(3,117)	(3,117)	(227)
Carrying Amount At The End of the Year		**51,023**	**51,023**	**3,842**
Tenements				
Carrying amount at the beginning of the year		1,467,291	1,467,291	525,000
Additions		510,202	510,202	942,291
Carrying Amount At The End Of The Year		**1,977,493**	**1,977,493**	**1,467,291**
10 NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Listed equity securities		1,800	1,800	-
		1,800	**1,800**	**-**

These financial assets are carried at fair value.

Notes To And Forming Part Of The Financial Statements

	Economic Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
11 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS			
Shares in subsidiary (note 27)	-	1	-
	-	1	-

This financial asset is carried at cost. The subsidiary has not commenced trading at 31 December 2005 and therefore no fair value can be calculated.

	Economic Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
12 CURRENT LIABILITIES – PAYABLES			
Trade payables	80,896	80,896	25,455
Lost shareholders trust funds	6,715	6,715	6,715
Other payables	6,000	6,000	-
	93,611	**93,611**	**32,170**
13 PROVISIONS			
Employee benefits	2,012	2,012	-
	2,012	**2,012**	-

14 CONTRIBUTED EQUITY

14a Share capital	$	$
At the beginning of the financial year	3,821,162	725,799
Shares issued during the year	-	
On 31 March 2004 15,000,000 ordinary shares were issued at 20 cents to raise working capital and pay for mining tenements	-	3,000,000
Less costs	-	(264,637)
On 31 March 2004 1,800,000 ordinary shares were issued to pay for mining tenements	-	360,000
At The End Of The Financial Year	**3,821,162**	**3,821,162**
	Shares	**Shares**
At the beginning of the financial year	28,884,077	12,084,077
Shares issued during the year		
On 31 March 2004 15,000,000 ordinary shares were issued at 20 cents to raise working capital and pay for mining tenements	-	15,000,000
On 31 March 2004 1,800,000 ordinary shares were issued to pay for mining tenements	-	1,800,000
At The End Of The Financial Year	**28,884,077**	**28,884,077**

Notes To And Forming Part Of The Financial Statements

	2005 $	2004 $

14b Terms and condition of contributed equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

14c Options

Options totalling 1,000,000 shares were issued to brokers on 22 April 2004. These have been accounted for as transaction costs on the raising of equity. The fair value of these options has been assessed at 4c each using a Black and Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Model inputs for the options granted during 2004 included:

(a) The options were granted for no consideration
(b) Exercise price: 20c
(c) Grant date: April 2004

Expiry date: 31 December 2008

15 RESERVES AND RETAINED PROFITS/(LOSSES)

15a Retained (losses)/profits

	2005 $	2004 $
Retained profits at the beginning of the year	32,805	203,512
Net loss for the year	(471,787)	(170,707)
Retained (losses)/profits at the end of the year	**(438,982)**	**32,805**

15b Reserves

	2005 $	2004 $
Share-based payments reserve	40,000	40,000
This reserve relates to options that were issued on 6th April 2004 and vested immediately. (note 14c).		
Total Reserves And Retained Profits/(Losses)	**(398,982)**	**72,805**

16 EARNINGS PER SHARE

	2005 $	2004 $
Loss after tax attributable to members of Reward Minerals Ltd	(471,787)	(170,707)
Basic earnings per share	(0.02 cents)	(0.07 cents)
Diluted earnings per share	(0.02 cents)	(0.07 cents)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.	28,884,077	24,684,077

16a Basic Earnings Per Share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of Reward Minerals Ltd by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Notes To And Forming Part Of The Financial Statements

	2005	2004
	$	$

16b Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any change in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

17 REMUNERATION OF AUDITORS

	2005 $	2004 $
Remuneration for audit or review of the financial reports of the company:		
For auditing the financial statements	8,004	6,838
	8,004	**6,838**

18 DIRECTOR AND EXECUTIVE DISCLOSURES

Reward Minerals Limited has availed of ASIC Class Order [06/50] *Transfer of remuneration information into directors' report.* This class order allows listed entities to transfer the remuneration information required to be disclosed in the financial report under accounting standard AASB 124 Related Party Disclosures into the directors' report, thus enabling the combination of the remuneration disclosures required by accounting standards with those already required to be included in the directors' report under s.300A of the Act.

19 FINANCIAL INSTRUMENTS

19a Credit Risk Exposures

The maximum exposure to credit risk on financial assets of the company which have been recognised on the statement of financial position, other than investments in shares, is the carrying amount, net of any provisions for doubtful debts.

19b Interest Rate Risk Exposures

The company's exposure to interest rate risk which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

19c Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the company approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Notes To And Forming Part Of The Financial Statements

19d Interest Rate Risk Exposure

The parent entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

2005	Notes	Floating interest rate $	Non- interest bearing $	Total $
Financial assets				
Cash	7	-	111,176	111,176
Term deposits	7	1,299,940	-	1,299,940
Receivables	8	-	44,077	44,077
Tax assets	8	-	27,010	27,010
Prepayments	8	-	5,283	5,283
Available-for-sale financial assets	10	-	1,800	1,800
Other financial assets	11	-	1	1
		1,299,940	189,347	1,489,287
Weighted average interest rate		5.6%		
Financial liabilities				
Payables	12	-	93,611	93,611
Provisions	13	-	2,012	2,012
		-	95,623	95,623
Net financial assets		**1,299,940**	**93,724**	**1,393,664**

Reconciliation of Net Financial Assets to Net Assets	
Net financial assets as above	1,393,664
Non-financial assets & liabilities	2,028,516
Net assets per Balance Sheet	**3,422,180**

2004	Notes	Floating interest rate $	Non- interest bearing $	Total $
Financial assets				
Cash	7	-	150,749	150,749
Term deposits	7	2,200,000	-	2,200,000
Receivables	8	-	74,595	74,595
Tax assets	8	-	29,660	29,660
		2,200,000	255,004	2,455,004
Weighted average interest rate		5.6%		
Financial liabilities				
Payables	10	-	32,170	32,170
		-	32,170	32,170
Net financial assets		**2,200,000**	**222,834**	2,422,834

Reconciliation of Net Financial Assets to Net Assets	
Net financial assets as above	2,422,834
Non-financial assets & liabilities	1,471,133
Net assets per Balance Sheet	**3,893,967**

Notes To And Forming Part Of The Financial Statements

		2005	2004
		$	$
20	**NOTES TO STATEMENT OF CASH FLOWS**		
20a	**Reconciliation of Cash**		
	Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
	Cash and short term deposits	1,411,116	2,350,749
		1,411,116	**2,350,749**
20b	Loss for the year	(471,787)	(170,707)
	Depreciation	2,890	227
	Other non cash items	200	-
	Net cash flows from operating activities before change in assets and liabilities	(468,697)	(170,480)
	Change in assets and liabilities during the financial year:		
	Increase in prepayments	(5,283)	-
	Decrease in tax assets	2,650	51,498
	Decrease/(increase) in receivables	30,518	(74,107)
	Increase/(decrease) in payables	61,442	(18,135)
	Increase in provisions	2,012	-
	Net cash outflow from operating activities	**(377,358)**	**(211,224)**

21 SEGMENT INFORMATION

The company operates in only one industry segment being mineral exploration and only one geographical segment being Australia.

22 FINANCE FACILITIES

No credit standby facility arrangement or loan facilities existed at 31 December 2005.

23 COMMITMENTS FOR EXPENDITURE

23a Exploration Commitments

In order to maintain current rights of tenure to exploration and mining tenements, the company has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations are not provided for in the financial statements and are payable:

	2005	2004
	$	$
Not later than one year	600,000	600,000
Later than one year but not later than two years	600,000	600,000
Later than two years but not later than five years	600,000	200,000
Later than five years	600,000	200,000
	2,400,000	**1,600,000**

24 EVENTS OCCURRING AFTER REPORTING DATE

At the date of the director's declaration there is no matter or circumstance that has arisen since 31 December 2005 that has significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of the company, subsequent to 31 December 2005, other than those mentioned in the Director's Report.

Notes To And Forming Part Of The Financial Statements

25 RELATED PARTIES

25a Directors

Mr GE Lambert is associated with Fayara Securities Pty Ltd a company which received payments of $26,000 (2004: $20,000) for consulting services.

Mr M Ruane is associated with Kesli Chemicals Pty Ltd a company which received payments of $84,000 (2004: Nil).

Mr C Van Heyst is associated with Mercator Capital Services Pty Ltd a company which received payments of $26,000 (2004: $20,000).

Mr WP Brooks is associated with Baracus Pty Ltd a company which received payments of $24,000 (2004: $24,000).

A company of which Mr Ruane is a Director and holds a beneficial interest has provided rental and administrative services to the company on commercial terms. During the period the company paid $21,148 for these services.

25b Wholly Owned Group

Aggregate amounts included in the determination of profit/(loss) before income tax that resulted from transactions with entities in the group.

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
Interest revenue				
Controlled entities	-	-	-	-
Loans advanced to controlled entities	-	-	-	-

26 CONTINGENT LIABILITIES

There are no contingent liabilities at balance date (2004: Nil).

27 INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2005 %	Equity Holding 2004 %
Controlled Entity				
Potash Australia Ltd	Australia	Ordinary	100	0

Notes To And Forming Part Of The Financial Statements

28 IMPACT OF ADOPTION OF AIFRS

The impact of adoption of AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(a) Reconciliation of equity reported under AGAAP to equity under AIFRS

	1 Jan 2004	31 Dec 2004	31 Dec 2005
	$	$	$
Total equity under AGAAP	929,310	3,893,967	3,422,180
Adjustments to equity			
- share options issued to brokers on equity raising treated as transaction cost	-	(40,000)	-
- share option reserve established to account for unexercised options held by brokers	-	40,000	-
Total equity under AIFRS	**929,310**	**3,893,967**	**3,422,180**

(b) Reconciliation of profit under AGAAP to profit under AIFRS

	Year ended 31 Dec 2004	Year ended 31 Dec 2005
	$	$
Loss for the year under AGAAP	170,707	471,787
Adjustments to profit	-	-
Loss for the year under AIFRS	**170,707**	**471,787**

(c) Reconciliation of cash flow statements under AGAAP to cash flow statements under AIFRS

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

Information Required by the Australian Stock Exchange Limited

1 SHAREHOLDER INFORMATION AS AT 16 FEBRUARY 2006

1a Spread of Holdings

Spread of Holdings			Holders	Units
1	-	1,000	822	273,328
1,001	-	5,000	299	684,462
5,001	-	9,999	66	476,221
10,000	-	100,000	276	8,296,736
100,001	&	Over	34	19,153,330
			1,497	**28,884,077**

	Holders	Units
1b Total Unmarketable Parcels	1,004	563,425

1c Substantial Shareholders

Tyson Resources Pty Ltd	6,660,450
Kesli Chemicals Pty Ltd <Ruane Super Fund Account>	4,805,775

1d Directors' Shareholdings:

	Shares Held Directly	Held by Companies in which Directors have a beneficial interest
Geoffrey E Lambert	50,000	20,000
Cyrille J Van Heyst	20,000	60,000
William P Brooks	10,000	709,771
*Michael Ruane	89,129	14,921,978

Michael Ruane is also a Director of Intermin Resources Ltd a company in which he has a beneficial interest.

Information Required by the Australian Stock Exchange Limited

1e The names of the twenty largest shareholders, who between them held 59.58% of the issued capital are listed below:

		Number of Ordinary Shares	%
1	Tyson Resources Ltd	6,458,878	22.36
2	Kesli Chemicals Pty Ltd <Ruane S/F A/C>	4,805,775	16.64
3	Baracus Pty Ltd	1,342,124	4.65
4	Allarrow Pty Ltd	828,750	2.87
5	Intermin Resources Ltd	628,080	2.17
6	Ltex Pty Ltd	333,334	1.15
7	Mr Simon Beekenkamp	298,743	1.03
8	Romulus Pty Ltd <John Sendziuk S/F>	221,429	0.77
9	Hunt Corporate Investment	214,289	0.74
10	Mr Chris Carr & Mrs Betsy Carr	214,286	0.74
11	Tyson Resources Pty Ltd	201,572	0.70
12	Mambat Pty Ltd	200,000	0.69
13	Blue Bone Enterprises (WA)	200,000	0.69
14	Octifil Pty Ltd	190,000	0.66
15	Georgia Golding	187,000	0.65
16	Mr Luigi Bondini	185,250	0.64
17	Nampa (WA) Pty Ltd	180,000	0.62
18	Mr Michael Ruane & Mrs Irene Margaret Ruane	178,257	0.62
19	Taycol Nominees Pty Ltd	174,000	0.60
20	Ms Alwyn Joan Bondini	171,000	0.59
		17,212,767	**59.58**