



QUARTERLY OPERATIONS REPORT

THREE MONTHS ENDING 30 SEPTEMBER 2011

HIGHLIGHTS

- **With the recent confirmation of the technical viability of mining and processing The Colluli Potash Deposit, South Boulder Mines begins the transition into a potash producing company;**
- **A Definitive Feasibility (DFS) for the construction of the worlds first open cut potash mine is on track for completion in early 2013 with production scheduled for 2016 or sooner;**
- **Total JORC-Compliant Mineral Resource Estimate increased to 564.40Mt @ 18.60% KCl;**

	Tonnes (Mt)	Grade (% KCl)	Mt (Potash)
Total Measured	133.70	17.55	23.47
Total Indicated	343.33	17.38	59.68
Total Inferred	87.37	24.96	21.81
Total Resource	564.40	18.60	104.96

- **High grade potash assays were returned from Area B. Further near term resource expansion is expected from drilling already completed from within the current resource and results to date continue to support the JORC-Compliant Exploration Target of #1.25–1.75 billion tonnes @ 18-20% KCl;**
- **Highly regarded potash processing engineer Dr. Chris Gilchrist and open pit mining engineering specialist Dayle Kenny, strengthen The Board and management team of South Boulder Mines;**
- **Eritrea has continued to grow and be accepted in the international community as an emerging mining jurisdiction and South Boulder Mines continues to have overwhelming support from the Eritrean Government to build a long term economically and environmentally sustainable resource project;**
- **South Boulder Mines is admitted into the S&P/ASX 300 index;**
- **South Boulder is well funded with \$13.7M in net tangible assets and \$5.2M due from option conversions.**

#JORC Compliance Statement

The potential quality and grade of the total current exploration target of which includes the current Mineral Resource Estimate is conceptual in nature and there has been insufficient exploration to define a Mineral Resource other than the current Mineral Resource Estimate and it is uncertain if further exploration will result in the determination of a Mineral Resource Estimate other than the current Mineral Resource Estimate.



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POTASH PROJECT

The Colluli Potash Project

Engineering scoping study results released subsequent to the end of the period have confirmed the viability of the Colluli Potash Project and South Boulder has committed to progress a definitive feasibility study (DFS) scheduled for completion in the next 14-17 months. Dr. Gilchrist is heading up the DFS team and on the 13th of October accepted a permanent board position with South Boulder Mines Ltd.

The Colluli engineering studies are being completed by a highly experienced, multi-disciplinary team directed to deliver a conservative study for the construction of the world first open pit potash mine. A conservative approach has been adopted by management to ensure project financing is simplified and to ensure the project is delivered on time and on budget.

An eleven year initial mining and processing period has been determined to currently represent a suitably conservative approach to the technical assessment of the project in order to ensure low risk, economic evaluation. Given that only a small portion of the potash contained within the current JORC Compliant Mineral Resource Estimate is planned to be mined as part of the current study the Company considers the mine life upside of the project to be immense and likely to be in excess of 50 years.

The current resource (Figure 1) consists of 133.70Mt @ 17.55% KCl of Measured Resources, 343.33Mt @ 17.38% KCl of Indicated Resources and 87.37Mt @ 24.96% KCl of Inferred Resources for a total of **564.40Mt @ 18.60% KCl (total contained potash of 104.96Mt)**. This includes higher grade Sylvinite mineralisation of 130.39Mt @ 27.02% KCl (**total contained potash of 35.23Mt**). Sylvinite mineralisation was selected to be the focus of the engineering scoping study for a number of reasons;

- Sylvinite is located shallowest in the stratigraphic sequence;
- Processing methods are relatively simple to produce MOP;
- Open pit mining methods are simple;
- MOP will be easily consumed by the existing market;
- Start-up capex is minimised to ensure simplified project financing.

The overall production strategy at Colluli will be to initially produce standard MOP (KCl) from Sylvinite mineralisation and to progressively transition the project at the most economically favourable time, to include the production of SOP and K-Mg sulphates from Kainitite and Kieserite mineralisation. Only MOP production from Sylvinite mineralisation has been included in the current technical and economic studies. The optimum time to transition the project to include SOP and K-Mg sulphate production will be determined over the course of the remaining DFS and will also be dependent on further exploration results.

The feasibility team determined that it is of critical importance for the DFS to focus on the production of the most readily saleable potash product for the target sales market in order to become an established fertilizer production company. Standard MOP potash is a commonly traded product into the targeted Asian markets. Once South Boulder is an established fertilizer producer, it will be easier to finance the production of SOP, K-Mg sulphates and grow the respective markets of these products.

Mining has been scoped to be conducted with a flexible standard fleet of 90-100 tonne dump trucks with backhoe loading. In addition the use of in-pit crushing, conveying and continuous mining will be investigated. Groundwater will be controlled by a combination of dewatering drill holes, intercept trenching, evaporation, batter toe drainage and geopolymers which are all standard mine dewatering methods.

The processing facility will be located at the Colluli site and will consist of an industry-standard milling and flotation plant. The metallurgical amenability of froth flotation has been demonstrated and early recovery results have been highly encouraging at >80% KCl which is considered to be near industry averages. Further process optimisation work is planned as part of the DFS and it is expected that the metallurgical recovery will further increase. Residue disposal from the processing facility is planned to be deposited with pit wastes at the mine site. These consist of Halite (NaCl) and sulphate minerals, the environmental impact of which will be minimal.

A small diameter pipeline from the coastal town of Mersa Fatma has been scoped to bring sea water to the processing site if insufficient volumes of groundwater are identified. Up to 120 kilolitres per hour of water will be required consisting of 75% seawater/brackish water and 25% freshwater. Brackish water is present in the ground above and in adjacent areas to the resource however it is currently thought that the volumes are smaller than requirements. A substantial brackish and fresh water exploration drilling program has commenced as part of site hydrogeological investigations and will assess ground within a 50 kms radius of the Colluli site. Water sourced from mine dewatering activities will be used to supplement the total site brackish water requirements.

Road train or truck transport to a port, storage and loading facility at the Anfile Bay Area (Figure 2) is planned pending environmental, social impact and Government approvals. Anfile Bay contains deep water close to the coast and has sufficient options for offshore trans-shipment barges. Self-powered, self-discharging “shuttle barges” with 5,000 metric tonne capacity have been planned to access deeper water and load ships at a rate of 20,000 metric tonnes per day.

Numerous opportunities have been identified to improve the current project plan in terms of rates of production, fertilizer products and resource utilisation and these will be defined in the next 14-17 months. The DFS will be completed by world renowned potash experts, ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH (ERCOSPLAN) with input from a number of independent mining organisations and professionals under the guidance of Dr. Chris Gilchrist.

During the period exploration work at Colluli was focused on compilation of a JORC-Compliant Mineral Resource Estimate (Table 1) and conducting key DFS activities. High grade potash was returned from diamond drilling at Area B and some of these were included in a resource update released to the ASX on the 4th of October. A full table of results released to date from the Area B deposit are included in Table 3.

	Tonnes (Mt)	Grade (% KCl)	Mt (Potash)
Total Measured	133.70	17.55	23.47
Total Indicated	343.33	17.38	59.68
Total Inferred	87.37	24.96	21.81
Total Resource	564.40	18.60	104.96

Table 1: Colluli Project JORC Compliant Mineral Resource Estimate.

Potash mineralisation has been intersected at Area B from depths as shallow as 16m further confirming the current project exploration target of #1.25 – 1.75 billion tonnes @ 18-20% KCl. Further assays from drilling at Area B are due to be returned in the next quarter.

The potential quantity and grade of the total current exploration target which includes the current Mineral Resource Estimate is conceptual in nature and there has been insufficient exploration to define a Mineral Resource other than the current Mineral Resource Estimate and it is uncertain if further exploration will result in the determination of a Mineral Resource Estimate other than the current Mineral Resource Estimate.



Two PQ size diamond drill holes were completed during the period to collect larger metallurgical samples for analysis and for geotechnical assessment as part of DFS activities (Figure 1). Both holes intersected significant shallow potash from within the Area A Resource and will also be used to upgrade the resource categories in those areas from Inferred to Measured and Indicated.

Hole PQ1 intersected a combined total of 20.76m thickness of potash mineralisation as follows;

- 0.86m of sylvinite from 31.57 – 32.43m;
- 0.70m of upper carnallite from 39.05 – 39.75m;
- 9.39m of lower carnallite from 56.37 – 65.76m and;
- 9.81m of kainitite from 65.76 – 75.57m.

Hole PQ2 intersected a combined total of 20.67m thickness of potash mineralisation as follows;

- 2.36m of sylvinite from 35.45 – 37.81m;
- 0.75m of upper carnallite from 37.81 – 38.56m;
- 8.16m of lower carnallite from 53.80 – 61.96m and;
- 9.40m of kainitite from 61.96 – 71.36m.

Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.
PQ1	644658	1590208	-118.1	000	-90	85.60
PQ2	643772	1590934	-119.1	000	-90	147.00

Table 2: Collar coordinates for metallurgical and resource holes PQ1 and PQ2.

In addition a down hole geophysical logging program was conducted on 44 resource holes utilising gamma ray, caliper, porosity and sonic tools. A density tool was damaged in transit to the site and required to be sent away for repair. Density logging will be conducted in the next period when the tool is returned to site. Drilling activity is ongoing at Colluli in order to provide further exploration, resource, metallurgical, geotechnical and hydrogeological data for the current DFS.

Initial economic and financial data combined with the abovementioned scoping study technical details are expected to be released to the ASX in November. During the next period a number of key activities will be undertaken as part of the DFS. These include;

- Hydrogeological, exploration, resource and metallurgical drilling;
- Colluli and Anfile Bay Area environmental, social and archaeological data collection for proposed port, storage, processing and transport infrastructure;
- Metallurgical processing route testwork design and data collection;
- Open pit mining engineering design and planning;
- Environmental, social impact and archaeological survey planning.

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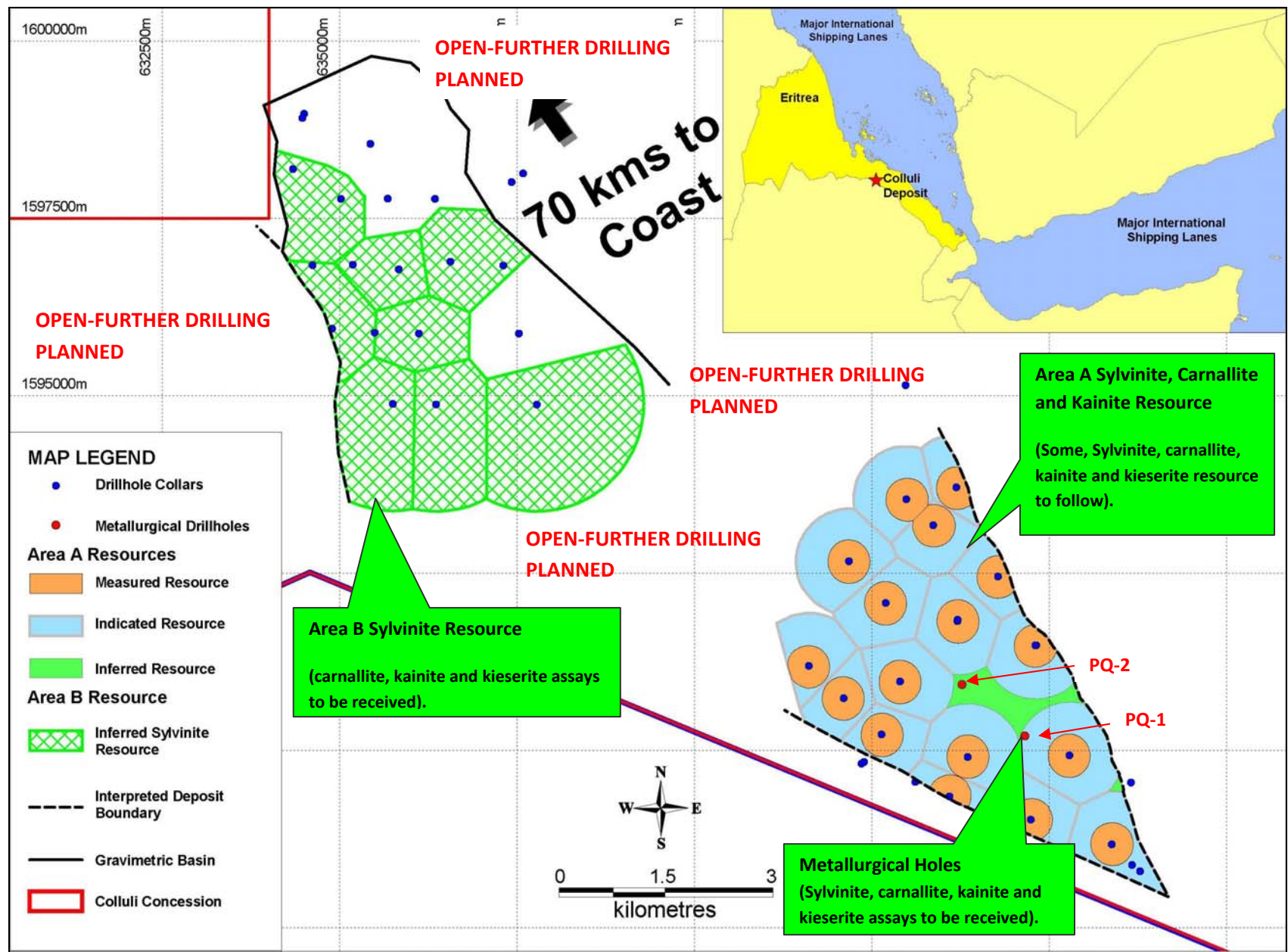


Figure 1: Colluli Project JORC Compliant Mineral Resource Estimate Plan.

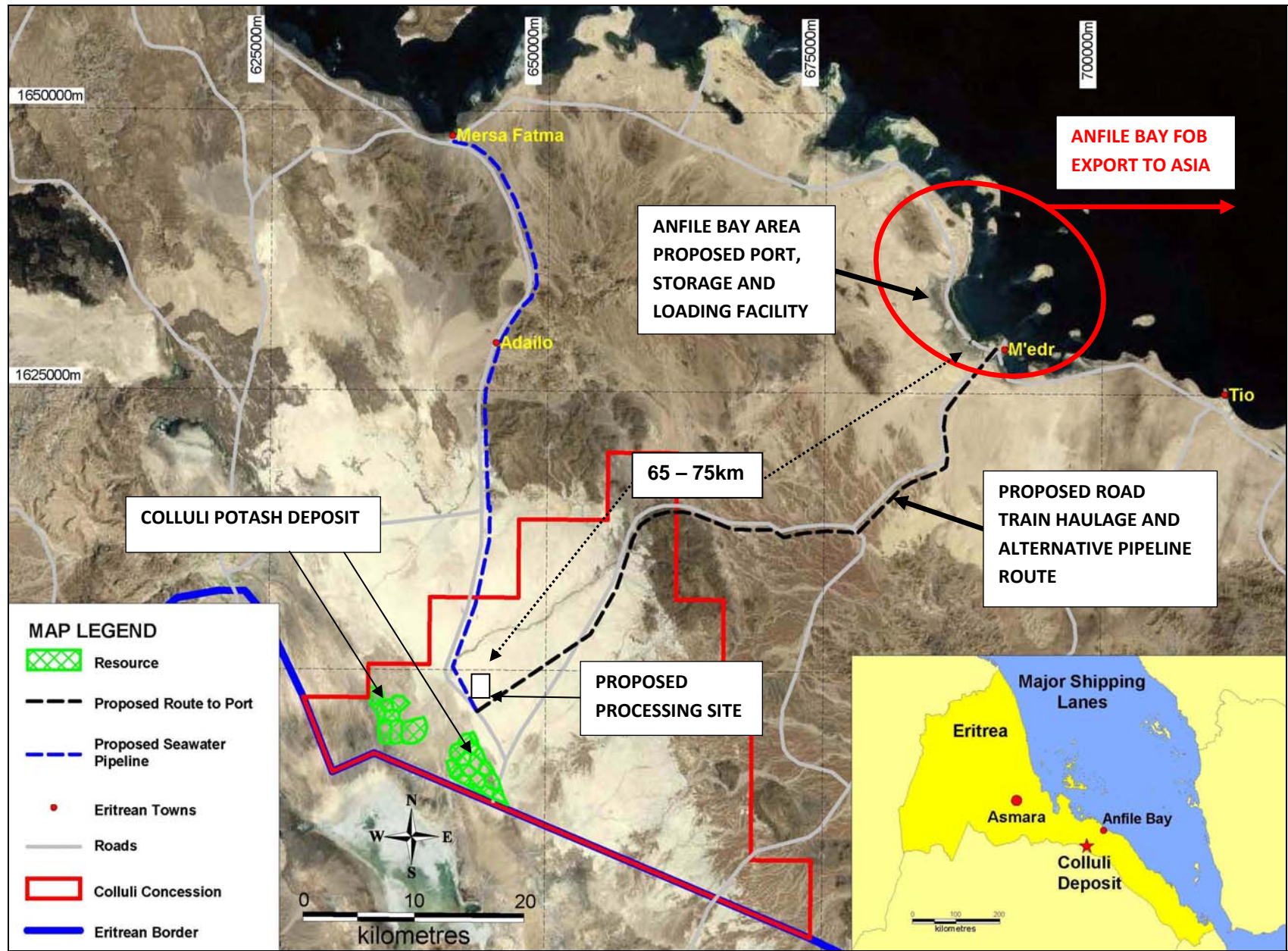


Figure 2: Colluli Project Site Plan.

Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.	From	To	Interval (m)	KCl (%)	Comment
Col-023	635833	1596782	-122	000	-90	52.60	33.63	35.67	2.04	27.63	Sylvinite. Assays awaited carnallite and kainitite zones
Col-024	635677	1597779	-121	000	-90	45.00	24.00	27.12	3.12	15.17	Kainitite. Assays awaited carnallite and kainitite zones
Col-025	636562	1596890	-119	000	-90	54.00	36.09	36.76	0.67	22.69	Sylvinite
							36.76	41.23	4.47	15.89	Kainitite and kieserite. Assays awaited carnallite and kainitite zones
Col-026	636356	1594877	-122	000	-90	102.00	83.10	86.06	2.96	29.85	Sylvinite. Assays awaited carnallite and kainitite zones
Col-027	636116	1595879	-122	000	-90	72.00	50.28	52.00	1.72	39.69	Sylvinite. Assays awaited carnallite and kainitite zones
Col-028	637528	1595879	-119	000	-90	63.00	Assays awaited				Carnallite, kainitite; ~8.89m from ~48.36m
Col-029	637780	1594876	-120	000	-90	93.00	74.58	75.74	1.16	29.44	Sylvinite. Assays awaited carnallite and kainitite zones
Col-030	635493	1595891	-122	000	-90	75.00	Assays awaited				Sylvinite, carnallite; total thickness ~3.23m from ~53.94m
Col-031	635183	1596850	-121	000	-90	51.00	Assays awaited				Sylvinite, carnallite and kainitite; total thickness ~12.97m from ~32.95m
Col-032	635750	1594886	-122	000	-90	102.00	82.00	83.69	1.69	30.10	Sylvinite. Assays awaited carnallite and kainitite zones
Col-033	635016	1597777	-120	000	-90	30.00	19.35	20.82	1.47	14.66	Sylvinite. Assays awaited kainitite zones
Col-034	635432	1598553	-119	000	-90	36.00	Assays awaited				Carnallite, kainitite; total thickness ~8.99m from ~22.14m
Col-035	636343	1597777	-119	000	-90	42.00	Assays awaited				Carnallite, kainitite; total thickness ~12.91m from ~25.70m
Col-036	637309	1596837	-118	000	-90	114.00	Assays awaited				Sylvinite, carnallite and kainitite; total thickness ~10.87m from ~32.60m
Col-037	634893	1595946	-122	000	-90	83.30	65.59	71.17	5.58	31.47	Sylvinite. Assays awaited carnallite/kieserite and kainitite zones
Col-038	637586	1598135	-117	000	-90	43.00	-	-	-	-	No samples taken, hole to be deepened
Col-038B	637422	1598015	-117	000	-90	78.00	-	-	-	-	No samples taken, hole to be deepened
Col-039	634618	1596841	-122	000	-90	57.00	Assays awaited				Sylvinite, kainitite; total thickness ~9.87m from ~42.70m
Col-040	634500	1598976	-119	000	-90	78.00	-	-	-	-	No samples taken, hole to be deepened
Col-040B	634476	1598917	-119	000	-90	27.00	Assays awaited				Kainitite; total thickness ~8.07m from ~16.51m
Col-041	634341	1598197	-120	000	-90	33.00	Assays awaited				Sylvinite, kainitite; total thickness ~8.45m from ~18.86m

Table 3 - Area B Discovery table of partial drilling assays, hole collar details and preliminary field results.

THE ERITREAN MINING INDUSTRY

During the period The Eritrean government continued to direct overwhelming support for the rapid construction of an economically and environmentally sustainable potash development at Colluli. On the 4th – 6th of October South Boulder presented the latest updates of the Colluli project to the 7th Asmara Geocongress in the Eritrean capital city Asmara. The event was organised by the Ministry of Energy and Mines and show cased the exploration potential of Eritrea and was an opportunity for all foreign companies to provide details on their projects. Over 20 foreign companies are actively exploring and assessing exploration and mining opportunities in Eritrea at present.

The event was opened by Ahmed Haj Ali, the Minister of Energy and Mines to a 300+ delegate list that included Eritrean Government Ministers and staff, dignitaries from other African Nations, national and expatriate mining and exploration professionals. Dr. Chris Gilchrist presented a Key Note Address with an overview of potash and the potash industry which was very well received and topical. A journal produced by the Ministry of Energy and Mines from the event is available for download on the South Boulder Mines Ltd website under the Media Coverage Section.

In addition Eritrea continued to gain acceptance in the international community as stable, harmonious, corruption-free and a destination of choice for foreign investment. In September, for the first time in ten years, Eritrean President Isaias Afwerki visited New York City to attend the 66th United Nations General Assembly. This event is viewed by South Boulder as very positive for the continuation of normal international relations.

THE DUKETON PROJECT

The Duketon Project comprises ~1,500km² of the Achaean Duketon Greenstone Belt and is located ~ 80kms to 120kms north of Laverton in Western Australia. South Boulder owns 100% of the gold and base metal rights and Independence Group NL (Independence; ASX: IGO) is earning 70% of the nickel rights to selected tenure held by South Boulder as part of the Duketon Nickel Joint Venture (Figure 3).

The Duketon Project is highly prospective for gold, nickel sulphide and base metals. The Achaean Duketon Greenstone Belt is dominated by a broad, complex north-northwest trending fold structure known as the Eristoun Syncline. The core of this syncline is occupied by the Ingi-jingi Felsic Volcanic Complex. The Ingi-jingi Felsic Volcanic Complex consists dominantly of rhyolitic and dacitic tuffs, and represents the youngest rocks in the belt.

The western limb of the Eristoun Syncline is formed by a sequence of mafic and ultramafic volcanic and intrusive, epiclastic and chemical sediments, and minor felsics known as the Bandy Mafics. To the west the Bandy Mafics are bounded by the Hootanui Fault and the Granite Hills Batholith. The north-eastern limb of the Eristoun Syncline is formed by a sequence of mafic volcanics informally known as the Riccaboni Mafics. These mafics underlie the Ingi-jingi Felsic Volcanic Complex, and are intruded to the north by the Mount Joanna batholith.

THE DUKETON NICKEL JOINT VENTURE

In April 2004 South Boulder signed a farm-out Joint Venture Agreement with Independence Group NL (ASX: IGO). Under the terms of the agreement Independence will farm-in to earn 70% of the nickel metal rights on tenements held by South Boulder within the Duketon Project by delivery of a Bankable Feasibility Study within 5 years from the grant of the relevant tenement.

The Duketon Nickel Joint Venture (DNJV) covers some of the ultramafic rich stratigraphy in the Duketon Greenstone Belt which is considered highly prospective for Ni-Cu-PGE (Platinum group element) disseminated and massive sulphide mineralisation. Two key prospects have been defined to date: Rosie and C2. Other than these prospects much of the highly prospective ultramafic units have yet to be effectively tested for nickel-copper-PGE sulphide mineralisation at depth.

Additional nickel sulphide mineralisation within the Duketon Greenstone Belt is highlighted by the Collurabbie discovery by Falcon Minerals Ltd (ASX: FCN) and BHP Billiton Ltd to the north of the Duketon Project; and by the recently revived Windarra nickel mine to the south held by Poseidon Nickel Limited (ASX: POS).

Note: Most tables, figures and text relating to the DNJV have been provided courtesy of Independence.

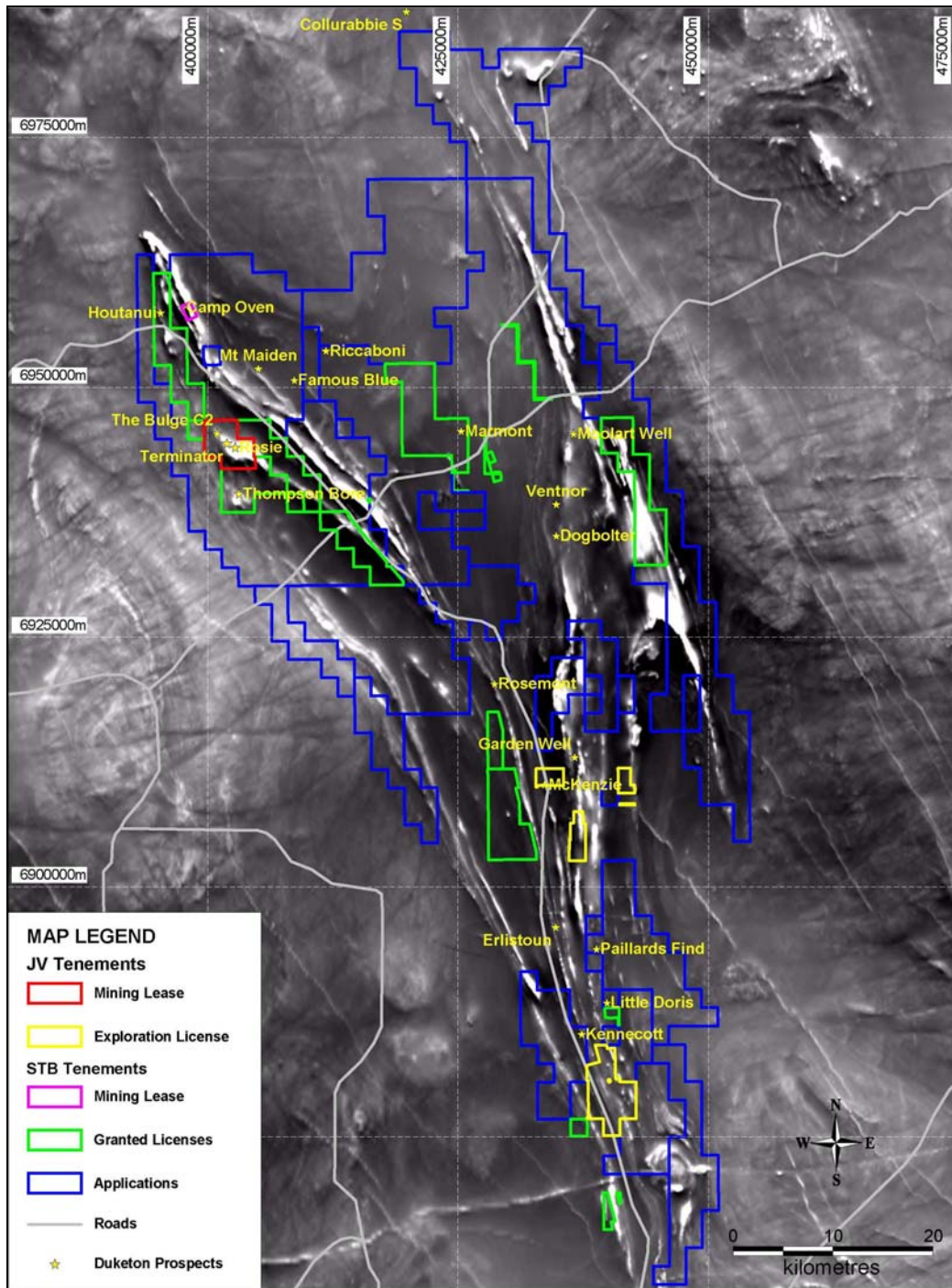


Figure 3 – Duketon Gold and Duketon Nickel JV tenements and applications shown over a magnetic image.

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THE BULGE ROSIE AND C2 PROSPECTS

During the period exploration/resource drilling and scoping study work continued as planned to evaluate the potential for an open pit mine at the C2 and an underground mine at the Rosie Ni-Cu-PGE Prospects. The drilling has continued to intersect highly encouraging massive sulphides as well as significant zones of brecciated, stringer and disseminated sulphides.

An intensive period of drilling occurred in the June and September quarters. Numerous resource definition RC and diamond holes were drilled at the Rosie deposit on a nominal 80m X 80m grid with selected 40m X 80m infill holes. Full drill hole details are contained within the June quarterly report. The targets were typically extensions to known mineralisation such as that identified in Figure 4 below. It was anticipated that a maiden JORC-Compliant Mineral Resource Estimate with additional drilling results would be available in the quarter however delays have been experienced with the transfer of data to South Boulder from Independence who are the Project Managers. It is expected that further information will be available in the December quarter.

Drilling results from recent programs include diamond hole TBDD112 which intersected downhole intervals of;

- - 5.24m @ 3.6% Ni, 0.4% Cu and 49.5g/t 6PGE's from 135 .07m including;
- - 1.50m @ 7.6% Ni, 0.6% Cu and 15.1g/t 6PGE's.

The results further confirm the overall continuity of significant mineralisation at the high-grade Rosie Prospect which has mineralisation defined over a strike length of 950m (open) and down dip extent of 600m (open). Results have confirmed a laterally extensive zone of predominantly disseminated and breccia style mineralisation with discrete zones of massive mineralisation. This style of mineralisation is suggestive of remobilised sulphides possibly flanking a massive sulphide mineralised "channel" or footwall embayment position Figure 5, 6 and 7.



Figure 4 – Duketon Nickel JV Rosie Prospect - TBDD098 Massive sulphide intercept - 5.20m @ 9.13% Ni, 1.09% Cu, 0.21% Co and 7.09g/t PGEs (PGEs include 2.22g/t Pt, 1.74g/t Pd, 0.82g/t Rh, 1.79g/t Ru).

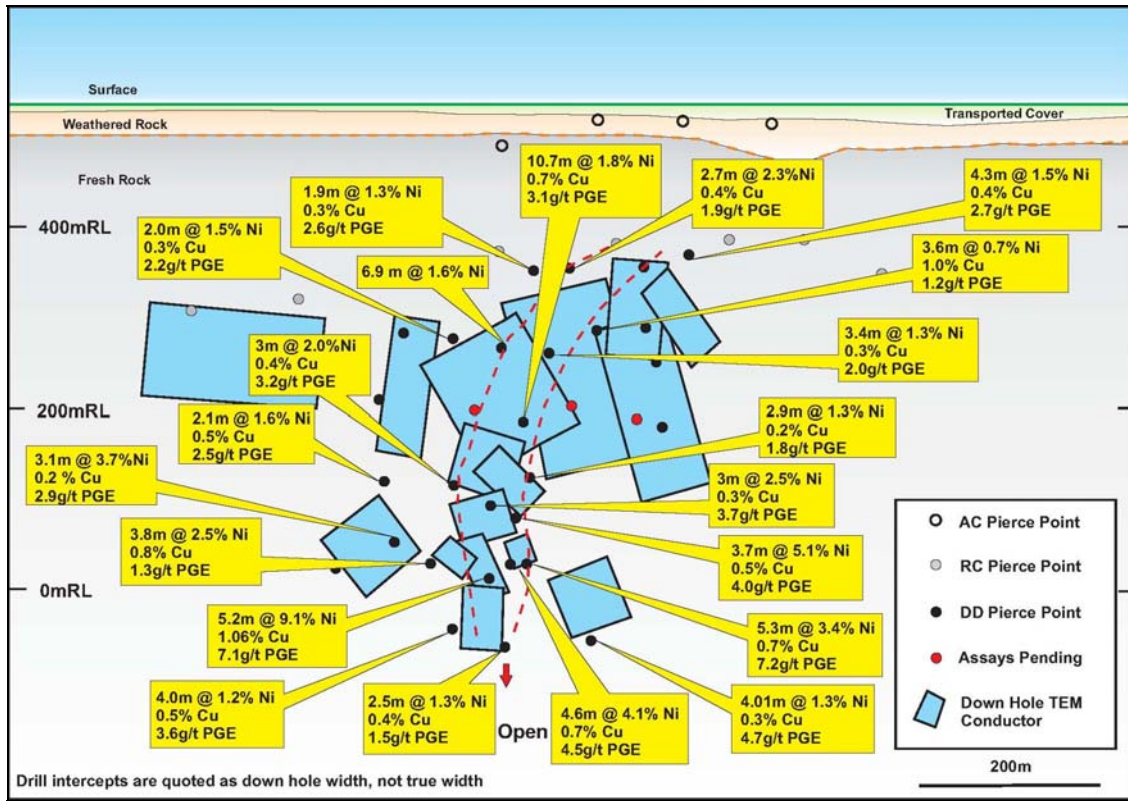


Figure 5 - Duketon JV Rosie Ni-Cu-PGE Prospect Longitudinal Projection showing significant drill intercept, down-hole TEM conductors and interpreted lava channel.

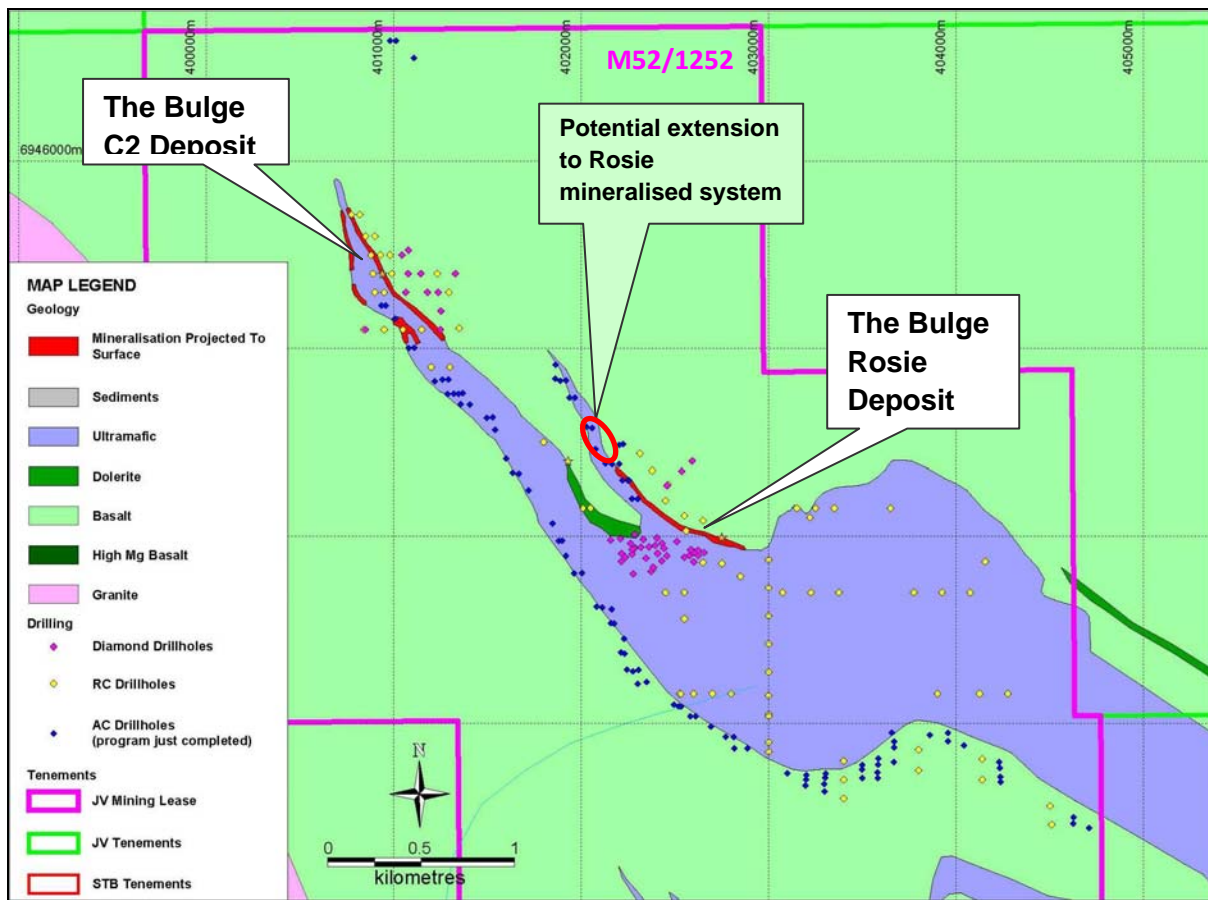


Figure 6 - Rosie and C2 Ni-Cu-PGE Deposits drilling plan, interpreted geology map and Mining Lease (M52/1252).

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In addition a program of aircore drilling comprising 102 holes for 6,500m was completed along the ultramafic contact from Rosie and along the Bulge western contact. The program was designed to delineate the ultramafic contact with more accuracy in areas where its location was interpreted from aeromagnetic data to identify geochemical “hotspots” possibly representing new nickel sulphide systems. The hole collar locations are shown in Figure 6.

A number of anomalous responses were returned from 4m composite sampling including an intercept of 32m @ 0.9% Ni, 0.1% Cu and 0.48g/t Pt+Pd from 36m in hole TBAC201. Hole TBAC206 returned 8m @ 0.5% Ni, 0.3% Cu and 0.44g/t Pt+Pd from 32m which extends the Rosie mineralisation system along strike for ~240m. Further exploration is planned for next year upon receipt of all data.

The current drilling program is part of continued work programs and studies into the economic parameters of a mining project comprising an underground mine at Rosie and an adjacent open pit mine at C2. The entire work program on M52/1252 is managed by Independence Group.

Exploration activities within the Rosie Mine Lease this quarter concentrated on rehabilitation of RC and DD collars as per Government guidelines. All collars and pads were ripped and backfilled after DGPS surveying of the collars. No new drilling was conducted and new assays were received during the period.

Key engineering scoping study activities commenced or completed to date include;

- Grant of Mining Lease (22nd of November 2010);
- Flora survey as part of an Environmental Baseline Study (complete);
- Initial resource drilling at Rosie and C2 (complete);
- Compilation of initial JORC-Compliant Mineral Resource Estimate (underway);
- Exploration base camp approvals (complete);
- Water extraction license (complete);
- Engagement of Aboriginal heritage consultants (complete).

DUKETON GOLD PROJECT

From the early 90’s the majority of the Duketon Project was held by Normandy Mining Limited and Newmont Mining Corporation. Although wide spaced reconnaissance exploration was sporadically conducted, the vast majority of the project remains under shallow cover and vastly under explored Figure 3.

The Duketon Greenstone Belt contains highly prospective geological sequences and mineralised structures. Numerous structures are known to contain significant gold mineralisation and this is demonstrated by the approximately +5M ounces of unmined gold resources currently defined to date within the belt. The +1.5M ounce Moolart Well Gold Project was constructed by Regis Resources NL “Regis” (ASX: RRL) in 2010. This mine is currently the only mining operation in the Duketon Belt. Other recent developments in the belt announced by Regis include the +2.1M ounce Garden Well Deposit which is planned to be another stand alone development. These developments will likely have a very positive impact on the future of the Duketon Belt in terms of infrastructure.

REGIONAL PROSPECTS

During the period a low level airborne geophysical survey was flown over three areas at the Duketon Gold Project Table 4. The survey was flown by UTS Aeroquest Airborne and recorded magnetics, radiometrics and digital terrain data.



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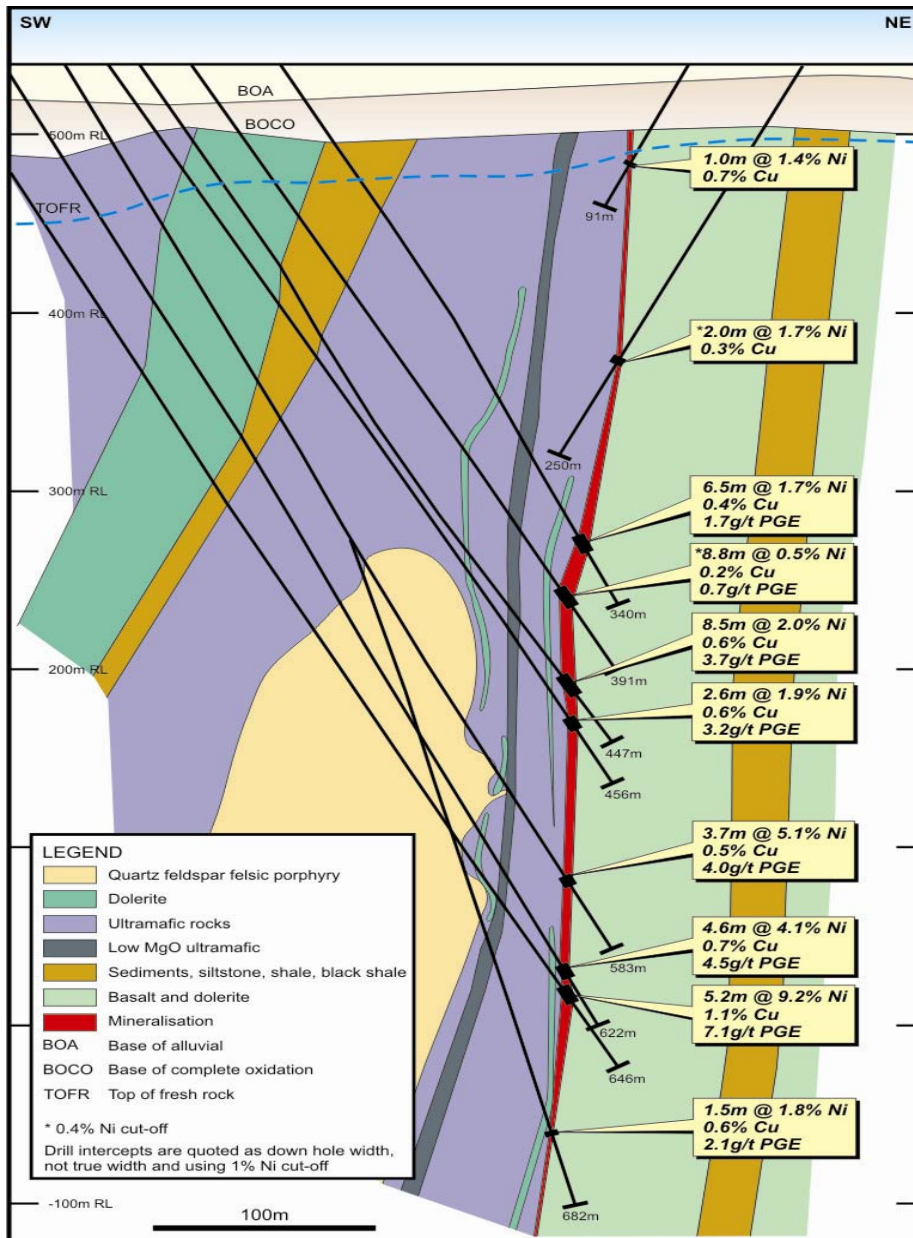


Figure 7 – Duketon Nickel JV Rosie Prospect – cross section showing geology, drillhole traces and Ni-Cu-PGE intercepts.

Lease ID	Line Spacing	Line Direction	Tie Line Spacing	Tie Line Direction	Sensor Height	Total Line Km
E38/1511	50m	045-225	500m	135-315	50m	986
E38/1836	50m	090-270	500m	000-180	50m	3,000
E38/1535	50m	090-270	500m	000-180	50m	141
Total						4,127

Table 4 – Duketon Gold Project regional geophysical survey details.



The final data is currently being re-processed to South Boulder's standard formats. The re-processed data will be used to assist the design and planning of a 1st pass air-core drilling programs to be conducted in the coming year to test high priority targets.

A key regolith interpretation project compiled by South Boulder is nearing completion (Figure 8). This will be combined with the new magnetic survey and historic data to assist with fine tuning proposed air-core drilling programs in the coming period. It has been South Boulder's view that much of the Duketon Belt has been ineffectively explored due to lack of understanding about the regolith and the application of ineffective exploration techniques.

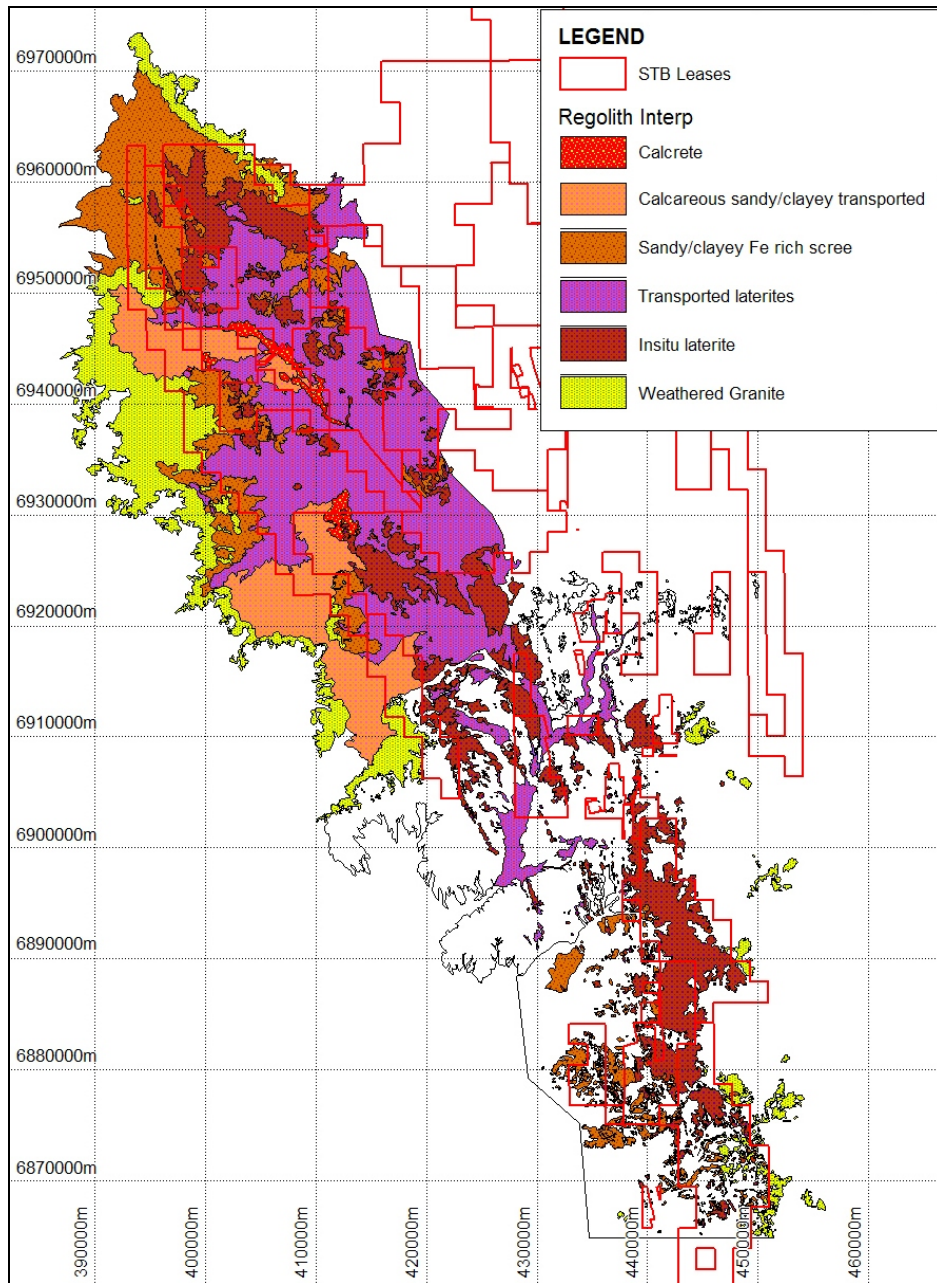


Figure 8 – Duketon Regolith Map

An extension of term for exploration tenements E38/1511 and E38/1537 was granted in early August for a period of 2 years. This allows South Boulder to conduct nickel exploration alongside Au exploration on these tenements.

A Low level (50m spaced lines x 50m flight height) aeromagnetic survey was flown over parts of E38/1511 the results were appended to the regional aeromagnetics data set. First pass interpretations were conducted to identify both lithologies and structural information. An updated geological interpretation map was extracted from the updated magnetic database early July 2011.

In July 2011, a 106 hole aircore program for 2,894m was drilled over the northern and central parts of the lease on a nominal 400x 100m pattern. The AC program was designed to test both anomalous gold soil sampling areas and ultramafic/mafic contacts thought to be extensions of the units hosting Rosie and C2. These contacts have not been thoroughly tested with MLTEM surveys.

All assays have been received and no significant intercepts were returned. However the assays display low order Ni and trace Au anomalism, and in conjunction with geological logs and magnetic data, confirm that the ultramafic/mafic contact is an extension of the Rosie and C2 host units (Figure 9). Further work is required to close up the drill spacing on the live contact and to test this contact along strike.

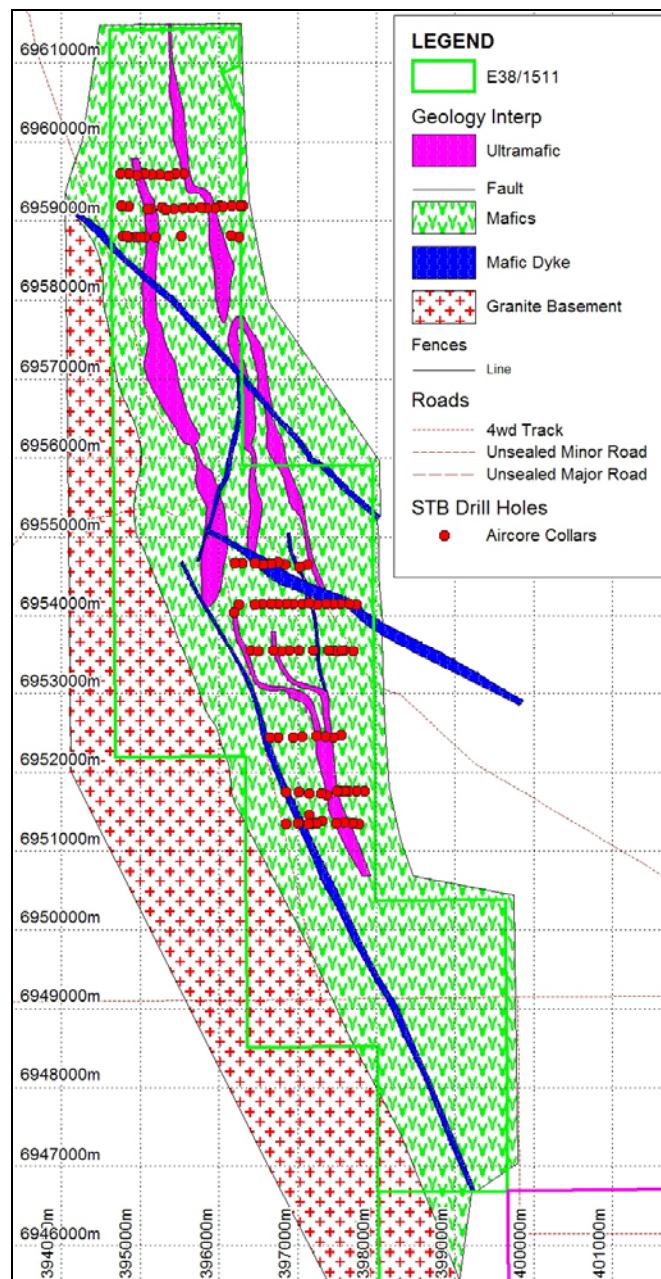


Figure 9 – Exploration license E38/1511 showing aircore drill collars.

TERMINATOR PROSPECT

The Terminator Gold Prospect was discovered during a geochemical aircore drilling program on E38/1537 (now M52/1252) during September 2009. The Prospect is located approximately 1.4km south along strike of the Bulge C2 Nickel Prospect Figure 3.

RC drilling completed in 2010 intersected high grades up to 28.60 g/t Au over 1m as well as broad intercepts of highly anomalous mineralisation. It is intended to conduct further RC drilling at Terminator and regional targets in a combined Duketon Regional Gold exploration program.

During the period, work was focused on targeting extensions to known mineralisation and gaining a better understanding of the structural complexities of the deposit. No holes were drilled during the period.

THOMPSONS BORE PROSPECT

The Thompson's Bore Gold Prospect is located within E38/1537, 5km due south of the Bulge Nickel Sulphide discovery. Previous aircore intercepts include values up to 75.30g/t over 1m from 14m and 8.70g/t over 11m from 35m. The mineralisation at Thompsons is considered open in all directions and indications are that mineralised intersections are significantly depleted down to depths of ~ 80m. At least 2 and possibly 3 steeply dipping, parallel north - northwest striking gold zones exist within the project. During the period, work was focused on targeting extensions to known mineralisation and gaining a better understanding of the structural complexities of the deposit. No holes were drilled during the period.

PORTFOLIO DEVELOPMENT

South Boulder has a policy of regularly reviewing its project and equity portfolios with a view to adding or realising value. Due to prevailing global financial conditions over the last 3 years rationalisation of the project portfolio has been important to ensure the company focuses on core projects and is well funded to add value.

The board had previously resolved to divest the non-core phosphate exploration portfolio comprising the Cardabia and the Georgina Basin phosphate projects. Options are being reviewed on how to create value from the projects considering the Georgina Basin Project is funded by Auvex Resources Ltd. Discussions are ongoing. South Boulder will continue to implement a policy of reviewing acquisitions both within Australia and offshore and will inform shareholders if and when an acquisition is tendered.

The equity portfolio of listed exploration companies derived from divestment of non-core exploration assets is valued at ~ AUD\$2.0m. The portfolio is under regular periodic review in order to determine opportunities for divestment to add to funds for working capital. Over the last 12 months as equity markets have been depressed it has been difficult to justify divestment. Investor appetite and overall market conditions appear to be generally improving and there is likely to be further opportunities to realise better value for South Boulder shareholders.

South Boulder holds a number of shares and options in ASX and TSX listed companies (Table 5).

CARDABIA PHOSPHATE PROJECT

The 100% owned Cardabia Phosphate Project is located in the northern Carnarvon Basin in Western Australia, approximately 200km north northeast from Carnarvon. The project comprises ~1,642km² of exploration applications and is highly prospective for nodular phosphate. Historic drilling by CRAE Pty Ltd, intersected widespread nodular phosphate and conducted early stage metallurgical test work. Over the period numerous advanced discussions were held with South Boulder senior management and with fertilizer industry participants. Discussions are continuing.

Company Name	Stock Exchange	No of fully paid Shares	20c/25c Options	Option Expiry Date
Montezuma Mining Company Ltd	ASX	5,382,000		
Buxton Resources Ltd	ASX	1,610,000	750,000	30/06/2012
Avonlea Minerals Ltd	ASX	400,000		
Lithex Resources Ltd	ASX	1,016,000		
Continental Nickel Ltd	TSX	121,200		
Auvex Resources Ltd	Private	500,000		

Table 5 – Current equities owned by South Boulder Mines Limited.

SOUTHERN GEORGINA PHOSPHATE PROJECT

The 100% owned Southern Georgina Phosphate Project is located in the central east Northern Territory, approximately 450km east north-east of Alice Springs. The tenements comprise 3 granted exploration licenses (EL26380, EL25983 and EL25982). Auvex Resources Limited (Auvex) purchased 90% of the manganese and base metal rights and 10% of the phosphate rights on the project.

Under the terms of the agreement South Boulder has a free carried 10% interest in the manganese and base metal rights up until the delivery of a Feasibility Study (FS). At that point South Boulder can elect to contribute or dilute to a \$2 per dry metric tonne (DMT) sold royalty for manganese or a 1.5% N.S.R. royalty in the case of base metals. Under the same terms, Auvex has a 10% free carry to a FS and then can either contribute or dilute to a \$2 per DMT sold royalty for phosphate sold. Auvex is pursuing plans to list on the ASX in the future.

CORPORATE

Market volatility was high during the period as it has been throughout the course of the last 3 years. European Union sovereign debt concerns, weak economic data, unrest in the Middle East, earthquakes in Japan and other natural disasters have contributed to unprecedented volatility in global equity markets. South Boulder remains committed to developing its quality assets in Eritrea and Australia and is confident it will be able to secure appropriate project funding that is economically attractive for shareholders.

During the period numerous advanced discussions were held with interested parties in order to identify and evaluate suitable potential business partners to assist with the growth of South Boulder's fertilizer business. There has been a high level of interest from industry groups looking to participate in the rapid growth of the Company.

In order to assist with the growth on the fertilizer business there is potential to undertake a demerger and create a dedicated potash company and a dedicated nickel and gold company. A potential in specie distribution of shares to all shareholders and the listing of a dedicated potash development company on an international exchange is a priority option under review. A decision that will best consider all shareholders is likely to be determined in the next year. Key resource modelling and scoping study analysis for both assets needs to be completed so that South Boulder can attribute suitable valuations to the respective asset and make development decisions accordingly.

South Boulder is listed on the Australian, Frankfurt, Munich and Berlin Stock Exchanges. The relevant codes are ASX: STB, SO3.F, SO3.MU and SO3.BE respectively, and can be accessed via Yahoo Finance. During this period South Boulder established a Sponsored American Depository Receipt (ADR) Program. The establishment of a sponsored ADR program is to create a broader secondary market for South Boulder particularly in the United States and Canada, thereby providing better access for North American investors to trade in STB securities.

The ADR's will be tradeable via licensed U.S. brokers in the ordinary course of trading in the Over-The-Counter (OTC) Market in the U.S. STB has appointed The Bank of New York Mellon (BNYM) as its authorised U.S. representative, Principal American Liaison (PAL) and Depository Bank to establish the ADR facility. Particulars for the U.S. sponsored ADR program is as follows;

U.S. Exchange;	OTC
Ticker Symbol;	SBMSY
CUSIP Number;	836709105
DR ISIN Number;	US8367091050
ADR to Ordinary Share Ratio;	1:1

The establishment of the ADR program is the first step in listing STB on the OTCQX Exchange in the U.S. which is expected to follow. Participation in the ADR program is to increase STB's exposure and visibility in key markets that have a strong understanding of the potash industry.

During the period \$1.58 million was raised from the conversion of 5,150,000 South Boulder share options. The total number of shares on issue at the end of the reporting period is 92,265,688. The total number of options on issue with conversion prices of between \$0.20 - \$0.75 is 13,540,000. These options have the potential to raise an additional \$5,234,000 in the near term.



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Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.
STB1	397703	6953545	500	90	-60	18
STB2	397593	6953551	500	90	-60	38
STB3	397504	6953546	500	90	-60	41
STB4	397392	6953552	500	90	-60	36
STB5	397199	6953551	500	90	-60	26
STB6	397010	6953548	500	90	-60	17
STB7	396895	6953553	500	90	-60	38
STB8	396791	6953546	500	90	-60	17
STB9	396687	6953550	500	90	-60	11
STB10	396400	6953551	500	90	-60	4
STB11	396497	6953543	500	90	-60	10
STB12	397557	6952475	500	90	-60	32
STB13	397448	6952449	500	90	-60	35
STB14	397350	6952450	500	90	-60	28
STB15	397240	6952463	500	90	-60	39
STB16	397151	6951461	500	90	-60	51
STB17	397053	6952456	500	90	-60	36
STB18	396942	6952441	500	90	-60	22
STB19	396753	6952447	500	90	-60	38
STB20	396647	6952449	500	90	-60	19
STB21	397849	6951758	500	90	-60	69
STB22	397748	6951761	500	90	-60	32
STB23	397645	6951762	500	90	-60	58
STB24	397541	6951760	500	90	-60	26
STB25	397369	6951715	500	90	-60	23
STB26	397295	6951732	500	90	-60	15
STB27	397151	6951729	500	90	-60	23
STB28	397017	6951756	500	90	-60	19
STB29	396850	6951754	500	90	-60	20
STB30	397743	6954144	500	90	-60	19
STB31	397654	6954151	500	90	-60	11
STB32	397544	6954150	500	90	-60	16
STB33	397457	6954152	500	90	-60	15
STB34	397357	6954151	500	90	-60	8
STB35	397249	6954146	500	90	-60	15
STB36	397144	6954163	500	90	-60	6
STB37	397057	6954154	500	90	-60	16
STB38	396945	6954157	500	90	-60	28
STB39	396850	6954153	500	90	-60	41
STB40	396750	6954154	500	90	-60	16
STB41	396659	6954155	500	90	-60	28
STB42	396545	6954156	500	90	-60	29
STB43	396452	6954143	500	90	-60	11
STB44	396256	6954145	500	90	-60	1
STB45	396193	6954042	500	90	-60	2
STB46	397131	6954649	500	90	-60	9
STB47	397021	6954621	500	90	-60	5
STB48	396840	6954649	500	90	-60	14
STB49	396747	6954678	500	90	-60	14
STB50	396658	6954656	500	90	-60	11
STB51	396554	6954655	500	90	-60	9
STB52	396455	6954673	500	90	-60	59
STB53	396293	6954673	500	90	-60	32
STB54	396204	6954667	500	90	-60	7
STB55	395547	6959599	500	90	-60	47
STB56	395445	6959600	500	90	-60	64
STB57	395356	6959569	500	90	-60	71
STB58	395241	6959589	500	90	-60	38
STB59	395149	6959596	500	90	-60	12
STB60	395057	6959600	500	90	-60	21
STB61	394960	6959585	500	90	-60	34



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Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.
STB62	394852	6959601	500	90	-60	55
STB63	394743	6959606	500	90	-60	10
STB64	394852	6959180	500	90	-60	38
STB65	394754	6959190	500	90	-60	13
STB66	396265	6959196	500	90	-60	47
STB67	396157	6959198	500	90	-60	17
STB68	396053	6959186	500	90	-60	38
STB69	395946	6959167	500	90	-60	13
STB70	395850	6959165	500	90	-60	4
STB71	395761	6959174	500	90	-60	35
STB72	395655	6959167	500	90	-60	58
STB73	395556	6959168	500	90	-60	32
STB74	395424	6959157	500	90	-60	70
STB75	395324	6959139	500	90	-60	1
STB76	395273	6959175	500	90	-60	2
STB77	395131	6959156	500	90	-60	10
STB78	395098	6959154	500	90	-60	11
STB79	396250	6958801	500	90	-60	21
STB80	396152	6958820	500	90	-60	35
STB81	395517	6958811	500	90	-60	40
STB82	395198	6958795	500	90	-60	1
STB83	395060	6958797	500	90	-60	2
STB84	394944	6958801	500	90	-60	35
STB85	394848	6958800	500	90	-60	50
STB86	394775	6958813	500	90	-60	28
STB87	397773	6951348	500	90	-60	42
STB88	397693	6951357	500	90	-60	38
STB89	397595	6951366	500	90	-60	56
STB90	397496	6951358	500	90	-60	26
STB91	397309	6951383	500	90	-60	12
STB92	397196	6951355	500	90	-60	45
STB93	397236	6951361	500	90	-60	19
STB94	397140	6951344	500	90	-60	67
STB95	397004	6951360	500	90	-60	14
STB96	396852	6951348	500	90	-60	8
STB97	397464	6953553	500	90	-60	44
STB98	397560	6953549	500	90	-60	65
STB99	395003	6958794	500	90	-60	7
STB100	394825	6958805	500	90	-60	41
STB101	396306	6959194	500	90	-60	22
STB102	396008	6959194	500	90	-60	29
STB103	395424	6959157	500	90	-60	38
STB104	395324	6959139	500	90	-60	37
STB105	397593	6951763	500	90	-60	35
STB106	397498	6951764	500	90	-60	38



Investor Coverage

Recent investor relations, corporate videos and broker/media coverage on The Company's projects can be viewed on the website in the "Media Centre" and "Investor Centre" sections by following the links www.southbouldermine.com.au and www.abid.co.

About South Boulder Mines Ltd

Listed in 2003, South Boulder Mines (ASX: STB) is a diversified explorer focused on potash, nickel and gold. South Boulder has a 100% interest in the Colluli Potash Project in Eritrea and a 100% interest in the Duketon Gold Project in Western Australia.

The Colluli Potash Project has a current JORC Compliant Measured, Indicated and Inferred Mineral Resource Estimate comprised of 133.70Mt @ 17.55% KCl of Measured Resources, 343.33Mt @ 17.38% KCl of Indicated Resources and 87.37Mt @ 24.96% KCl of Inferred Resources for a total of 564.40Mt @ 18.60% KCl (total contained potash of 104.96Mt); This includes higher grade Sylvinite of 130.39Mt @ 27.02% KCl. There is an exploration target of 1.25 – 1.75 billion tonnes @ 18-20% KCl ## (see disclaimer below). A definitive feasibility study into the open pit mining and processing to produce up to 10Mt p.a of potash is underway.

About the Nickel Joint Venture

Within the Duketon Gold Project area, South Boulder entered a farm-out Joint Venture (JV) Agreement with Independence, whereby Independence can earn a 70% interest in the nickel rights on JV tenements held by South Boulder in the Duketon Project, by the completion of a Bankable Feasibility Study within 5 years of the grant of the relevant tenement. The Duketon Nickel JV has had recent success at The Rosie and C2 Nickel sulphide prospects where drilling has defined intercepts of 5.20m @ 9.13% Ni, 1.09% Cu, 0.21% Co and 7.09g/t PGE's at Rosie and 50m @ 0.92% Ni including 37m @ 1.05% Ni at C2. The deposits are located approximately 120km NNW of Laverton, W.A in the Duketon Greenstone Belt. The deposits are approximately 2km apart and the mineralisation at both prospects is considered open in most directions. A Mining Lease was granted over the Rosie and C2 deposits on the 19th of November. A resource definition and exploration drilling program and scoping study into an open pit mine at C2 and an underground mine at Rosie is underway.

More information:

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Competent Persons and Responsibility Statement Potash

The Colluli Potash Project has a current JORC/43-101 Compliant Measured, Indicated and Inferred Mineral Resource Estimate of 564.40Mt @ 18.60% KCl (total contained potash of 104.96Mt); Includes **130.39Mt @ 27.02% KCl**. The resource contains 133.70Mt @ 17.55% KCl in the Measured Category, 343.33Mt @ 17.38% KCl in the Indicated Category and 87.37Mt @ 24.96% KCl in the Inferred Category. The current Mineral Resource Estimate is included in the current exploration target of 1.25 – 1.75 billion tonnes @ 18-20% KCl. The potential quantity and grade of the total current exploration target which includes the current Mineral Resource Estimate is conceptual in nature and there has been insufficient exploration to define a Mineral Resource other than the current Mineral Resource Estimate and it is uncertain if further exploration will result in the determination of a Mineral Resource Estimate other than the current Mineral Resource Estimate.

This ASX release has been compiled by Lorry Hughes using information on exploration results and Mineral Resource estimates supplied by South Boulder Mines Ltd under supervision by Ercosplan. Dr Henry Rauche and Dr Sebastiaan van der Klauw are co-authors of the JORC and 43-101 compliant resource report. Lorry Hughes is a member in good standing of the Australian Institute of Mining and Metallurgy and Dr.s' Rauche and van der Klauw are members in good standing of the European Federation of Geologists (EurGeol) which is a "Recognised Overseas Professional Organisation" (ROPO). A ROPO is an accredited organization to which Competent Persons must belong for the purpose of preparing reports on Exploration Results, Mineral Resources and Ore Reserves for submission to the ASX.

Mr Hughes, Mr Rauche and Mr van der Klauw are geologists and they have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hughes, Mr Rauche and Mr van der Klauw consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Quality Control and Quality Assurance

South Boulder Exploration programs follow standard operating and quality assurance procedures to ensure that all sampling techniques and sample results meet international reporting standards. Drill holes are located using GPS coordinates using WGS84 Datum, all mineralisation intervals are downhole and are true width intervals. Assay values are shown above a cut-off of 6% K₂O. The samples are derived from HQ diamond drill core which in the case of carnallite ores are sealed in heat sealed plastic tubing immediately as it is drilled to preserve the sample. Significant sample intervals are dry quarter cut using a diamond saw and then resealed and double bagged for transport to the laboratory. Halite blanks and duplicate samples are submitted with each hole. Chemical analyses were conducted by Kali-Umwelttechnik GmbH Sondershausen, Germany utilising flame emission spectrometry, atomic absorption spectroscopy and ionchromatography. Kali-Umwelttechnik (KUTECH) Sondershausen1 have extensive experience in analysis of salt rock and brine samples and is certified according by DIN EN ISO/IEC 17025 by the Deutsche Akkreditierungssystem Prüfwesen GmbH (DAR). The laboratory follow standard procedures for the analysis of potash salt rocks • chemical analysis (K+, Na+, Mg2+, Ca2+, Cl-, SO42-, H2O) and • X-ray diffraction (XRD) analysis of the same samples as for chemical analysis to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.

Duketon Gold and Duketon Nickel JV

This information on the Duketon Gold and Duketon Nickel JV has been compiled by Lorry Hughes using information on exploration results supplied by South Boulder Mines Ltd and Independence Group who are the operator of the Duketon Nickel JV. Lorry Hughes is a member of the Australian Institute of Mining and Metallurgy. Mr Hughes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Lorry Hughes consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

