

SOUTH BOULDER MINES LIMITED

ABN 56 097 904 302

OFFER DOCUMENT

For the offer of a non-renounceable pro rata rights issue of approximately 19,347,138 New Shares on the basis of 1 New Share for every 5 Shares held on the Record Date at an issue price of \$0.55 per New Share to raise approximately \$10,640,926.

This Offer is fully underwritten.

Important Notice

This Offer Document is not a prospectus or other form of disclosure document under the Corporations Act. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding the Offer or about the rights attaching to the New Shares offered by this Offer Document.

Please read the instructions in this Offer Document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement.

The securities offered by this Offer Document should be considered speculative.

SOUTH BOULDER MINES LIMITED
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CORPORATE DIRECTORY

Directors

Mr Terrence Grammer – Chairman

Mr David Lawrence Hughes – CEO & Managing Director

Mr Liam Cornelius – Executive Director

Dr Christopher Gilchrist – Non Executive Director

Company Secretary

Mr Dennis Wilkins

Registered Office

Ground Floor, 20 Kings Park Road

WEST PERTH WA 6005

Telephone: +61 8 9389 2111

Facsimile: +61 8 9389 2199

Principal Office

31 Ventnor Avenue

WEST PERTH WA 6005

Telephone: +61 8 6315 1444

Facsimile: +61 8 9486 7093

Website

www.southbouldermine.com.au

Share Registry

Security Transfer Registrars Pty Ltd*

770 Canning Highway

APPLECROSS WA 6153

Telephone: +61 8 9315 2333

Facsimile: +61 8 9315 2233

Stock Exchange Listing

ASX (STB); Berlin (SO3-Ber); Frankfurt (SO3-Fra); OTC (SBMSY)

Corporate Advisors to the Company

DWCorporate Pty Ltd*

Ground Floor, 20 Kings Park Road

WEST PERTH WA 6005

*These parties are included for information purposes only. They have not been involved in the preparation of this Offer Document.

IMPORTANT NOTICES

1. **Offer Document**

This Offer Document has been prepared by South Boulder Mines Limited ACN 097 904 302 (**South Boulder** or the **Company**) and is dated 23 December 2011. This Offer Document is not a prospectus or other form of disclosure document under the Corporations Act and has not been lodged with ASIC. The Offer contained in this Offer Document is being made without disclosure in accordance with section 708AA of the Corporations Act, as modified by ASIC Class Order 08/35.

2. **This is an important document**

The information contained in this Offer Document does not constitute investment advice and has been prepared without taking into account each Eligible Shareholder's investment objectives or financial circumstances. You should seek advice from your professional adviser before deciding to invest. Investing in the Company involves risks. The Offer Document does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding the Offer or about the rights attaching to the New Shares offered by this Offer Document.

3. **Disclaimer**

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer. To the extent permitted by law, neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Offer Document, except as required by law and then only to the extent so required.

4. **Future performance**

Neither the Company nor any other person warrants, represents or guarantees (expressly or by implication) the future performance of the New Shares or any particular rate of return on any investment made pursuant to Offer, or any particular tax treatment.

An investment in the Company is subject to investment and other known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward- looking statements in this Offer Document.

5. **Past performance**

Investors should note that the past share price performance of Shares provides no guarantee or guidance as to future share price performance. Past performance information given in this Offer Document is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

6. **Eligibility**

Applications for New Shares by Eligible Shareholders can only be made on an **original** Entitlement and Acceptance Form sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

7. **Overseas shareholders**

No action has been taken to permit the offer of Shares under this Offer Document in any jurisdiction other than Australia. The distribution of this Offer Document in jurisdictions outside Australia may be restricted by law and therefore persons in to whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Offer Document does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Offer Document.

The New Shares have not been and will not be registered under the US Securities Act of 1933 and may only be offered, sold or resold in, or to persons in, the United States in accordance with an available exemption from registration.

It is the responsibility of any Applicant to ensure compliance with any laws of a country relevant to their application. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company as a representation that there has been no breach of such laws and that the Applicant is an Eligible Shareholder.

8. **Privacy Act**

If you complete an application for New Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Offer Document. Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for New Shares, the Company may not be able to accept or process your application.

SOUTH BOULDER MINES LIMITED
PROPOSED TIMETABLE

PROPOSED TIMETABLE

Announcement of Entitlement Offer and Lodgment of Appendix 3B	22 December 2011
Lodge Offer Document with ASX	23 December 2011
Ex Date	29 December 2011
Record Date The Company determines eligible shareholders	5 January 2012
Despatch of Offer Document Offer Document sent to all eligible shareholders.	10 January 2012
Closing Date The date on which the Entitlement Offer closes. Applications must be received by 5:00pm (WST).	25 January 2012
Notification of shortfall to ASX	30 January 2012
Allotment Date The date upon which the Shares are allotted.	2 February 2012
Despatch Date The date on which holding statements are sent to shareholders that have taken up their entitlement of new Shares.	2 February 2012
Share Trading Date The date upon which New Shares commence trading on the ASX.	3 February 2012

The above dates are indicative only. The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the Closing Date or to withdraw the Offer at any time without prior notice, in which case all Application Monies will be refunded (without interest) as soon as practicable.

1. Details of the Offer

1.1. The Offer

The Company is making a non-renounceable pro rata offer of approximately 19,347,138 New Shares (assuming no existing options are exercised between the lodgment date of this Offer Document and the Record Date) under this Offer Document at an issue price of \$0.55 each to Eligible Shareholders on the basis of 1 New Share for every five (5) Shares held at 5:00 pm (WST) on the Record Date.

In the calculation of an Eligible Shareholders' Entitlement, fractions will be rounded up to the nearest whole number.

The Offer is fully underwritten by the Underwriter. Refer to Section 4.3 for a summary of the terms of the Underwriting Agreement including the commission payable to the Underwriter for fully underwriting the Offer.

1.2. Your entitlement and acceptance

Your entitlement to participate in the Offer will be determined on the Record Date, being 5 January 2012. The entitlement of Eligible Shareholders receiving this Offer Document is shown on the original Entitlement and Acceptance Form sent to Eligible Shareholders with this Offer Document.

Acceptances must not exceed your Entitlement as shown on the Entitlement and Acceptance Form, although you may accept all or only part of your Entitlement. If your acceptance exceeds your Entitlement, acceptance will be deemed to be for your maximum Entitlement and any surplus Application Monies will be returned.

1.3. Opening and Closing Dates

The Company will accept Entitlement and Acceptance Forms from Eligible Shareholders until 5.00 pm WST on the Closing Date, 25 January 2012 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules.

1.4. Rights trading

Entitlements to New Shares offered pursuant to the Offer are non-renounceable and therefore Shareholders will not be able to trade their respective rights under this Offer.

1.5. Entitlement and Acceptance Form

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for the accepted Entitlement. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of your Entitlement.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance of an Entitlement and Acceptance Form as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

1.6. Underwriting and Shortfall

This Offer is fully underwritten by the Underwriter. A summary of the terms and conditions relating to the Underwriting Agreement are provided in Section 4.3 of this Offer Document.

If Eligible Shareholders do not accept their full Entitlement pursuant to the Offer and, subsequently there is a Shortfall, the Shortfall will be dealt with by the Underwriter in accordance with the terms of the Underwriting Agreement.

1.7. Issue and dispatch

All Shares offered by this Offer Document are expected to be issued, and security holder statements dispatched, on or before the date specified in the timetable.

It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

1.8. ASX quotation

The Company has made an application for official quotation by ASX of the New Shares offered under this Offer Document. If that permission is not granted by ASX, the Company will not issue any New Shares and all Application Monies received (without interest) will be refunded in full to the Applicants. The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares.

1.9. CHESS

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASTC, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and Securities Clearing House Business Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored, ASTC will send you a CHESS statement. The CHESS statement will set out the number of Shares issued under this Offer Document, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Shares. If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by Advanced Share Registry Services and will contain the number of Shares issued to you under this Offer Document and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

1.10. Overseas Shareholders

The Offer Document does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer other than for Shareholders in Australia. Where the Offer Document has been dispatched to Shareholders domiciled outside Australia and the country's securities code or legislation prohibits or restricts in any way the making of the offers contemplated by the Offer Document, the Offer Document is provided for information purposes only.

1.11. Risk factors

An investment in Shares should be regarded as speculative. The information in the Offer Document does not constitute a recommendation to subscribe for New Shares and this Offer Document does not purport to contain all the information that you may require to evaluate a possible application for New Shares. You should make your assessment of what information is relevant to your decision to participate in the Offer.

Key risk factors affecting an investment in the Company include:

- There is no guarantee that if one or more of the Company's directors or key personnel cease their association with the Company there will not be a detrimental effect on the Company given the significant reliance on key management personnel to oversee the day to day operations of the Company.
- Changes to government regulations and policy may have adverse impacts on the development options available to the Company and its projects.
- Economic conditions, both domestic and global and in particular those in Australia and Eritrea may affect the performance of the Company.
- The Company's activities are subject to sovereign risks and the Company's Colluli Potash Project is located in Eritrea which has had long standing political disputes with neighboring countries, particularly Ethiopia and the United Nations. Changes, if any, in mining or investment policies or shifts in political attitude in or toward Eritrea either within Eritrea or from outside parties or any other relevant jurisdiction in which the Company operates may adversely affect the Company's operations or profitability.

- Exploration programs impact on the environment. These impacts are minimized by the Company's application of best practice principles.

1.12. Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

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2. Action required by Shareholders

2.1. What Eligible Shareholders may do

The number of New Shares to which you are entitled (your Entitlement) is shown on the accompanying Entitlement and Acceptance Form.

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted.

As an Eligible Shareholder you may:

- (a) take up all or part of your Entitlement (refer to Section 2.2 below); or
- (b) allow all of your Entitlement to lapse (refer to Section 2.3 below).

2.2. Applying for New Shares

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Offer Document. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full, complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; or
- (b) if you only wish to accept part of your Entitlement, fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form,

and forward the completed Entitlement and Acceptance Form, unless payment is made by BPay®, together with your Application Monies to reach Security Transfer Registrars Pty Ltd by no later than 5:00pm (WST) on the Closing Date.

The Company's share registry is located at:

By delivery Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

By Post Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953

The Issue Price for each New Share accepted under your Entitlement is payable on application. You have the following payment options:

- **By cheque** in Australian currency to “**South Boulder Mines Limited**” and crossed “Not Negotiable”.
- **By BPay®**. If paying via BPay®, Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPay® by the date and time mentioned above. If you elect to pay via BPay®, you must follow the instructions for BPay® set out in the Entitlement and Acceptance Form and you do not need to return the Entitlement and Acceptance Form.

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

2.3. If you do not wish to accept any of your Entitlement

If you do not wish to accept any of your Entitlement, you are not obliged to do anything.

The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your Entitlement.

2.4. Enquiries concerning your Entitlement

Enquiries concerning the Entitlement and Acceptance Form can be obtained by contacting Security Transfer Registrars Pty Ltd by telephone on (08) 9315 2333.

Enquiries relating to this Offer Document should be directed to the Company Secretary by telephone on (08) 9389 2111.

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3. Effect of the Offer

3.1 Capital Structure on completion of the Offer

If all Shareholders take up their full Entitlement under the Offer (ie. there is no Shortfall) and no further options are exercised between the date of this Offer Document and the Record Date, the capital structure will be as follows:

	Number of shares
Balance at the date of this Offer Document	96,735,688
To be issued under the Offer*	19,347,138
Minimum Underwriter Shares to be issued**	150,000
Balance after the Offer	116,232,826

*The number of shares issued under the Offer will increase if options currently on issue are exercised prior to the Record Date. The Company currently has 9,070,000 options on issue.

** Refer to section 4.3 for further details of the Underwriting Agreement.

In the event that there is a Shortfall, the commission payable to the Underwriter will be the issue of 50,000 Shares for every 1,000,000 Shares taken up by the Underwriter under the Shortfall. The maximum number of Shares that may be issued to the Underwriter (assuming no options currently on issue are exercised before the Record Date) is 20,314,495 Shares, which is made up of 19,347,138 Shares under the Shortfall (assuming no shareholders take up their Entitlement) and 967,357 Shares as the commission payable to the Underwriter. Given the Directors intend to take up their Entitlement under the Offer, the Directors consider it unlikely that none of the New Shares being offered will be taken up by Eligible Shareholders.

3.2 Purpose of the Offer

Completion of the issue of New Shares offered by this Offer Document will result in an increase in the cash on hand of up to approximately \$10,640,926. The funds raised under the Offer are proposed to be expended as follows:

Description of Cash Outflows	Offer A\$
1. Expedite the rapid completion of a definitive feasibility study on the Colluli Open Cut Potash Project in Eritrea. The funds when combined with existing cash reserves will facilitate the undertaking of important technical, financial, social impact and governmental liaison activities required to advance the Colluli Project.	\$9,500,000
2. Working Capital	\$1,095,929
3. Costs of Offer	\$45,000
Total funds raised under the Offer	\$10,640,926

Actual expenditure may differ significantly from the above estimates due to a number of factors including market conditions, the development of new opportunities, the results obtained from the staged approach to

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exploration, appraisal and development activities and other factors.

3.3 Potential Effect on Control of the Company

Eligible Shareholders who take up their Entitlements in full will not have their interest in the Company materially diluted by the Offer. The potential effect of the Offer on the control of the Company is as follows (assuming that that no Options are exercised prior to the Record Date):

- (a) If all Eligible Shareholders take up their Entitlements under the Offer, then the Offer will have no significant effect on the control of the Company.
- (b) If some Eligible Shareholders do not take up all of their Entitlements under the Offer, then the interests of those Eligible Shareholders will be diluted.
- (c) As detailed above, the Offer is fully underwritten by the Underwriter. If the Eligible Shareholders do not take up their Entitlements under the Offer (which is unlikely given the Directors intend to take up some or all of their Entitlement under the Offer), then the Underwriter would be required to take up its full commitment under the Underwriting Agreement which would result in the Underwriter acquiring 19,347,138 New Shares and 967,357 Underwriting Shares under the Offer.

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4. Additional information

4.1 Reliance on Offer Document

The Offer is made pursuant to section 708AA of the Corporations Act without the issue of a prospectus or disclosure document under Chapter 6D of the Corporations Act. This Offer Document is not a prospectus, disclosure document or other offering document under the Corporations Act (or any other Australian or foreign law) and has not been lodged with ASIC.

For the Company to rely on the disclosure exemption in section 708AA of the Corporations Act, the Company is required to lodge a "cleansing notice" under section 708AA(2)(f) of the Corporations Act. That notice is required to:

- (a) set out any information that has been excluded from a continuous disclosure notice in accordance with the Listing Rules and that investors and their professional advisers would reasonably require, and would reasonably expect to find in a disclosure document, for the purpose of making an informed assessment of:
 - i. the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
 - ii. the rights and liabilities attaching to the New Shares; and
- (b) state the potential effect of the issue of the New Shares on the control of the Company and the consequences of that effect.

The Company lodged a cleansing notice in respect of the Offer and in accordance with section 708AA of the Corporations Act with ASX on 22 December 2011.

4.2 Announcements

Eligible Shareholders intending to participate in the Offer should refer to the announcements made by the Company to the ASX. This information is available from the ASX website, www.asx.com.au (ASX Code: STB), and the Company's website, www.southbouldermine.com.au. Copies of the announcements will also be available from the Company's secretary.

4.3 Summary of the terms of the Underwriting Agreement

The Company entered into an agreement dated 22 December 2011 with Dongarra Limited (**Underwriter**), to fully underwrite the Entitlement Offer (**Underwriting Agreement**). This Underwriting Agreement terminated the previous Underwriting Agreement entered into between the parties in respect of the now withdrawn non-renounceable pro rata rights issue as announced to the market on 7 December 2011.

Under the terms of the Underwriting Agreement, the Underwriter has agreed to underwrite 100% of the Shortfall. The commission payable to the Underwriter will be the issue of 50,000 Shares for every 1,000,000 Shares taken up by the Underwriter under the Shortfall (**Underwriter Shares**). For example, if there are 5,000,000 Shortfall Shares, the Underwriter will subscribe for all 5,000,000 Shortfall Shares and the commission will be the issue of a further 250,000 Shares. The minimum number of Shares to be issued to the Underwriter, regardless of whether there is any Shortfall, is 150,000 Shares.

The Company will notify the Underwriter of the details of the Shortfall within 3 Business Days of the Closing Date. By no later than 5 Business Days after notifying the Underwriter of the details of the Shortfall, the Underwriter must lodge a completed application form along with the payment of the issue price of \$0.55 per Shortfall Share. Within 5 Business Days following receipt of the funds and the application form for the Shortfall Shares, the Company will issue the Shortfall Shares along with the Underwriter Shares and apply to have the Shortfall Shares and Underwriter Shares quoted on the ASX.

Subject to written approval by the Company, the Underwriter may appoint a sub-underwriter to sub-underwrite any or all of the Shortfall Shares.

There will be no monetary fee payable by the Company to the Underwriter.

5. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Offer Document.

Acceptance means a valid application for New Shares made pursuant to this Offer Document on an Entitlement and Acceptance Form.

Applicant means a person who submits an Entitlement and Acceptance Form.

Application Monies means application monies for New Shares received by the Company.

ASIC means Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.

ASX means ASX Limited ACN 008 624 691.

Board means the Directors meeting as a board.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

CHESS means ASX Clearing House Electronic Subregister System.

Closing Date means 25 January 2012 or such later date as the Directors may determine.

Company means South Boulder Mines Limited ACN 097 904 302.

Constitution means the constitution of the Company as at the date of this Offer Document.

Corporations Act means Corporations Act (Cth) 2001.

Directors mean the directors of the Company as at the date of this Offer Document.

Eligible Shareholder means a person registered as the holder of Shares on the Record Date.

Entitlement means an Eligible Shareholder's entitlement to New Shares under the Offer.

Entitlement and Acceptance Form or **Form** means the entitlement and acceptance form attached to the Offer Document sent to Eligible Shareholders that sets out the entitlement of Shareholders to subscribe for New Shares pursuant to the Offer.

Issue Price means \$0.55 per New Share.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Listing Rules means the Listing Rules of ASX.

New Share means a Share offered pursuant to this Offer Document.

Offer means as defined in Section 1.1.

Offer Document means this Offer Document dated 23 December 2011.

Official List means the official list of ASX.

Official Quotation means quotation of Shares on the Official List.

Option means the right to acquire one Share in the capital of the Company.

Record Date means the day specified in the proposed timetable.

Section means a section of this Offer Document.

Shareholder means a holder of Shares.

Share means a fully paid ordinary share in the capital of the Company.

Shortfall means the number of New Shares not taken up by Shareholders under the Offer.

Shortfall Shares means that number of the New Shares that have not validly been applied for under the Offer by the Closing Date.

\$ means Australian dollars.

Underwriter means Dongarra Limited, a company incorporated in the Philippines.

Underwriting Agreement means the underwriting agreement dated 22 December 2011 between the Company and the Underwriter and summarized in Section 4.3 of this Offer Document.

WST means Western Standard Time, being the time in Perth, Western Australia.

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