

## JUNE QUARTER OPERATIONS REPORT

# Significant progress in June Quarter puts South Boulder on track to meet DFS and production timetable

*Feasibility Study on Colluli Potash Project set for completion in 2013; first production no later than 2016*

### HIGHLIGHTS

#### COLLULI POTASH PROJECT (Eritrea)

- Definitive Feasibility Study activities point to lower costs - Engineering Scoping Study Update due in September Quarter
- Resource definition and extension drilling continues to deliver high-grade and widespread potash – initial assays for Central area due mid-August
- Strong in-fill and metallurgical drilling improves resource confidence
- Highly experienced DFS team in full swing and delivering - results scheduled for 2013
- Negotiations with the Eritrean Government for its purchase of a paid participating interest in the Colluli Project progressing well – completion expected in 2013

#### DUKETON GREENSTONE BELT PROJECTS (WA)

- High-grade gold from Duketon – 2.36m @ 59.78g/t Au in TBDD126 (previously released) *plus* – 1.29m @ 11.57g/t Au in TBDD141 (New Result)
- Resource extension and delineation drilling completed at the Duketon Nickel JV with a best result of 3.2m @ 3.0% Ni, 0.6% Cu and 3.3g/t Pt+Pd in TBDD140
- DHEM surveys have found a high conductance plate down dip from TBDD140 interval, resource update planned for September Quarter

#### CORPORATE

- \$9.5 million private placement with attached options exercisable at \$1.50 per option completed with Meridian Capital International Fund
- Engagement with additional potential strategic investors from the potash and the natural resources industry is ongoing with multiple initial due diligence activities commenced
- Duketon Mining Ltd was incorporated as a wholly-owned subsidiary of South Boulder Mines Ltd with all gold and nickel assets to be transferred across to the new company
- Executive recruitment continuing to identify complimentary additions to the South Boulder team to deliver the best value for the Colluli and Duketon Projects
- Cash on hand of \$21.3 million plus listed investments of \$1.2 million at Quarter-end.

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## THE COLLULI POTASH PROJECT (ERITREA)

South Boulder made solid progress during the June Quarter on the fast-tracked Colluli Potash Project Definitive Feasibility Study (DFS). Colluli is a “Tier 1” natural resource asset. Initial economic and technical studies have demonstrated a long-life viable project. Studies continue to improve and confirm initial modelling assumptions and production is on track for 2016 or earlier (*Figure 1*).

An updated Engineering Scoping Study (ESS-2) is nearing completion and is anticipated for release in the September Quarter. The ESS-2 will contain an updated mining and processing plan to produce potash from both Sylvinitic and Carnallite mineralisation concurrently.

The project is located approximately 70km from a proposed export site at Anfile Bay on the Red Sea coast which is a major international shipping route (*Figure 4*). South Boulder is focused on completing the DFS while at the same time expanding the Company with the appropriate resources, personnel, funding and expertise to support future construction and mining activity.

In April 2012 (see *March Quarterly Report 2012*) the Company delivered a significant upgrade to the Colluli JORC/NI43-101 Compliant Mineral Resource Estimate, as set out in (*Table 1*) below:

	Tonnes (Mt)	Grade (% KCl)	Total KCl (Mt)	Grade (% K <sub>2</sub> O)	Total K <sub>2</sub> O (Mt)
Measured	261.81	17.94	46.96	11.33	29.67
Indicated	674.48	17.98	121.29	11.36	76.67
Inferred	143.50	18.00	25.78	11.37	16.33
<b>Current April-12 Total Resource</b>	<b>1,079.00</b>	<b>17.97</b>	<b>194.09</b>	<b>11.35</b>	<b>122.61</b>
Previous Oct-11 Total Resource	564.40	18.60	104.96	11.75	66.31
Variance	+ 91%	-3%	+ 85%	-3%	+ 85%

**Table 1: Colluli JORC/NI43-101 Compliant Mineral Resource Estimate by Resource Category**

(KCl is commonly expressed as K<sub>2</sub>O according to the formula  $(KCl * 0.6317 = K_2O)$ . The recent KCl contract price is estimated at around US\$ 470/t.)

Resource extension and in-fill drilling has continued to define additional shallow potash that has the potential to boost the economics of the Project, particularly in the early phase of development (see *ASX announcements dated 12<sup>th</sup> June and 18<sup>th</sup> July 2012*). A further batch of chemical assays for holes Col-052 to Col-062 is anticipated to be available for release in early August. Assays released during the Quarter are shown in *Table 3* and in-fill/metallurgical testing holes with assays outstanding are shown in *Table 4*.

Shallow Sylvinitic mineralisation intersected in the central discovery area is open to the immediate north and south. There is clear potential for potash to be at least in part continuous between the existing resources and this will be further tested with ongoing drilling. The Colluli resource and drilling plan is included in *Figure 2*, with the recently completed metallurgical drilling shown with highlights in *Figure 3*.

The average grade of the Sylvinitic resource contained within the current JORC/NI43-101 Mineral Resource Estimate is 28.56% KCl or 18.04% K<sub>2</sub>O. It is expected that potash mineralisation that has been visually and field confirmed to be Sylvinitic will return assayed grades similar to the grade of the Sylvinitic Mineral Resource Estimate. While confirmation of this is required, the Colluli Exploration team has a strong and proven track record over the past three years of accuracy with respect to identifying potash mineralisation in the field.

Resource extension/definition, hydrogeological, geotechnical and metallurgical drilling is planned to continue over the next eight months to provide supportive technical data for completion of the DFS.

### **DEFINITIVE FEASIBILITY STUDY ENGINEERING**

During the Quarter, a number of DFS activities commenced. With the overall Study on track for completion in 2013. Preliminary findings from the DFS show significant opportunities to optimise capital and operating costs (see *ASX announcement dated 29<sup>th</sup> June 2012*).

The DFS on the Colluli open pit potash mining and processing project has focused on potash processing, solar decomposition, mining selectivity and port location. These studies show significant opportunities to optimise the capital and operating expenditures outlined in the November 2011 Engineering Scoping Study (ESS, see *Table 2 below*).

<b>Stage 1 Economics Sylvinitic Only</b>	
Pre-production Capital (including 15% contingency)	US\$ 0.74 bn
Pre-Tax NPV (12% Discount Rate)	US\$ 1.33 bn
Internal Rate of Return	40.60%
Project Revenue	US\$ 6.03 bn
MOP Production Rate	1Mt p.a.
Mining Method	Open pit
Study Mine Life	17 years
October 2011 Resource Utilisation	~ 16%

**Table 2: November 2011 Engineering Scoping Study Financials**

The preliminary findings highlight various benefits including processing of Carnallite as well as Sylvinitic, which will result in significantly cheaper mining costs due to stripping ratios being less than those used in the ESS. An update to the ESS is planned to be completed for release (ESS-2) in September Quarter.

As part of ESS-2, strong technical support is emerging for a significant expansion of potash production capacity beyond the planned start-up capacity of 1Mtpa due to the ability to process Carnallite mineralisation efficiently.

The current JORC/NI 43-101 Compliant Mineral Resource Estimate for the Colluli Deposit (*Table 1*) contains 194Mt of contained potash, of which ~20% is attributed to Carnallite mineralisation. This represents substantial upside for the project because mining and processing of the Carnallite was not included in the ESS.

Early investigations conducted by lead consultants Ercosplan indicate that a simple solar decomposition circuit can be added to the processing route to allow potash to be extracted from Carnallite mineralisation in the same processing facility. Indications are that processing costs for Carnallite will only be marginally higher than the corresponding processing cost for the Sylvinitic mineralisation, which is very encouraging.

The average thickness of the Sylvinitic resource is ~4.7m and the average thickness of the Carnallite resource is ~8.8m, resulting in a combined average mineralisation thickness of ~14m.

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The inclusion of Carnallite mining and processing in the DFS is highly significant because it allows less waste material to be mined to produce a tonne of potash. This will have a strong impact on the overall operating costs. It also allows for cheaper expansion of mining capacity.

Preparation for solar decomposition testwork, under local conditions at the Colluli site is underway, with commencement scheduled for October 2012.

The use of a solar decomposition circuit has the potential to efficiently remove excess waste magnesium chloride at Colluli increasing recoveries of potash from both Sylvinite and Carnallite mineralisation. As a result, significant improvements to mining and processing economics are expected when the DFS is finalised.

With respect to mining, the use of surface continuous miners is expected to allow selectivity in mining which has the overall effect of increasing the mined and processed grade of potash mineralisation.

Due to the creation of a more detailed and selective geological resource model, it is expected that there will be material increases in potash grades mined due to selective removal of lower grade and internal waste material. The recently completed close spaced metallurgical drilling program (see *ASX announcements dated 14<sup>th</sup> May and 18<sup>th</sup> July 2012*) is expected to provide key information for this evaluation.

It is common practice for surface continuous mining machinery to be able to mine within 20cm of a geological or potash grade boundary.

The DFS technical team, subject to final approvals, has identified the most economically attractive location for a product export terminal (PET) in the Anfile Bay area. The site requires only a short jetty to establish a transshipment barge operation.

A preliminary report detailing the proposed use of Ras Anfile within the Anfile Bay area as the site for a PET and accommodation village has been submitted to the Government of Eritrea for initial approval. The site was selected approximately 46 years ago as the preferred economic location for a PET and South Boulder is not expecting any regulatory approval issues for this site.

An undersea wave buoy to collect tidal and wave movement data for engineering design of the PET jetty has been ordered and is planned to be installed to the sea-floor within the December Quarter.

DFS activity is continuing at a rapid pace to complete all requirements necessary to gain approvals to mine at Colluli and to commence production in 2016 or earlier. South Boulder is continuing to work closely with the Eritrean Government in order to streamline the entire mine approvals process.

## **MINING APPROVALS**

Negotiations with the Eritrean Government (ENAMCO) for its purchase of a paid participating interest in the Colluli Project are progressing well with completion expected in 2013. The negotiations effectively commenced in March 2012 (see *ASX announcement dated 26<sup>th</sup> March 2012*) and a number of negotiations and progress meeting have been held in Eritrea.

The finalisation of ENAMCO's paid participation interest needs to be completed before an Eritrea Share Company (Joint Venture Company) can be formed. Once this is complete a mining exploitation license can be jointly applied for based on the DFS. South Boulder expects the completion of these approval activities in a timely manner so that production targets for 2016 or earlier can be met.



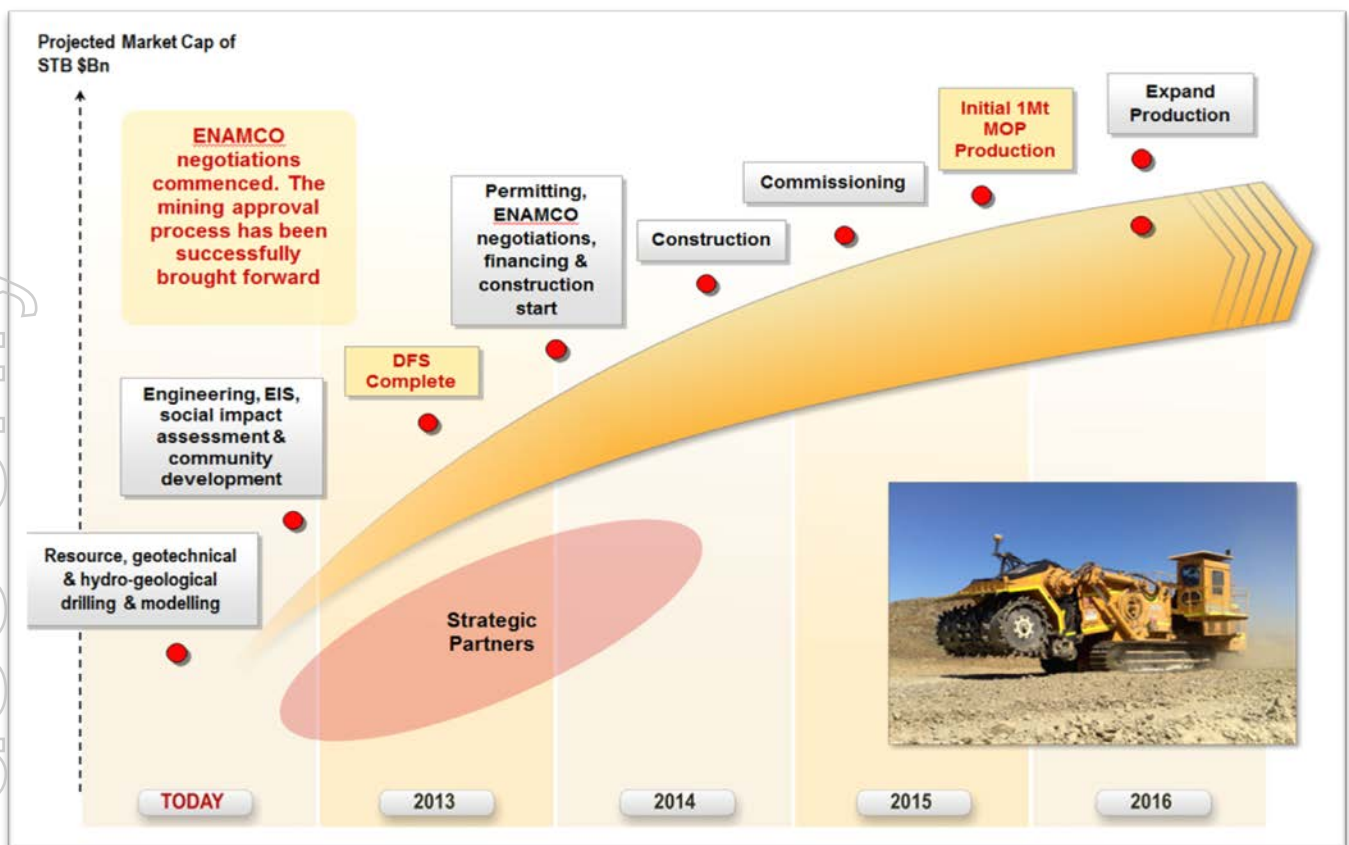


Figure 1: Colluli Project timeline to potash production

## STRATEGIC INVESTORS

Engagement with potential strategic investors for the Colluli Project is ongoing and has been conducted in various forms since project inception in 2009. Comprehensive site visits to Colluli from participants in the potash and natural resources industry have been undertaken under confidentiality agreements and they are expected to continue up to and including the construction and pre-production phases.

There has been a very high level of interest from potential strategic investors – both in South Boulder and the Project – particularly from global private equity groups, and from across the Australasian, Middle East and former Soviet Union. South Boulder management is focussed on partnering with complimentary investors that have a strong understanding both of the potash industry and the Eritrean geopolitical region.

## THE ERITREAN MINING INDUSTRY

The Eritrean Government has expressed strong support for the rapid advancement of an economic and environmentally sustainable potash development at Colluli in partnership with South Boulder. To find more about the Eritrean mining industry, a detailed overview is available on the South Boulder website at the following web address:

[http://www.southbouldermines.com.au/files/Asmara\\_Geocongress\\_Journal\\_20111.pdf](http://www.southbouldermines.com.au/files/Asmara_Geocongress_Journal_20111.pdf)

Further to this South Boulder will be participating in the 2012 Asmara Geocongress and be providing project updates, site visits and key note speaker addresses to the international audience.

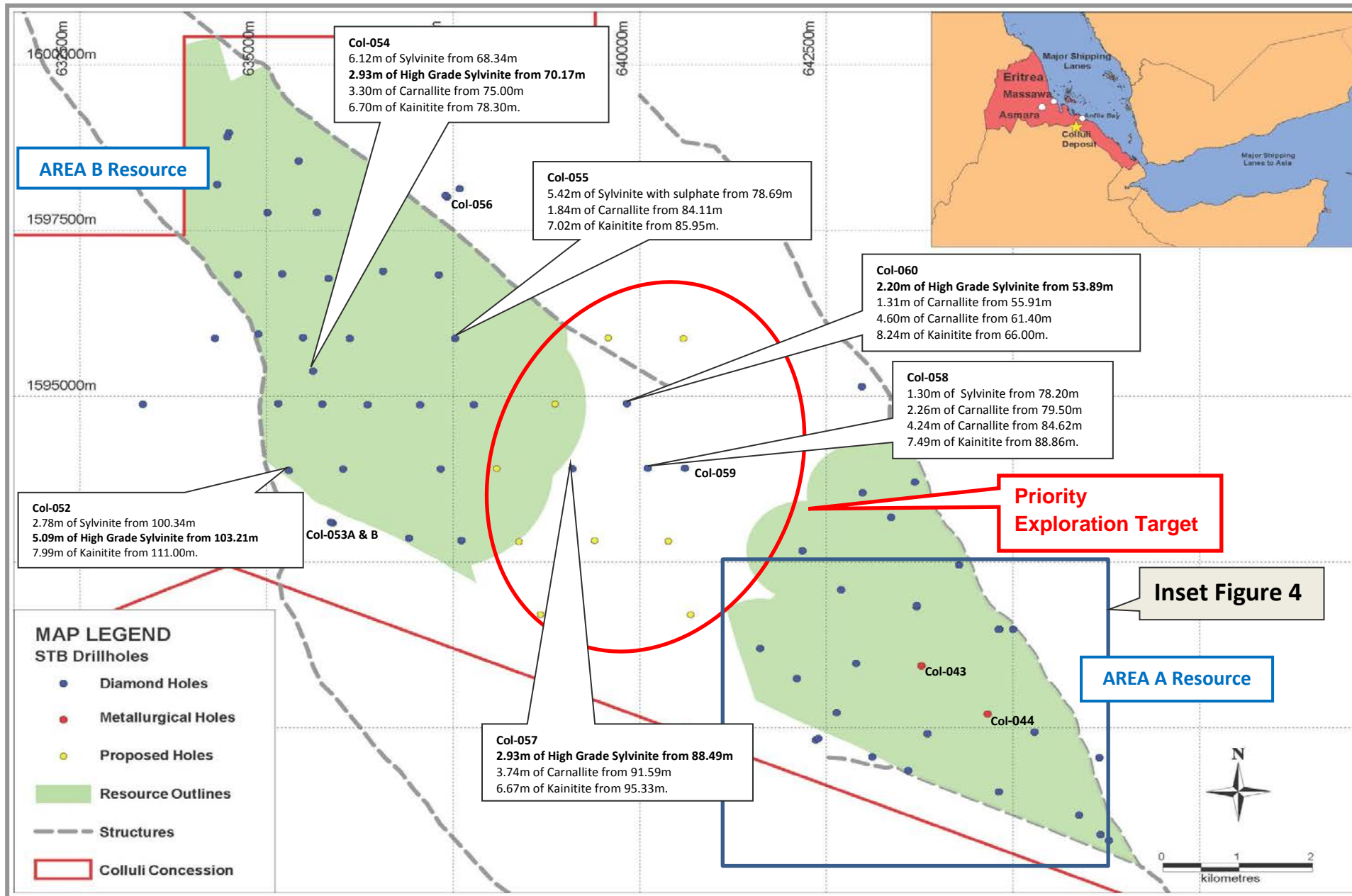


Figure 2: Colluli Project JORC/NI43-101 Compliant Mineral Resource Estimate and Updated Resource Drilling Plan

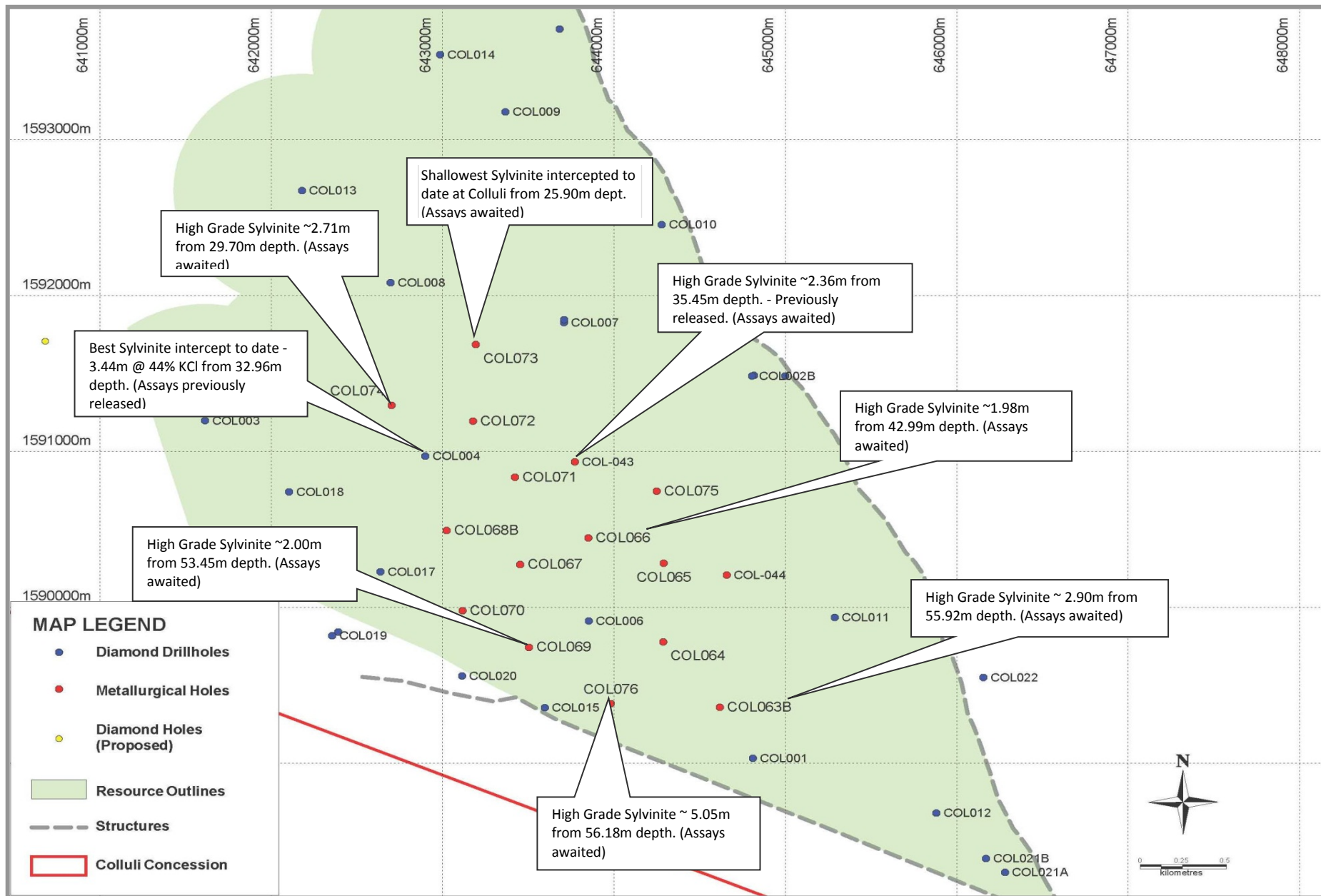


Figure 3: Recently completed metallurgical drilling with the Colluli Project JORC/NI43-101 Compliant Mineral Resource Estimate outlines



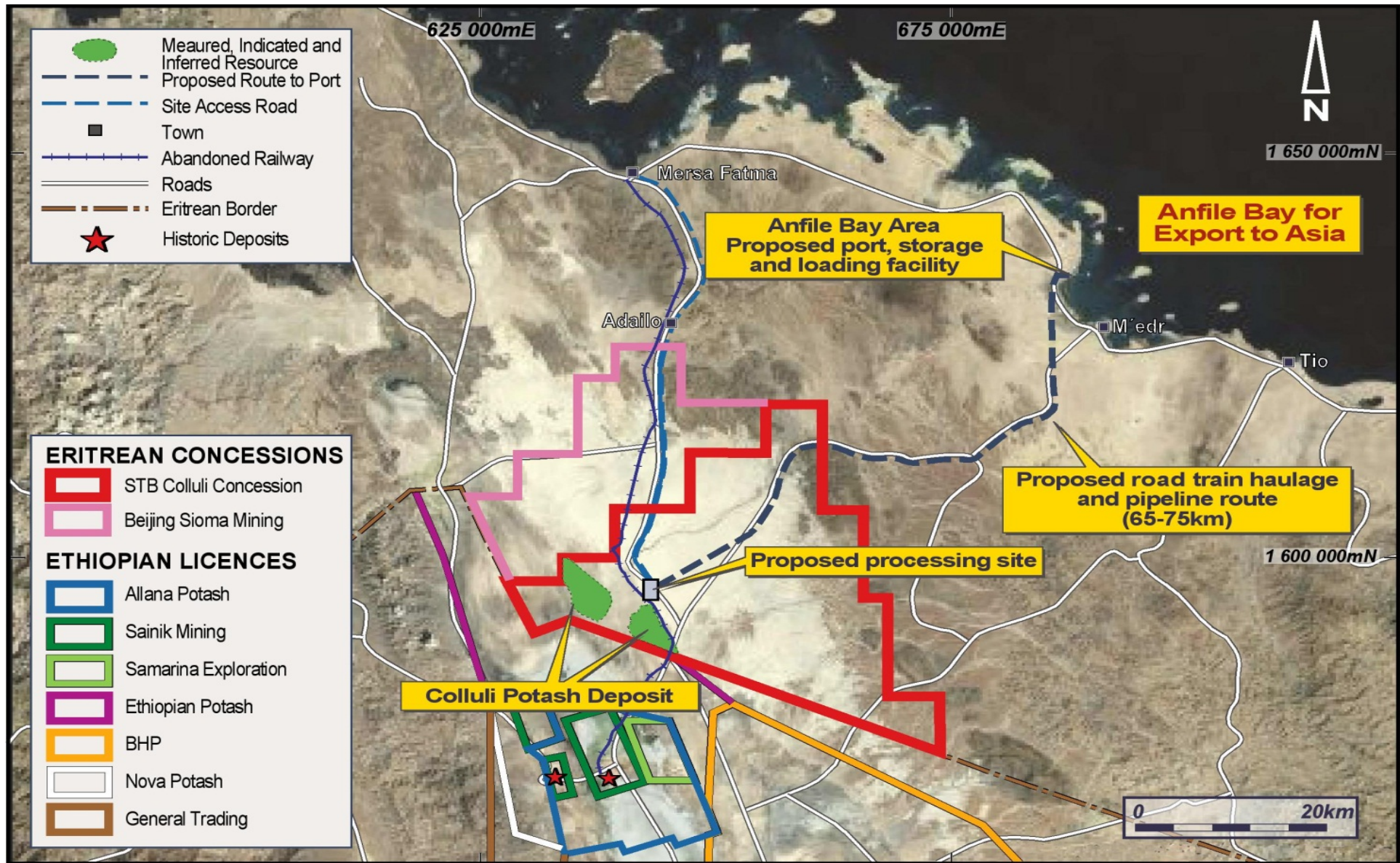


Figure 4: Colluli Project Site Plan



Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.	From	To	Interval (m)	KCI (%)	Comment
Col-047	637622	1592828	-124	000	-90	138.00	122.29	125.28	2.99	19.73	Area B – Sylvinite and sulphate (Resource hole)
							124.15	125.28	1.13	34.94	Area B – Sylvinite and sulphate (Resource hole)
							131.28	133.64	2.36	23.99	Area B – Kainitite (Resource hole)
Col-048	637343	1593906	-123	000	-90	111.00	97.89	103.60	5.71	12.91	Area B – Carnallite, kieserite dominated (Resource hole)
							103.60	106.62	3.02	24.47	Area B – Kainitite (Resource hole)
Col-049	636022	1593912	-123	000	-90	114.00	91.00	100.72	9.72	18.41	Area B – Sylvinite (Resource hole)
							96.43	99.50	3.07	36.67	Area B – Sylvinite (Resource hole)
							100.72	106.39	5.67	16.46	Area B – Carnallite, kieserite dominated (Resource hole)
							106.39	110.73	4.34	24.92	Area B – Kainitite (Resource hole)
Col-050	636911	1592863	-123	000	-90	162.00	144.36	148.27	3.91	28.50	Area B – Sylvinite (Resource hole)
							151.96	153.57	1.61	15.55	Area B – Carnallite, kieserite dominated (Resource hole)
							153.57	159.43	5.86	24.10	Area B – Kainitite (Resource hole)
Col-051	635161	1594894	-123	000	-90	108.00	91.86	95.55	1.30	15.89	Area B – Sylvinite (Resource hole)
							95.55	103.34	6.98	23.17	Area B – Kainitite (Resource hole)

Table 3: Recent drilling and returned laboratory potash assay results

Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.	Assay Status	Comment
Col-043	643772	1590934	-119	000	-90	147.00	Assays awaited – Metallurgical hole	Area A – Sylvinite, carnallite and kainitite; total thickness ~20.67m from ~35.45m (Resource category upgrade and metallurgical test hole)
Col-044	644658	1590208	-118	000	-90	85.60	Assays awaited – Metallurgical hole	Area A – Sylvinite, carnallite and kainitite; total thickness ~20.76m from ~31.57m (Resource category upgrade and metallurgical test hole)
Col-052	635303	1593885	-124	000	-90	120.00	Assays awaited - August	Area B – Sylvinite, kainitite; total thickness ~ 15.86m from 100.34m. (Resource extension hole), samples to be dispatched
Col-053A	635889	1593089	-124	000	-90	126.00	Hole abandoned	Area B
Col-053B	635863	1593105	-124	000	-90	162.00	Hole to be deepened	Area B – no significant mineralisation
Col-054	635626	1595386	-122	000	-90	87.00	Assays awaited - August	Area B – Sylvinite, carnallite, kainitite; total thickness ~ 16.12m from 68.34m. (Resource extension hole), samples to be dispatched

Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.	Assay Status	Comment
Col-055	637059	1594872	-122	000	-90	96.00	Assays awaited - August	Area B – Sylvinitic, carnallite, kainitite; total thickness ~ 14.28m from 78.69m. (Resource extension hole), samples to be dispatched
Col-056	637399	1598033	-118	000	-90	30.00	Assays awaited - August	Area B – Remnant of kainitite; total thickness ~ 1.36m from 15.16m. (Resource extension hole), samples to be dispatched
Col-057	639101	1593907	-121	000	-90	105.00	Assays awaited - August	Central – Sylvinitic, carnallite, kainitite; total thickness ~ 13.34m from 88.49m. (Resource extension hole), samples to be dispatched
Col-058	640107	1593916	-120	000	-90	99.00	Assays awaited - August	Central – Sylvinitic, carnallite, kainitite; total thickness ~ 15.29m from 78.20m. (Resource extension hole), samples to be dispatched
Col-059	640607	1593916	-119	000	-90	57.00	Assays awaited - August	Central – Remnant of kainitite; total thickness ~ 4.16m from 50.16m. (Resource extension hole), samples to be dispatched
Col-060	639828	1594893	-118	000	-90	75.00	Assays awaited - August	Central – Sylvinitic, carnallite, kainitite; total thickness ~ 16.17m from 53.89m. (Resource extension hole), samples to be dispatched
Col-061	639585	1595874	-116	000	-90	63.00	Hole to be deepened	Central – minor sulphate, no significant mineralisation
Col-062	638864	1594887	-120	000	-90	81.00	Assays awaited - August	Central – Sylvinitic, carnallite, kainitite; total thickness ~ 14.55m from 63.53m. (Resource extension hole), samples to be dispatched
Col-063B	644617	1589357	-119	000	-90	60.00	Assays awaited – Metallurgical hole	Area A – Sylvinitic and Upper Carnallite total thickness ~ 6.98m. High grade Sylvinitic ~ 2.90m from 55.92m depth (hole to be extended into modelled Lower Carnallite and Kainitite Zones, Resource category upgrade and metallurgical test hole)
Col-064	644287	1589778	-120	000	-90	54.00	Assays awaited – Metallurgical hole	Area A – Sylvinitic and Upper Carnallite total thickness ~ 7.95m. Sylvinitic ~ 7.79m from 45.23m depth (hole to be extended into modelled Lower Carnallite and Kainitite Zones, Resource category upgrade and metallurgical test hole)
Col-065	644290	1590282	-119	000	-90	42.00	Assays awaited – Metallurgical hole	Area A – Sylvinitic and Upper Carnallite total thickness ~ 8.36m. Sylvinitic ~ 8.22m from 32.23m depth (hole to be extended into modelled Lower Carnallite and Kainitite Zones, Resource category upgrade and metallurgical test hole)
Col-066	643850	1590445	-119	000	-90	46.50	Assays awaited – Metallurgical hole	Area A – Sylvinitic and Upper Carnallite total thickness ~ 8.82m. High grade Sylvinitic ~ 1.98m from 42.99m depth within ~ 7.69m interval from 37.28m depth (hole to be extended into modelled Lower Carnallite and Kainitite Zones, Resource category upgrade and metallurgical test hole)
Col-067	643453	1590274	-120	000	-90	48.00	Assays awaited – Metallurgical hole	Area A – Sylvinitic and Upper Carnallite total thickness ~ 6.66m. Sylvinitic ~ 6.56m from 41.07m depth (hole to be extended into modelled Lower Carnallite and Kainitite Zones, Resource category upgrade and metallurgical test hole)

Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.	Assay Status	Comment
Col-068B	643024	1590493	-120	000	-90	72.00	Assays awaited – Metallurgical hole	Area A – Sylvinitic, Upper Carnallite, Lower Carnallite and Kainitite total thickness ~ 19.96m from 39.11m depth. High grade Sylvinitic ~ 4.26m from 40.74m depth, (Resource category upgrade and metallurgical test hole)
Col-069	643504	1589743	-121	000	-90	57.00	Assays awaited – Metallurgical hole	Area A – Sylvinitic and Upper Carnallite total thickness ~ 5.31m. High grade Sylvinitic ~ 2.00m from 53.45m depth (hole to be extended into Lower Carnallite and Kainitite Zones, Resource category upgrade and metallurgical test hole)
Col-070	643116	1589977	-121	000	-90	52.50	Assays awaited – Metallurgical hole	Area A – Sylvinitic and Upper Carnallite total thickness ~ 5.90m. Sylvinitic ~ 4.99m from 46.42m depth (hole to be extended into modelled Lower Carnallite and Kainitite Zones, Resource category upgrade and metallurgical test hole)
Col-071	643422	1590834	-119	000	-90	70.50	Assays awaited – Metallurgical hole	Area A – Sylvinitic, Upper Carnallite, Lower Carnallite and Kainitite total thickness ~ 23.60m from 31.28m depth. Sylvinitic ~ 7.91m from 31.28m depth, (Resource category upgrade and metallurgical test hole)
Col-072	643178	1591195	-119	000	-90	36.00	Assays awaited – Metallurgical hole	Area A – Sylvinitic and Upper Carnallite total thickness ~ 8.93m. Sylvinitic ~ 8.64m from 26.46m depth (hole to be extended into modelled Lower Carnallite and Kainitite Zones, Resource category upgrade and metallurgical test hole)
Col-073	643194	1591686	-119	000	-90	55.50	Assays awaited – Metallurgical hole	Area A – Sylvinitic, Upper Carnallite, Lower Carnallite and Kainitite total thickness ~ 15.36m from 25.90m depth. Sylvinitic ~ 1.25m from 25.90m depth, (Resource category upgrade and metallurgical test hole)
Col-074	642702	1591295	-120	000	-90	34.50	Assays awaited – Metallurgical hole	Area A – Sylvinitic and Upper Carnallite total thickness ~ 3.30m. High grade Sylvinitic ~ 2.71m from 29.70m depth (hole to be extended into modelled Lower Carnallite and Kainitite Zones, Resource category upgrade and metallurgical test hole)
Col-075	644249	1590745	-118	000	-90	72.00	Assays awaited – Metallurgical hole	Area A – Sylvinitic, Upper Carnallite, Lower Carnallite and Kainitite total thickness ~ 26.18m from 29.63m depth. High grade Sylvinitic ~ 1.84m from 35.71m depth within a ~ 7.92m interval from 29.63m depth, (Resource category upgrade and metallurgical test hole)
Col-076	643981	1589382	-119	000	-90	93.00	Assays awaited – Metallurgical hole	Area A – Sylvinitic, Lower Carnallite and Kainitite total thickness ~22.48m from 56.18m depth. High grade Sylvinitic ~ 5.05m from 57.34m depth (Resource category upgrade and metallurgical test hole)

**Table 4: Recent drilling and returned field potash results**

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% K<sub>2</sub>O. 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 ion chromatography. Kali-Umwelttechnik (KUTEC) Sondershausen1 have extensive experience in analysis of salt rock and brine samples and is certified according to 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<sup>+</sup>, Na<sup>+</sup>, Mg<sup>2+</sup>, Ca<sup>2+</sup>, Cl<sup>-</sup>, SO<sub>4</sub><sup>2-</sup>, H<sub>2</sub>O) 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 GREENSTONE BELT PROJECTS (WA)

The Duketon Project covers a total area of ~1,500km<sup>2</sup> of the Achaean Duketon Greenstone Belt and is located ~40-120km 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 (*Figure 6*) as part of the Duketon Nickel Joint Venture (DNJV).

### THE DUKETON NICKEL JOINT VENTURE

Under the terms of the agreement, Independence Group NL 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. Tenements currently within the DNJV are E38/1522, E38/1535, M38/1252 and L38/174.

The DNJV covers some of the ultramafic rich stratigraphy in the Duketon Greenstone Belt which is considered highly prospective for Ni-Cu-PGE (Platinum Group Elements) 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 by the recently revived Windarra nickel mine to the south held by Poseidon Nickel Limited (ASX: POS).

### THE BULGE ROSIE AND C2 PROSPECTS

Exploration and scoping study work continued as planned to evaluate the potential at the C2 and Rosie Ni-Cu-PGE Prospects during the period. An extensive diamond and RC drilling program commenced in February 2012 and was completed during the June quarter 2012 (*Figure 5 & Table 5*).

#### ROSIE PROSPECT

A total of 11 RC holes were drilled to test the up-dip margins of the Rosie resource envelope. Best new intercepts were from TBRC107, 1m @ 2.4% Ni, 0.3% Cu and 2.3g/t Pt+Pd from 168m and TBRC108, 4m @ 1.9% Ni, 0.31% Cu and 3.4g/t Pt+Pd from 154m. A further seven RC holes were drilled to test the ultramafic contact to the east and north of the Rosie deposit.

Twelve diamond holes were completed at Rosie for 5,297m. Four holes were drilled to the west of the Rosie deposit, and eight to the east. The best result from the western drilling was from hole TBDD130, which returned 3.25m @ 1.5% Ni, 0.8% Cu and 2.1g/t Pt+Pd with a similar result obtained in TBDD139. To the east of Rosie TBDD133 returned 8.1m @ 1.2% Ni, 0.3% Cu and 1.1g/t Pt+Pd.

Two deeper holes TBDD138 and TBDD140 intersected narrow zones of breccia and stringer sulphides. TBDD138 returned 0.36m @ 4.74% Ni, 0.8% Cu and 4g/t Pt+Pd and TBDD140 3.2m @ 3.0% Ni, 0.6% Cu and 3.3g/t Pt+Pd. (Note: All diamond core results are S.G. weighted).

#### C2 PROSPECT

A total of 29 RC holes for 6,123m were completed on 50m in-fill sections to provide a sufficient drill density to enable a resource estimation to be completed at C2. In addition, two diamond tails were drilled for metallurgical purposes (440m). Results include 12m @ 1.2% Ni from 226m in TBRC131 and 5m @ 2% Ni, 0.2% Cu and 1.5g /t Pt + Pd from 66m in TBRC132. Both holes are located toward

the centre of the deposit. A maiden resource estimate for C2 is planned to be undertaken in the September Quarter 2012.

### TBRC34 AREA

Three initial diamond holes (TBDD126 - TBDD128 co-funded by DMP) intersected narrow (<1m) zones of sulphide mineralisation grading up to 1.8% Ni. These holes were followed-up along strike with two RC holes (TBRC156 – TBRC157), which intersected weaker mineralisation.

A further diamond hole (TBDD141) was drilled down-dip of TBDD127, and intersected a broader zone of mineralisation with breccia and stringer sulphides totalling 4.2m, dispersed throughout an overall interval length of 6.8m. Results outlined in Table 5.

The drilling results form part of ongoing work programs and studies into testing the economic potential at Rosie and C2.

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

- Grant of a Mining Lease (22nd of November 2010);
- Flora survey as part of an Environmental Baseline Study (complete);
- Infill & Extension resource drilling at Rosie and C2 (complete);
- Compilation of an updated JORC-Compliant Mineral Resource Estimate for Rosie (underway);
- Compilation of an initial JORC-Compliant Mineral Resource Estimate for C2 (underway);
- Water extraction licence (complete); and
- Engagement of Aboriginal heritage consultants (complete).

### Competent Persons and Responsibility Statement Duketon Nickel JV

The information in this report that relates to the 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. Lorry Hughes is a full-time employee of the company.

Refer to the Company's 25<sup>th</sup> January 2012 ASX announcement for the Duketon Mineral Resource Competent Persons Statement.

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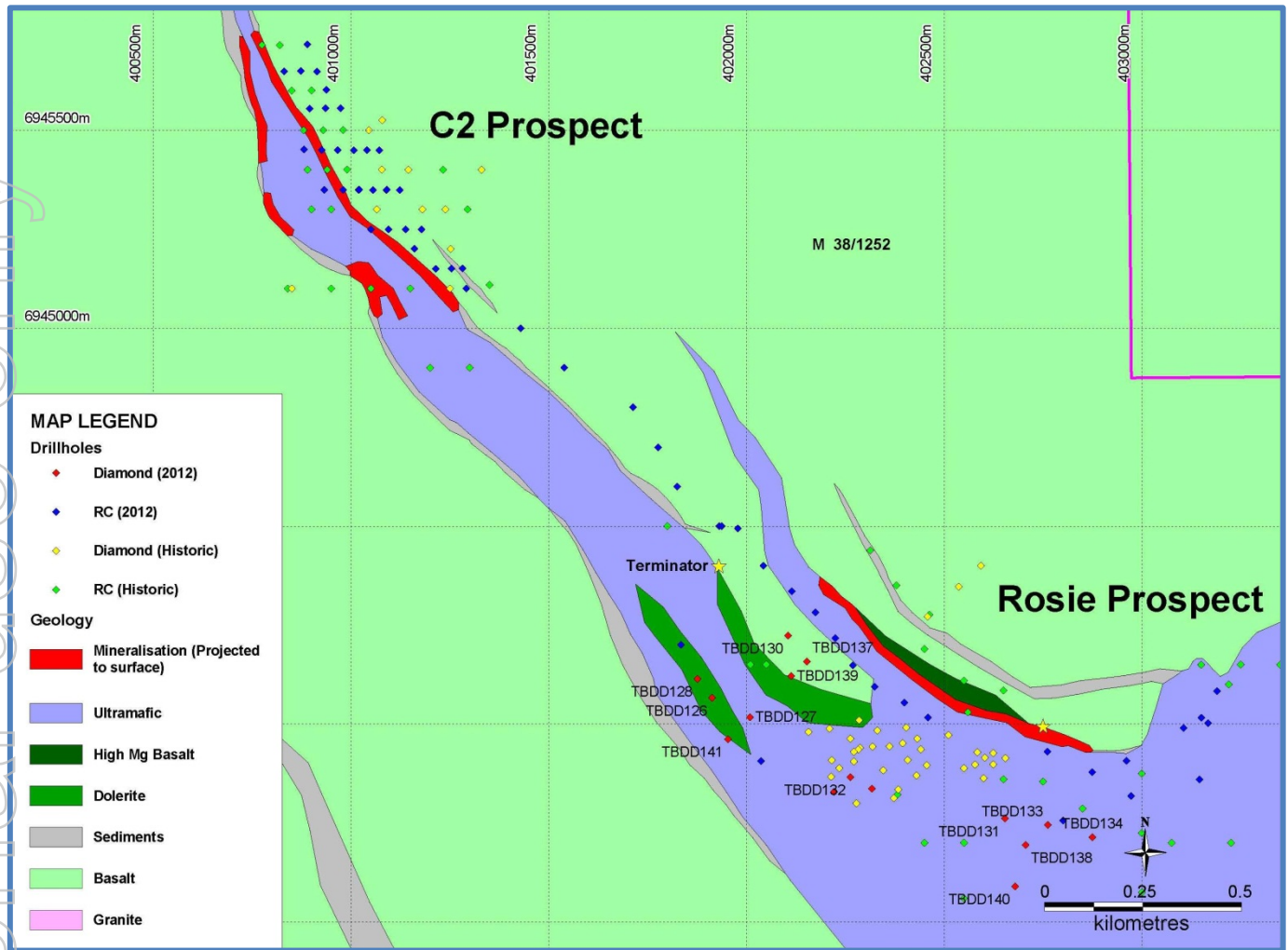


Figure 5: Plan of recently completed exploration and resource infill/extension drilling at The Bulge Rosie and C2 Ni-Cu-PGE Prospects.



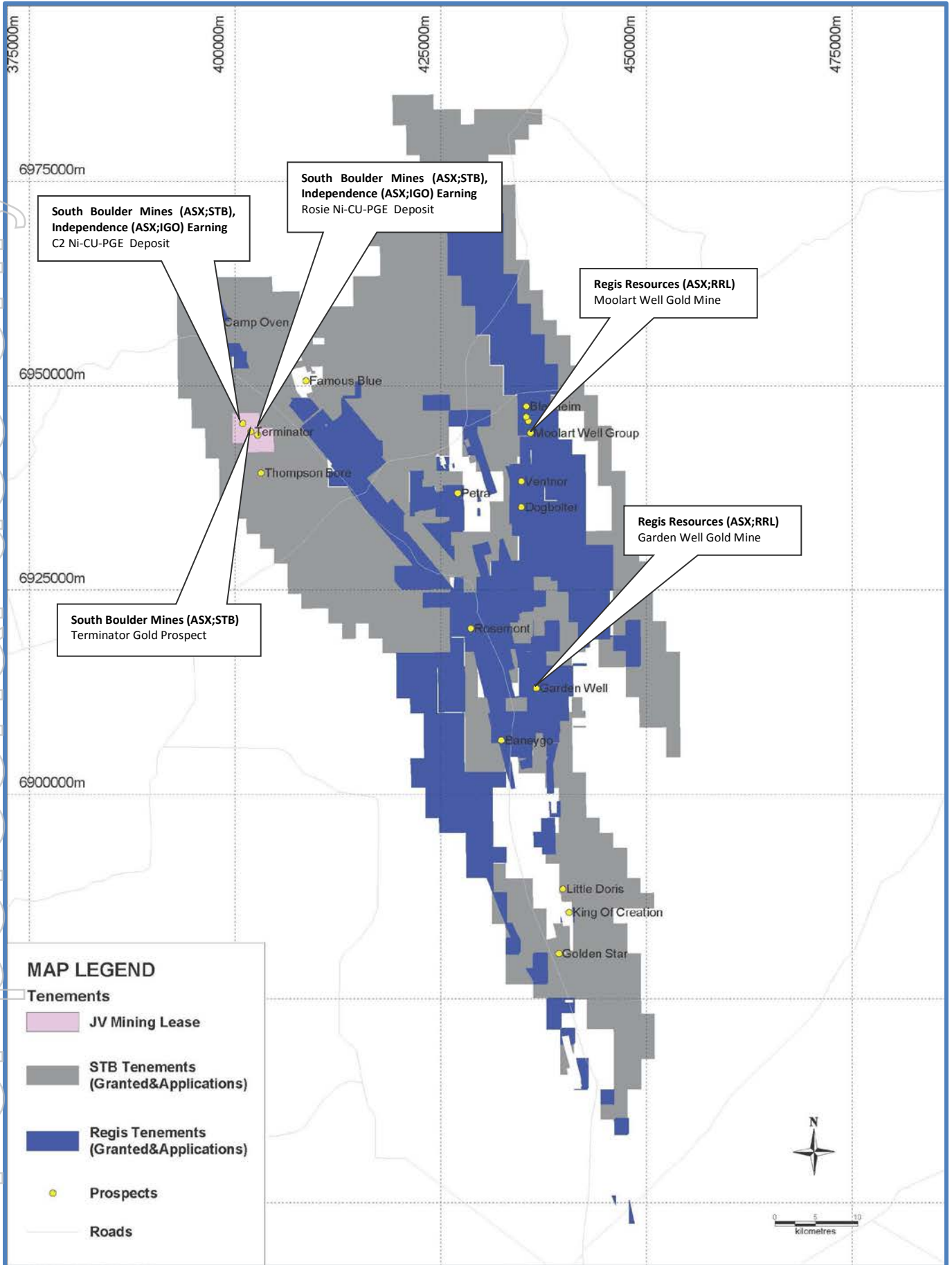


Figure 6: Duketon Gold and Duketon Nickel JV tenements and applications

Prospect	Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.	From (m)	To (m)	Interval (m)	Ni (%)	Cu (%)	Pt+Pd (g/t)
Rosie	TBRC107	402269.0	6944149	539.12	48	-60	190	168	169	1.0	2.39	0.26	2.27
Rosie	TBRC108	402225.0	6944218	538.47	44	-60	190	154	158	4.0	1.93	0.31	3.42
Rosie	TBRC109	402324.1	6944094	538.77	45	-60	190	164	165	1.0	1.07	0.54	0.56
Rosie	TBRC110	402399.2	6944054	539.01	46	-60	142	110	115	5.0	1.13	0.37	1.62
Rosie	TBRC111	402459.2	6944017	539.21	45	-60	148	112	114	2.0	1.62	1.05	3.49
Rosie	TBRC112	402174.7	6944283	538.72	46	-60	184	149	150	1.0	1.43	0.29	2.12
								153	154	1.0	1.02	0.32	1.36
Rosie	TBRC113	402114.8	6944335	538.71	45	-60	172						
Rosie	TBRC114	401978.0	6944494	538.61	90	-60	274						
Rosie	TBRC115	402972.6	6943818	539.50	360	-60	226						
Rosie	TBRC116	403167.3	6944002	537.93	270	-60	220						
Rosie	TBRC117	403190.3	6944083	537.62	270	-60	178	130	131	1.0	1.06	0.08	1.53
Rosie	TBDD130	402105.5	6944224	538.30	47	-59	374.02	324	327.5	3.5	1.51	0.82	2.08
Rosie	TBDD131	402653.7	6943761	540.24	0	-59	322.9	281.73	282.2	0.57	1.11	0.42	1.01
Rosie	TBDD132	402262.7	6943866	539.45	45	-60	563.5	498	499.66	1.66	2.15	0.33	2.09
Rosie	TBDD133	402762.3	6943745	539.53	0	-60	316	257	265.1	8.1	1.17	0.28	1.03
Rosie	TBDD134	402874.2	6943714	538.77	0	-60	308						
Rosie	TBDD135	402317.5	6943837	539.55	42	-61	501.2	263.4	265.1	1.7	2.03		
								462	462.7	0.7	2.79	0.57	2.22
Rosie	TBDD136	402221.6	6943829	539.41	44	-61	646	602.7	603.82	1.12	1.87	0.43	7.11
Rosie								606.29	607.5	1.21	1.82	0.26	0.82
Rosie	TBDD137	402153.1	6944158	538.88	45	-61	430	395.12	395.33	0.21	2.80	0.67	2.42
Rosie	TBDD138	402705.9	6943694	539.56	0	-62	400	342.75	343.11	0.36	4.74	0.80	3.20
Rosie	TBDD139	402113.0	6944121	540.00	45	-61	540.1	504.34	507.94	3.6	1.41	0.37	1.53
Rosie	TBDD140	402679.4	6943590	540.18	0	-60	525	480.4	483.57	3.17	2.81	0.52	2.93
Rosie	TBRC147	401429.4	6945000	537.00	275	-65	256						
Rosie	TBRC148	401540	6944900	538.35	270	-64	226						
Rosie	TBRC149	402801	6943757	538.58	0	-61	286	142	146	4.0	1.80	0.02	
								261	262	1.0	1.72	0.47	1.11

Prospect	Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.	From (m)	To (m)	Interval (m)	Ni (%)	Cu (%)	Pt+Pd (g/t)
Rosie	TBRC150	402761	6943930	539.38	0	-60	124						
Rosie	TBRC151	402875	6943878	539.53	0	-59	142						
Rosie	TBRC152	402961	6943907	538.33	0	-60	124						
Rosie	TBRC153	403146	6943860	538.64	315	-60	250	88	89	1.0	1.30	0.23	1.06
Rosie	TBRC154	403106	6943990	537.77	2	-61	190						
Rosie	TBRC155	403151	6944016	537.95	0	-60	178						
C2	TBRC118	400873	6945650	538.11	270	-60	160						
C2	TBRC119	400914	6945648	538.43	270	-60	214	154	155	1.0	1.73	0.18	1.59
C2	TBRC120	400831	6945649	537.89	270	-60	136						
C2	TBRC121	400938	6945602	538.02	270	-64	220	160	161	1.0	1.38	0.51	
C2	TBRC122	400895	6945554	537.64	270	-64	160	114	115	1.0	1.12	0.22	
								120	121	1.0	1.10	0.21	
C2	TBRC123	400936	6945555	537.36	270	-63	184						
C2	TBRC124	400974	6945555	537.15	270	-66	268						
C2	TBRC125	400926	6945450	537.92	270	-65	190	127	128	1.0	1.87	0.04	
								151	154	3.0	1.11	0.26	0.95
C2	TBRC126	400881	6945451	538.05	270	-63	136	108	110	2.0	1.43	0.30	1.54
C2	TBRC127	400890	6945716	537.70	270	-63	232						
C2	TBRC128	400966	6945450	537.74	270	-66	208	131	132	1.0	2.20	0.14	1.62
C2	TBRC129	401007	6945449	537.66	270	-66	238	221	222	1.0	2.22	0.06	
C2	TBRC130	401040	6945449	537.61	270	-67	292	164	169	5.0	1.20	0.05	
C2	TBRC131	401072	6945449	537.56	270	-69	298	226	238	12.0	1.15	0.05	
C2	TBRC132	400933	6945350	538.45	270	-63	196	66	71	5.0	2.03	0.15	1.46
C2	TBRC133	400980	6945350	538.61	270	-65	202						
C2	TBRC134	401090	6945349	538.15	270	-63	142.7						
C2	TBRC134D	401090	6945350	540.00	270	-64	220.1						
C2	TBRC135	401019	6945349	538.35	270	-62	142.6	116	117	1.0	1.24	0.05	
C2	TBRC135D	401020	6945350	540.00	270	-63	219.51	187.2	187.6	0.4	1.13	0.02	



Prospect	Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.	From (m)	To (m)	Interval (m)	Ni (%)	Cu (%)	Pt+Pd (g/t)
C2	TBRC136	401055	6945349	538.04	270	-65	256						
C2	TBRC137	401123	6945349	537.70	270	-69	274						
C2	TBRC138	401050	6945249	538.64	270	-64	148	49	50	1.0	1.52		
								231	232	1.0	1.30	0.04	
C2	TBRC139	401095	6945249	538.54	270	-65	208						
C2	TBRC140	401138	6945249	538.14	270	-68	244						
C2	TBRC141	401178	6945249	537.91	270	-68	280						
C2	TBRC142	401160	6945201	538.13	270	-66	268						
C2	TBRC143	401214	6945150	538.29	270	-64	166						
C2	TBRC144	401253	6945150	537.94	270	-66	208	144	145	1.0	1.23	0.12	1.34
								149	150	1.0	2.22	0.19	
C2	TBRC145	401282	6945151	537.99	270	-69	256						
C2	TBRC146	401291	6945100	537.03	270	-65	196						
TBRC034	TBDD126	401913	6944066	539.80	45	-61	300.2	221.35	221.65	0.3	1.79	0.07	1.30
								225.08	225.29	0.24	1.64	0.48	1.72
TBRC034	TBDD127	402009	6944017	539.60	45	-61	175	108.05	109	0.95	1.12	0.08	1.71
TBRC034	TBDD128	401876	6944114	539.30	45	-59	259	222.35	222.56	0.21	1.43	0.02	0.84
TBRC034	TBDD141	401953	6943962	539.81	30	-60	340	293.03	294.3	1.27	1.35	0.37	1.96
								296.2	299.84	3.64	1.40	0.35	0.81
TBRC034	TBRC156	401834	6944200	539.62	45	-60	250						
TBRC034	TBRC157	402037	6943907	540.03	45	-60	280						

Table 5: Recent RC and diamond drilling assay results returned from the Rosie, C2 and TBRC034 Prospects. (All intervals are downhole intervals and shown above a 1.0% Ni cut-off).

## **DUKETON GOLD PROJECT**

From the early 1990's, most 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 6).

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 unmined gold resources of over 6.5M ounces defined to date within the belt.

The +1.5M ounce Moolart Well Gold Project was constructed by Regis Resources NL (ASX; RRL, Regis) 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 +2.5M ounce Garden Well Deposit and the +1.0M ounce Rosemont Deposit, which are planned to underpin another stand-alone mining development.

These developments are likely to have a very positive impact on the future of the Duketon Belt in terms of infrastructure.

### **REGIONAL PROSPECTS**

During the Quarter, data compilation continued with exploration activity focussed on generating high level gold targets. An independent geological report on South Boulders tenement package within the Duketon Belt is being compiled by Ore (plus) Geology Solutions Pty Ltd by experienced exploration geologist John Bartlett.

A key regolith interpretation project previously completed by South Boulder last quarter will be combined with available geo-datasets to assist with fine tuning proposed soil and possible air-core drilling programs in the coming periods.

### **TERMINATOR PROSPECT AND M38/1252**

The Terminator Gold Prospect was discovered during a geochemical air-core drilling program conducted 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 (Figures 5, 6 & 7) *Historic air-core intercepts include;*

- 64 metres @ 1.24 g/t Au from surface (TBAC010), including 12 metres @ 4.13 g/t Au from surface,
- 60 metres @ 1.30 g/t Au from 2 metres (TBAC024), including 10 metres @ 4.25 g/t Au from 3 metres,
- 14 metres @ 5.13 g/t Au from 70 metres (TBAC025), including 8 metres @ 8.38 g/t Au from 72 metres,
- 6 metres @ 7.84 g/t Au from 48 metres (TBAC031), including 2 metres @ 22.1 g/t Au from 52 metres (EOH),
- 17 metres @ 1.24 g/t Au from 48 metres (TBAC034), including 2m @ 5.66 g/t Au from 48 metres.

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. The Company plans to conduct further RC drilling at Terminator and regional targets in a combined Duketon Regional Gold exploration program.

In addition to the gold mineralisation at Terminator, a new gold discovery was made on M38/1252 during the quarter (see ASX announcement dated 30<sup>th</sup> May 2012). Visible gold was discovered in diamond drill hole TBDD126 (Figure 7) that was drilled to target beneath hole TBRC034 where a reconnaissance RC program in 2008 returned an oxide nickel intercept of 4m @ 0.44% Ni, 0.19% Cu and 1.70g/t Pt+Pd.

Results recently received from a follow-up RC pre-collared diamond drill hole TBDD141, intersected the previously unreleased high-grade intercept of;

- 1.29 metres @ 11.56 g/t Au from 287.31 metres (downhole intercept).

The new drill hole collar is located approximately 150 metres south southeast of the discovery hole TBDD126 and the intercept is approximately 65m deeper (Table 6).

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t)	Ni (%)	Cu (%)
TBDD126	213.00	214.00	1.00	0.66	0.17	0.00
	<b>218.00</b>	<b>220.36</b>	<b>2.36</b>	<b>59.78</b>	<b>0.16</b>	<b>0.01</b>
<b>Including</b>	<b>219.51</b>	<b>220.36</b>	<b>0.85</b>	<b>164.00</b>	<b>0.09</b>	<b>0.01</b>
	221.65	221.80	0.15	0.82	0.04	0.01
	223.56	224.48	0.92	1.34	0.76	0.14
	225.08	225.29	0.21	1.98	1.64	0.48
TBDD141	132.00	136.00	4.00	1.36		
	136.00	144.00	8.00	0.24		
	<b>287.31</b>	<b>288.60</b>	<b>1.29</b>	<b>11.56</b>		

Table 6: TBDD126 and TBDD141 downhole results showing assays above a 0.5g/t Au cut-off.

Hole ID	East (m)	North (m)	Depth (m)	Dip (degrees)	Azimuth (degrees)
TBDD126	401913	6944065	300.2	-60.8	44.6
TBDD141	401953	6943962	340.0	-60	30

Table 7: TBDD126 and TBDD141 hole collar details.

In addition there are thicker lower grade intercepts in TBDD141 that have been sampled as 4m composites within the RC pre-collar. The presence of widespread gold and high grades is encouraging particularly as the Terminator discovery is located approximately 600m north along strike of TBDD126 (Figure 7).

Competent Persons and Responsibility Statement Duketon Gold

The information in this report that relates to the Duketon Gold Project 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. Lorry Hughes is a full-time employee of the company.

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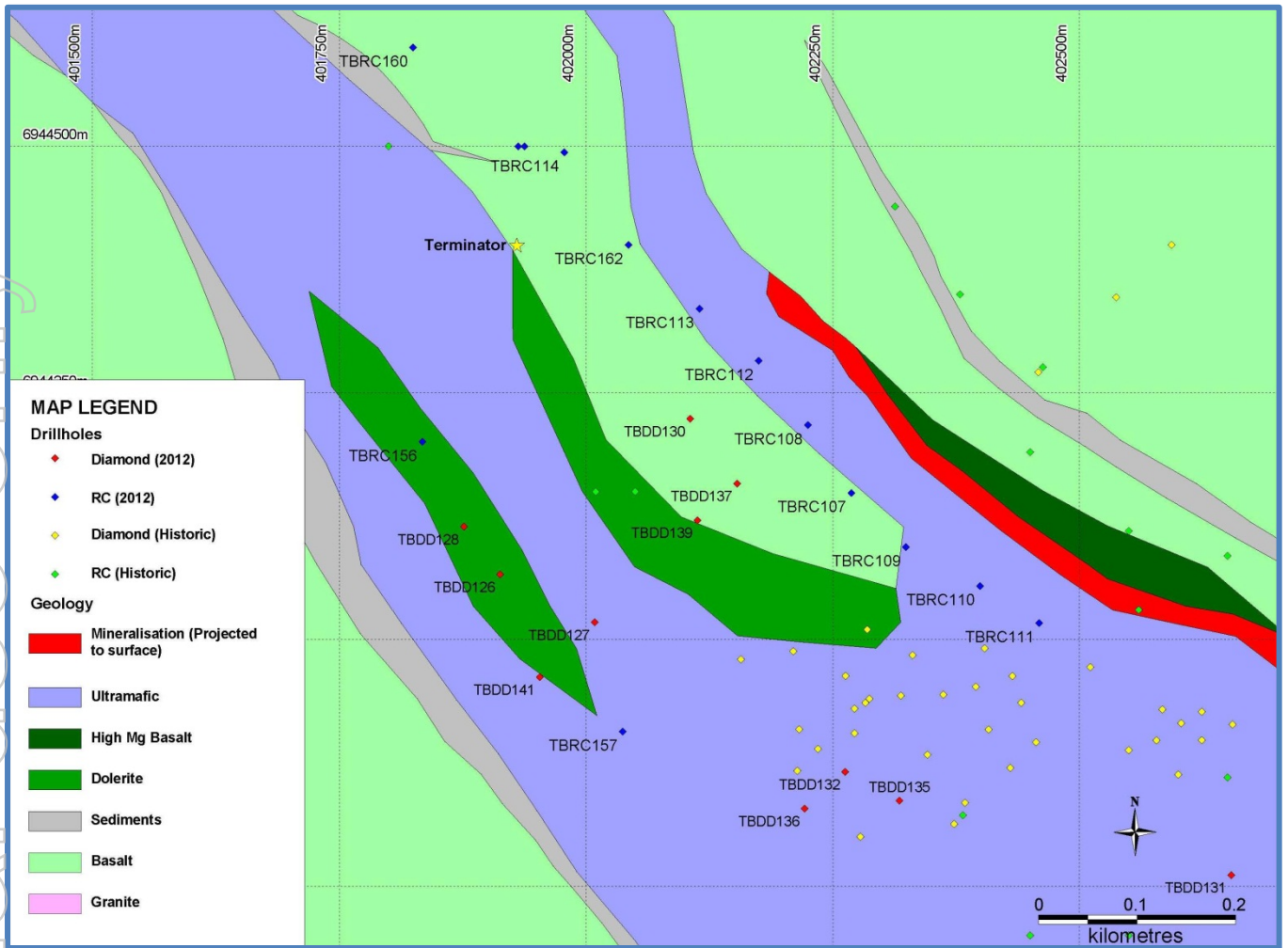


Figure 7: Duketon Regolith Map

## CARDABIA PHOSPHATE PROJECT

South Boulder entered into a joint venture agreement with TSX-listed Strata Minerals Inc. (TSX-V: SMP or "Strata") on the Cardabia Phosphate Project in Western Australia. Key components of the deal are:

- *South Boulder retains a 20% free carried interest through to the completion of a Bankable Feasibility Study (BFS); and*
- *The divestment of the project will enable South Boulder to further focus efforts on the expedited development of the Colluli Potash Project and continue transitioning the Company into a potash producer.*

During the Quarter Strata commenced exploration for phosphate and filed a detailed NI 43-101 technical report on SEDAR. Strata are the manager and operator of the Cardabia JV and details on exploration progress can be found on their website: [www.strataminerals.com](http://www.strataminerals.com).

## 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 three granted Exploration Licences (EL26380, EL25983 and EL25982). Auvex Manganese 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

### CASH & INVESTMENTS

Consolidated cash on hand as at 30 June 2012 was \$21.3 million and the market value of listed investments was \$1.2 million (Table 8). South Boulder's investments in listed exploration companies are summarised below:

Company Name	Stock Exchange	No of fully paid Shares
Montezuma Mining Company Ltd	ASX	5,382,000
Buxton Resources Ltd	ASX	1,610,000
Avonlea Minerals Ltd	ASX	400,000
Lithex Resources Ltd	ASX	1,016,000
Continental Nickel Ltd	TSX	121,200
Strata Minerals Inc.	TSX	2,500,000
Auvex Manganese Ltd	Private	500,000

Table 8: Unlisted and Listed Investments Held by South Boulder

During the Quarter \$4.5 million was received as part of a total private share placement of \$9.5 million (10 million shares at 95 cents each) to international private equity group Meridian Capital International Fund. Settlement of the share placement was completed subsequent to the Quarter-end on 2 July 2012.

Proceeds from the raising will enable South Boulder to focus on completing the Definitive Feasibility Study on its Colluli Potash Project, start early access works and provide working capital.

## EQUITY

### *Share Capital*

The Company's issued capital as at 30 June 2012 was 116,232,826 ordinary fully paid shares. Subsequent to the Quarter-end 10 million shares at 95 cents per share were issued to Meridian Capital International fund as part of a \$9.5 million private share placement. Total issued capital following the completion of the share placement and conversion of 500,000 options was 126,732,826 ordinary fully paid shares.

### *Options*

The Company has the following unlisted options outstanding as at 30 June 2012:

Options	Exercise price	Expiry date
3,800,000	\$0.75	30/06/2015
2,020,000	\$0.35	31/07/2013
1,000,000	\$0.20	30/11/2012
1,750,000	\$0.20	30/06/2014
500,000	\$0.20	30/03/2015
1,250,000	\$2.00	31/03/2015

**Table 9: South Boulder Unlisted Options as at 30 June 2012**

During the Quarter, the Company issued 1.25 million unlisted options expiring on 31 March 2015 to Azure Capital Ltd as partial satisfaction of fees due under a mandated appointment of corporate advisor.

Subsequent to Quarter-end, 5.45 million options exercisable at \$1.50 and expiring on 17 July 2014 were issued to Meridian Capital International Fund as part of the private placement completed on 2 July 2012. In addition, 500,000 options were exercised at 20 cents each on 6 July 2012 and converted into ordinary fully paid shares.

### *Performance Rights*

The South Boulder Mines Ltd Performance Rights Plan was approved at the 2011 Annual General Meeting. The purpose of the Plan is to provide recognition to employees of the Company and its subsidiaries for their continued and ongoing support of the Company.

During the Quarter, 772,000 performance rights were issued to employees and contractors pursuant to the Performance Rights Plan. A total of 1,472,000 Performance Rights were outstanding at the end of the Quarter.

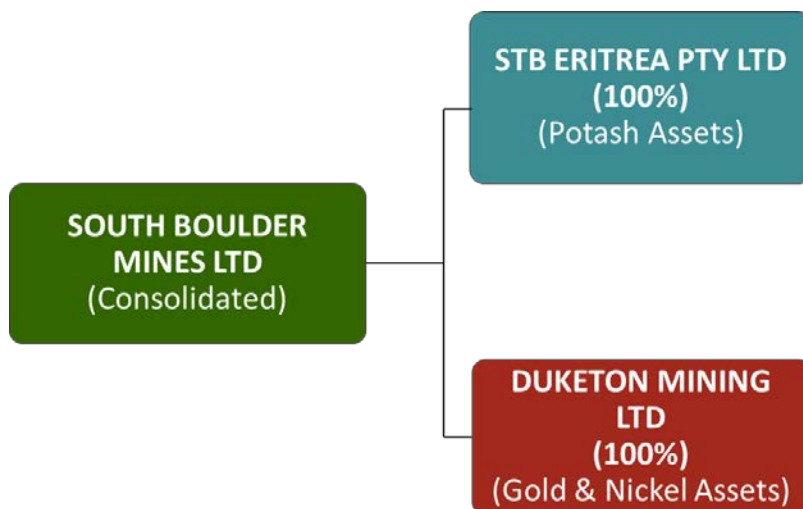
## DUKETON MINING LTD

During the Quarter, Duketon Mining Ltd was incorporated as a wholly owned subsidiary of South Boulder Mines Ltd. The gold and nickel assets of South Boulder Mines Ltd will be transferred to



Duketon Mining Ltd in the next Quarter as part of corporate re-structuring for the proposed in specie distribution of Duketon assets to South Boulder shareholders.

Below is a summary of the South Boulder Consolidated Group following the incorporation of Duketon Mining Ltd:



### STOCK EXCHANGE LISTINGS

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. In addition a Sponsored American Depository Receipt (ADR) Program has been established to create a broader secondary market for South Boulder equities 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 upon. 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.

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## 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.southbouldermines.com.au](http://www.southbouldermines.com.au) and [www.abid.co](http://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 90% 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 261.81Mt @ 17.94% KCl or 11.33% K<sub>2</sub>O of Measured Resources, 674.48Mt @ 17.98% KCl or 11.36% K<sub>2</sub>O of Indicated Resources and 143.50Mt @ 18.00% KCl or 11.37% K<sub>2</sub>O of Inferred Resources for a total of 1,079.00Mt @ 17.97% KCl or 11.35% K<sub>2</sub>O (total contained potash of 194.09Mt KCl or 122.61Mt K<sub>2</sub>O); **This includes higher grade Sylvinite of 114.60Mt @ 28.56% KCl or 18.04% K<sub>2</sub>O**. The current resource is included in an exploration target of 1.25 – 1.75 billion tonnes @ 18-20% KCl ## (see disclaimer below).

An engineering scoping study for the production of 1Mt p.a. of potash demonstrated an estimated capital cost of US\$0.74bn generating a Pre-tax NPV<sub>12</sub> of US\$1.33bn. A Definitive Feasibility Study into open pit mining and processing of the resource is underway with initial production scheduled for 2016 or sooner. South Boulder has strong support from the Eritrean Government to build a long term, economically and environmentally sustainable resource project.

## About the Duketon Gold Project and the Duketon Nickel Joint Venture

Within the Duketon Gold Project area, South Boulder entered a farm-out Joint Venture (JV) Agreement with Independence Group NL, whereby Independence can earn a 70% interest in the nickel rights on select 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 Joint Venture (DNJV) has had recent success at The Rosie and C2 Nickel sulphide prospects where drilling has defined intercepts of **5.20m @ 9.2% 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 19<sup>th</sup> November 2010. A Maiden JORC Compliant Mineral Resource Estimate has been compiled for the Rosie deposit; please refer to the Company's 25<sup>th</sup> January 2012 ASX Announcement for details.

## For Media Enquiries contact Paul Armstrong at Read Corporate

### More information

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Lorry Hughes	Kerry Rudd	Liam Cornelius	Flavio Garofalo	Dr. Chris Gilchrist
CEO/Managing Director	Executive Assistant	Executive Director	CFO	Non-Exec Director

### ## Competent Persons and Responsibility Statement

The Colluli Potash Project has a current JORC/Ni43-101 Compliant Measured, Indicated and Inferred Mineral Resource Estimate of 1,079.00Mt @ 17.97% KCl or 11.35% K<sub>2</sub>O (total contained potash of 194.09Mt KCl or 122.61Mt K<sub>2</sub>O). The resource contains 261.81Mt @ 17.94% KCl or 11.33% K<sub>2</sub>O of Measured Resources, 674.48Mt @ 17.98% KCl or 11.36% K<sub>2</sub>O of Indicated Resources and 143.50Mt @ 18.00% KCl or 11.37% K<sub>2</sub>O of Inferred Resources. 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 Ni43-101 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 organisation 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. Mr Hughes is a full-time employee of the company. Mr Rauche and Mr van der Klauw are employed by the Ercosplan Group of Companies.

### 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% K<sub>2</sub>O. 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 ion chromatography. Kali-Umwelttechnik (KUTEC) 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.



## Appendix 5B

### Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

**South Boulder Mines Limited**

ABN

57 097 904 302

Quarter ended ("current quarter")

30 June 2012

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(1,950)	(7,883)
(b) development	-	-
(c) production	-	-
(d) administration	(290)	(873)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	325	692
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(1,915)</b>	<b>(8,064)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	(102)
(c) other fixed assets	(157)	(221)
1.9 Proceeds from sale of: (a) prospects	-	200
(b) equity investments	-	757
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(157)</b>	<b>634</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,072)</b>	<b>(7,430)</b>

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**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,072)	(7,430)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	4,500	17,748
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
<b>Net financing cash flows</b>		4,500	17,748
<b>Net increase (decrease) in cash held</b>		2,428	10,318
1.20	Cash at beginning of quarter/year to date	18,861	10,971
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	21,289	21,289

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	165
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

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**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	4,800
4.2 Development	-
4.3 Production	-
4.4 Administration	300
<b>Total</b>	<b>5,100</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	807	925
5.2 Deposits at call	20,482	17,936
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>21,289</b>	<b>18,861</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E38/2465	Registered Applicant	100	0
	E38/2562	Registered Applicant	100	0
	E38/2592	Registered Applicant	100	0
	E38/2606	Registered Applicant	100	0
	E38/2637	Registered Applicant	100	0
	E38/2648	Registered Applicant	100	0
	E38/2676	Registered Applicant	100	0
	E45/3262	Registered Applicant	100	0
	E45/3263	Registered Applicant	100	0
	E69/2580	Registered Applicant	100	0
	P38/3163	Registered Holder	100	0
6.2 Interests in mining tenements acquired or increased	E38/2730	Registered Applicant	0	100
	E38/2731	Registered Applicant	0	100
	E38/2736	Registered Applicant	0	100
	E38/2737	Registered Applicant	0	100
	E38/2738	Registered Applicant	0	100
	E38/2757	Registered Applicant	0	100
	E45/4047	Registered Applicant	0	100

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**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

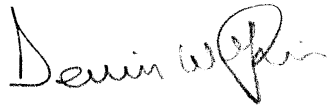
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	116,232,826	116,232,826		
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	3,800,000 2,020,000 1,000,000 1,750,000 500,000 1,250,000 1,472,000		<i>Exercise price</i> 75 cents 35 cents 20 cents 20 cents 20 cents \$2.00 Performance Rights	<i>Expiry date</i> 30/06/2015 31/07/2013 30/11/2012 30/06/2014 30/03/2015 31/03/2015
7.8 Issued during quarter	1,250,000 772,000		<i>Exercise Price</i> \$2.00 Performance Rights	<i>Expiry Date</i> 31/03/2015
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 31 July 2012

Print name:

**Dennis Wilkins**

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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