



SEPTEMBER 2012 QUARTER OPERATIONS REPORT

Successful Quarter: South Boulder on track to deliver Colluli Definitive Feasibility Study in 2013

Definitive Feasibility Study on 1Mtpa from Sylvinite Mineralisation set for completion in 2013; first production planned for 2016

HIGHLIGHTS

COLLULI POTASH PROJECT (Eritrea)

- Definitive Feasibility Study based on a 1Mtpa operation continued during the Quarter.
- Drilling returned some of the highest potash grades to date (up to 45% KCl), highlighting the potential to grow the resources further and improve project economics.
- Significant widths of visually high-grade Sylvinite mineralisation intersected by a 16-hole large-diameter PQ diamond drilling program within parts of the Area A resource, including two holes where it had not previously been modelled.
- Recent laboratory tests conducted in Canada under ERCOSPLAN's supervision have confirmed that the Sylvinite floats readily at a coarse particle size and excellent metallurgical recovery values of up to 90% have been achieved.
- Updated Engineering Scoping Study (ESS-2) results, incorporating both Carnallite and Kainite mineralisation for a Phase 2 expansion above 1Mtpa, expected in the December 2012 Quarter.

DUKETON GREENSTONE BELT PROJECTS (Western Australia)

- 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 returned in TBDD140.
- Updated Mineral Resource Estimate now totals 1.94Mt @ 1.7% Ni (32,700t contained nickel), 0.4% Cu and 1.9g/t Pt + Pd, which represents an increase of ~10% in contained nickel.
- High-conductance plate identified down-dip from the intersection in TBDD140 by down-hole electromagnetic (DHEM) surveys.

CORPORATE

- Experienced resource company director Mr Anthony (Tony) Kiernan appointed as a non-executive Director.
- Cash on hand of \$21.9M plus listed investments of \$2.6M at Quarter-end.
- The Company confirmed its intention to undertake a demerger of its non-potash assets. The demerger will be via an in-specie distribution of 100% of the shares in Duketon to shareholders of STB on a one-for-four basis, comprising about 31 million Duketon shares to be issued.

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THE COLLULI POTASH PROJECT (ERITREA)

During the Quarter, South Boulder Mines Ltd (“South Boulder” or “The Company” ASX: STB) continued to progress key technical studies and work required to complete an updated Engineering Scoping Study (ESS-2) on the Colluli Potash Project in Eritrea (as outlined in the June Quarterly Report). The objective of ESS-2 is to examine the potential to incorporate both Carnallite and Kainite potash mineralisation into the mining and processing plan at any early stage and, if warranted, to include any relevant information in the current DFS.

Initial results from ESS-2 have been promising and a draft interim report was received subsequent to the end of the Quarter. Management is currently reviewing the final results with a view to reporting highlights from ESS-2 in the December 2012 Quarter.

Definitive Feasibility Study Update

Following the excellent results achieved by ESS-1 in 2011, South Boulder commenced a Definitive Feasibility Study (DFS) in early 2012 which is scheduled for completion in 2013.

The DFS team is led by South Boulder Non-Executive Director Dr Chris Gilchrist, who has extensive experience in potash operations and has already brought mines into operation in remote locations. Other key team members include Lead Consultant ERCOSPLAN (responsible for overall coordination, Geology, Resource, Mineral Processing and Tailings), AMC and Dayle Kenny (Mining), Knight Piesold (Environmental, Social and Hydrogeology), CRU Strategies (Marketing), SENET (Pty) Ltd (Infrastructure) and Ashmead Maritime (Port Logistics and Shipping).

The team has extensive experience in all aspects of potash production as well as specific in-country experience. For example, SENET (Pty) Ltd was responsible for the design and construction of the world-class Bisha Mine in Eritrea.

The scope of the DFS is solely for Phase 1 of the Colluli Project, which is the construction and commissioning of a 1Mtpa operation by 2016. The second phase, which has been determined in ESS-2, will require further definition once Phase 1 is in operation.

JORC-Compliant Mineral Resource Estimate

Improvements in evaluation of the Resource are continuing in preparation for completion of the DFS. A series of resource infill and metallurgical holes (Col-063B – Col-076, see ASX Announcement dated 18th July 2012) and a series of close spaced holes (Col-077 – Col-092) were recently completed as part of a variability assessment for mining (Figure 1 & Table 2).

In addition another 5 resource extension holes (Col-093 – Col-097) were completed in the high priority area between the Area A and B Resources. Assay results from all these programs are outstanding and will be released when they come to hand.

The current JORC-Compliant Mineral Resource is tabled below:

| | Tonnes (Mt) | Grade (% KCl) | Total KCl (Mt) | Grade (% K ₂ O) | Total K ₂ O (Mt) |
|-----------------------|-----------------|---------------|----------------|----------------------------|-----------------------------|
| Measured | 261.91 | 17.94 | 46.98 | 11.33 | 29.68 |
| Indicated | 675.00 | 17.98 | 121.36 | 11.36 | 76.67 |
| Inferred | 143.50 | 18.00 | 25.78 | 11.37 | 16.29 |
| Total Resource | 1,080.41 | 17.98 | 194.12 | 11.35 | 122.64 |

Table 1: Colluli JORC/NI43-101 Compliant Mineral Resource Estimate by Resource Category
(KCl is often expressed as K₂O according to the formula $(KCl * 0.6317 = K_2O)$. The recent KCl contract price is estimated at around US\$ 470/t.)

Further resource extension and definition drilling is ongoing with emphasis placed in areas continuous with and adjacent to the Area A deposit.

Mining Studies

Detailed geotechnical data collection is in progress under the direction of AMC Consultants which will form the basis of geotechnical inputs into mine design, equipment selection and blast design. Knight Piesold is directing further ground water studies in the proposed mining area, focussing on the clastic overburden that is water bearing, to develop a mine water management plan for the DFS.

Processing

Potash will be recovered from Sylvinite ore during Stage 1 by comminution to approximately 1 mm followed by conventional froth flotation. Here individual grains of Sylvite (KCl) will be floated in an agitated cell by using an amine surfactant and a frothing agent whereas the gangue particles, comprising mostly Halite (NaCl), will sink and report to the tailings stream. Recent laboratory tests conducted in Canada under ERCOSPLAN's supervision have confirmed that the Sylvite floats readily at a coarse particle size and excellent metallurgical recovery values of up to 90% have been achieved.

The processing of Carnallite ore, which has a magnesium chloride content as well as potassium chloride, requires a slightly different treatment method. Firstly, the ore will be stockpiled in suitably-lined lagoon and allowed to decompose under the effects of the sun. Carnallite is a deliquescent mineral which means that it dissolves in its own internal water of crystallisation, the process being accelerated by solar energy. This will force the magnesium chloride to "bleed out" as a liquid brine but will leave the potassium and sodium chlorides behind as crystalline solids. After washing, these solids will be introduced to the Sylvite flotation process as previously described where they will be recovered as saleable Muriate of Potash (MOP).

Infrastructure

The principal infrastructural elements of the project are a 70-75km dedicated haul road, a power station, desalination plant, seawater intake and pipeline, 100,000-tonne product storage warehouse, product export jetty with two trans-shipment vessels, accommodation village and numerous administration and operation offices, stores and workshops.

The design and costing of the infrastructural elements are all at an advanced stage and preliminary layouts of the proposed facilities at the product export terminal (PET) to be based at Ras Anfile have been completed. Trade-off studies are underway to determine the best layout and configuration of the power station. Discussions have been held with desalination specialists and plans are at an advanced stage to drill test-wells close to the sea shore as an efficient means of abstracting pre-filtered seawater for process use. The proposed desalination plant will be small because the metallurgical process can use seawater.

A specialist jetty-design sub-contractor has been appointed and a sophisticated wave buoy has been installed offshore at the proposed jetty site in order to capture detailed design data. Several marine architects have been interviewed for the task of designing the potash trans-shipment vessels and an appointment is to be made in the coming weeks.

A Letter of Intent has been signed for the design of fuel importation and storage facilities.

Sustainability

The Environmental & Social Impact Assessment (ESIA) team (South Boulder, Knight Piesold, Sustainability and their Eritrean field agents), has been completing field programs as part of the DFS. Work has included assessment of the Local and Regional Study Areas and collecting Socio-Economic,

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Livelihood & Landuse, Landforms & Aesthetics, Livestock, Vegetation, Wildlife, Marine Wildlife & Habitat and Cultural Heritage data required for Biophysical Baseline and impact assessments.

Final confirmation and Eritrean Government approval of a preferred product export terminal and worker village sites and completion of an engineering ground survey of a proposed service road will complete the data set required for the first review of all Social, Environmental and Socio–Economic documentation required for the DFS program.

Mining Approvals

Negotiations with the Eritrean Government (ENAMCO) for its purchase of its interest in the Colluli Project under its Mining Proclamation are progressing. These commenced in March 2012 (see ASX announcement dated 26th March 2012).

The finalisation of ENAMCO's interest will lead to the formation of a jointly owned Eritrean Share Company (Joint Venture Company) This Joint Venture Company will complete a mining agreement with the Government and make application for a mining license. South Boulder anticipates completion of these matters in a timely manner enabling production targets for 2016 or earlier to be met.

During the Quarter the Ministry of Energy and Mines approved STB's application for the first ordinary extension of the Colluli Exploration License until the 22nd of July, 2013 in accordance with the Eritrean Mining Proclamation.

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 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.

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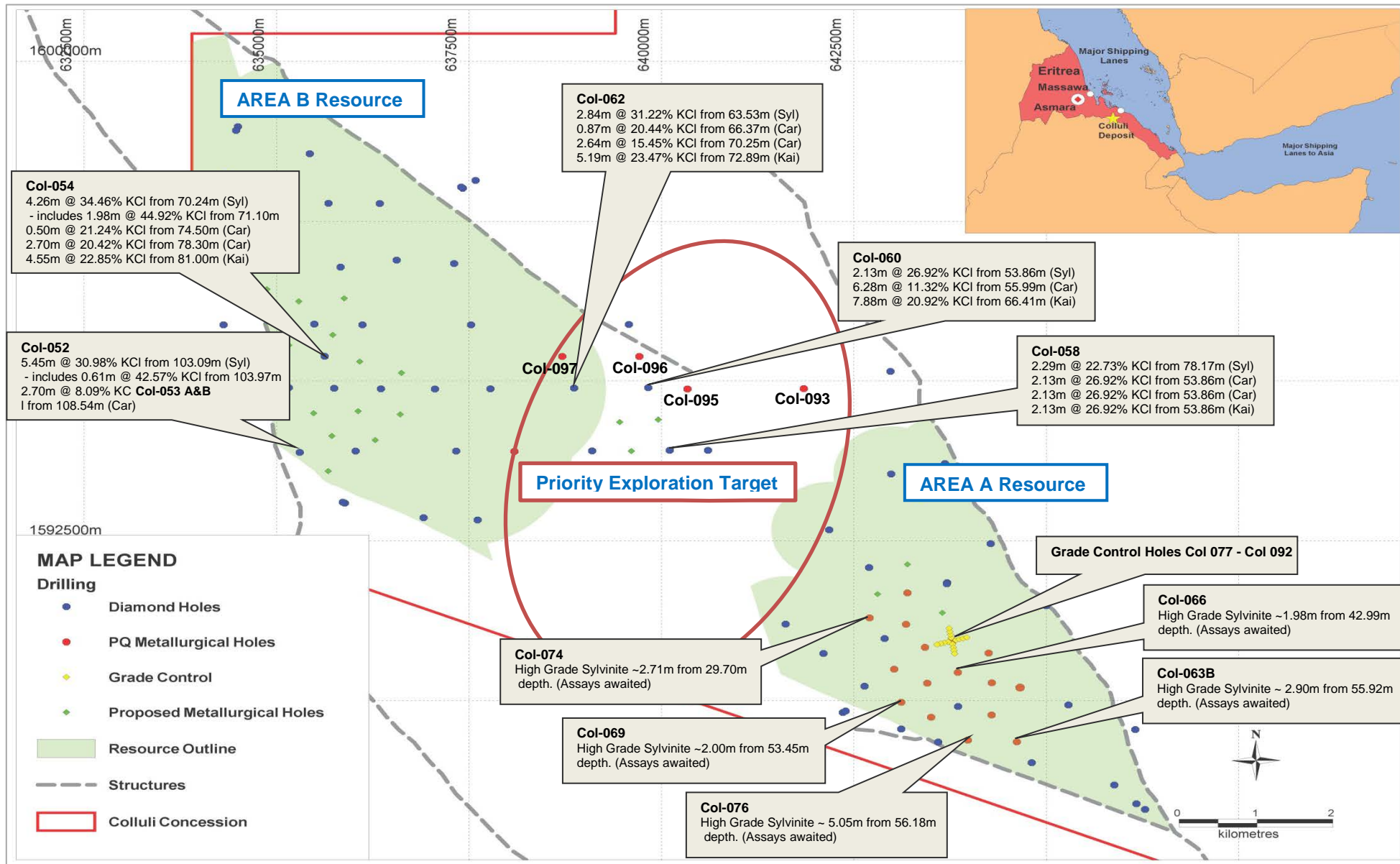


Figure 1: Colluli Project JORC/NI43-101 Compliant Mineral Resource Estimate and Resource Drilling Plan with recent highlights.

| Hole No. | East (m) | North (m) | RL (m) | Azi. (degr.) | Dip (degr.) | E.O.H. | From | To | Interval (m) | KCI (%) | Comment |
|----------|----------|-----------|--------|--------------|-------------|--------|--------|--------|--------------|---------|--|
| Col-052 | 635303 | 1593885 | -124.0 | 000 | -90 | 120.00 | 100.31 | 101.26 | 0.95 | 10.47 | Area B – Sylvinite (Resource hole) |
| | | | | | | | 103.09 | 108.54 | 5.45 | 30.98 | Area B – Sylvinite (Resource hole) |
| | | | | | | | 103.97 | 104.58 | 0.61 | 42.57 | Area B – Sylvinite (Resource hole) |
| | | | | | | | 108.54 | 111.73 | 2.70 | 8.09 | Area B – Carnallite, kieserite dominated (Resource hole) |
| | | | | | | | 111.73 | 118.00 | 6.27 | 23.94 | Area B – Kainitite (Resource hole) |
| Col-053A | 635889 | 1593089 | -124.0 | 000 | -90 | 126.00 | | | | | Area B – hole abandoned |
| Col-053B | 635863 | 1593105 | -124.0 | 000 | -90 | 162.00 | | | | | Area B – hole to be deepened |
| Col-054 | 635626 | 1595386 | -122.0 | 000 | -90 | 87.00 | 68.37 | 69.31 | 0.94 | 18.31 | Area B – Sylvinite (Resource hole) |
| | | | | | | | 70.24 | 74.50 | 4.26 | 34.46 | Area B – Sylvinite (Resource hole) |
| | | | | | | | 71.10 | 73.08 | 1.98 | 44.92 | Area B – Sylvinite (Resource hole) |
| | | | | | | | 74.50 | 75.00 | 0.50 | 21.24 | Area B – Carnallite (Resource hole) |
| | | | | | | | 78.30 | 81.00 | 2.70 | 20.42 | Area B – Carnallite (Resource hole) |
| | | | | | | | 81.00 | 85.55 | 4.55 | 22.85 | Area B – Kainitite (Resource hole) |
| Col-055 | 637059 | 1594872 | -122.0 | 000 | -90 | 96.00 | 86.48 | 93.00 | 7.94 | 23.69 | Area B – Kainitite (Resource hole) |
| Col-056 | 637399 | 1598033 | -118.0 | 000 | -90 | 30.00 | | | | | Area B – No Significant mineralisation |
| Col-057 | 639101 | 1593907 | -121.0 | 000 | -90 | 105.00 | 88.33 | 91.43 | 3.10 | 34.17 | Area B – Sylvinite (Resource hole) |
| | | | | | | | 88.60 | 90.46 | 1.86 | 38.88 | Area B – Sylvinite (Resource hole) |
| | | | | | | | 94.28 | 96.92 | 2.64 | 17.24 | Area B – Carnallite (Resource hole) |
| | | | | | | | 96.92 | 101.80 | 4.88 | 23.81 | Area B – Kainitite (Resource hole) |
| Col-058 | 640107 | 1593916 | -120.0 | 000 | -90 | 99.00 | 78.17 | 80.46 | 2.29 | 22.73 | Area B – Sylvinite (Resource hole) |
| | | | | | | | 80.46 | 81.74 | 1.28 | 17.02 | Area B – Carnallite (Resource hole) |
| | | | | | | | 84.83 | 90.43 | 5.60 | 11.58 | Area B – Carnallite (Resource hole) |
| | | | | | | | 90.43 | 96.75 | 6.32 | 22.09 | Area B – Kainitite (Resource hole) |
| Col-059 | 640607 | 1593916 | -119.0 | 000 | -90 | 57.00 | | | | | Area B – No Significant mineralisation |
| Col-060 | 639828 | 1594893 | -118.0 | 000 | -90 | 75.00 | 53.86 | 55.99 | 2.13 | 26.92 | Area B – Sylvinite (Resource hole) |
| | | | | | | | 55.99 | 66.41 | 6.28 | 11.32 | Area B – Carnallite (Resource hole) |
| | | | | | | | 66.41 | 74.29 | 7.88 | 20.92 | Area B – Kainitite (Resource hole) |
| Col-061 | 639585 | 1595874 | -116.0 | 000 | -90 | 63.00 | | | | | Area B – No Significant mineralisation |

| Hole No. | East (m) | North (m) | RL (m) | Azi. (degr.) | Dip (degr.) | E.O.H. | From | To | Interval (m) | KCI (%) | Comment |
|----------|----------|-----------|--------|--------------|-------------|--------|-----------------------------------|-------|--------------|---------|--|
| Col-062 | 638864 | 1594887 | -120.0 | 000 | -90 | 81.00 | 63.53 | 66.37 | 2.84 | 31.22 | Area B – Sylvinite (Resource hole) |
| | | | | | | | 66.37 | 67.24 | 0.87 | 20.44 | Area B – Carnallite (Resource hole) |
| | | | | | | | 70.25 | 72.89 | 2.64 | 15.45 | Area B – Carnallite (Resource hole) |
| | | | | | | | 72.89 | 78.08 | 5.19 | 23.47 | Area B – Kainitite (Resource hole) |
| Col-063B | 644617 | 1589357 | -119.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-064 | 644287 | 1589778 | -120.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-065 | 644290 | 1590282 | -119.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-065 | 643850 | 1590445 | -119.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-067 | 643453 | 1590274 | -120.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-068B | 643024 | 1590493 | -120.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-069 | 643504 | 1589743 | -121.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-070 | 643116 | 1589977 | -121.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-071 | 643422 | 1590834 | -119.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-072 | 643178 | 1591195 | -119.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-073 | 643194 | 1591686 | -119.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-074 | 642702 | 1591295 | -120.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-075 | 644249 | 1590745 | -118.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-076 | 643981 | 1589382 | -119.0 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – Sylvinite, Carnallite (Resource hole) |
| Col-077 | 643822 | 1590948 | -119.1 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – (Grade control hole) |
| Col-078 | 643869 | 1590962 | -118.9 | 000 | -90 | 39 | Final drill logs & assays awaited | | | | Area A – (Grade control hole) |
| Col-079 | 643917 | 1590975 | -118.8 | 000 | -90 | 39 | Final drill logs & assays awaited | | | | Area A – (Grade control hole) |
| Col-080 | 643966 | 1590988 | -118.7 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – (Grade control hole) |
| Col-081 | 643724 | 1590920 | -119.2 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – (Grade control hole) |
| Col-082 | 643676 | 1590907 | -119.3 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – (Grade control hole) |
| Col-083 | 643627 | 1590894 | -119.4 | 000 | -90 | 45 | Final drill logs & assays awaited | | | | Area A – (Grade control hole) |
| Col-084 | 643579 | 1590881 | -119.5 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – (Grade control hole) |
| Col-085 | 643763 | 1590984 | -119.1 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – (Grade control hole) |
| Col-086 | 643756 | 1591034 | -119.1 | 000 | -90 | 42 | Final drill logs & assays awaited | | | | Area A – (Grade control hole) |
| Col-087 | 643747 | 1591082 | -119.0 | 000 | -90 | 39 | Final drill logs & assays awaited | | | | Area A – (Grade control hole) |

| Hole No. | East (m) | North (m) | RL (m) | Azi. (degr.) | Dip (degr.) | E.O.H. | From | To | Interval (m) | KCl (%) | Comment |
|----------|----------|-----------|--------|--------------|-------------|--------|------|----|--------------|---------|-------------------------------|
| Col-088 | 643738 | 1591132 | -119.0 | 000 | -90 | 39 | | | | | Area A – (Grade control hole) |
| Col-089 | 643783 | 1590885 | -119.2 | 000 | -90 | 39 | | | | | Area A – (Grade control hole) |
| Col-090 | 643792 | 1590836 | -119.2 | 000 | -90 | 39 | | | | | Area A – (Grade control hole) |
| Col-091 | 643801 | 1590787 | -119.3 | 000 | -90 | 39 | | | | | Area A – (Grade control hole) |
| Col-092 | 643809 | 1590738 | -119.3 | 000 | -90 | 39 | | | | | Area A – (Grade control hole) |
| Col-093 | 641851 | 1594879 | -117.6 | 000 | -90 | 72 | | | | | Area A – (Resource hole) |
| Col-094 | 638091 | 1593898 | -121.7 | 000 | -90 | 119 | | | | | Area A – (Resource hole) |
| Col-095 | 640338 | 1594873 | -118.0 | 000 | -90 | 66 | | | | | Area A – (Resource hole) |
| Col-096 | 639713 | 1595382 | -117.2 | 000 | -90 | 45 | | | | | Area A – (Resource hole) |
| Col-097 | 638713 | 1595382 | -118.4 | 000 | -90 | 63 | | | | | Area A – (Resource hole) |

Table 2: Table of recent potash assay results (All intervals are true-width intervals).

DUKETON PROJECT (WA)

The Duketon Project covers a total area of ~1,500km² of the Achaean Duketon Greenstone Belt and is located ~40-120km north of Laverton in Western Australia. The projects are considered highly under-explored for gold and base metals. The Company owns 100% of all gold rights as well as 100% of all nickel rights with the exception of the Rosie and C2 Projects, where by Independence Group NL (ASX: IGO) can earn 70% on the completion of a Bankable Feasibility Study (See Figure 2).

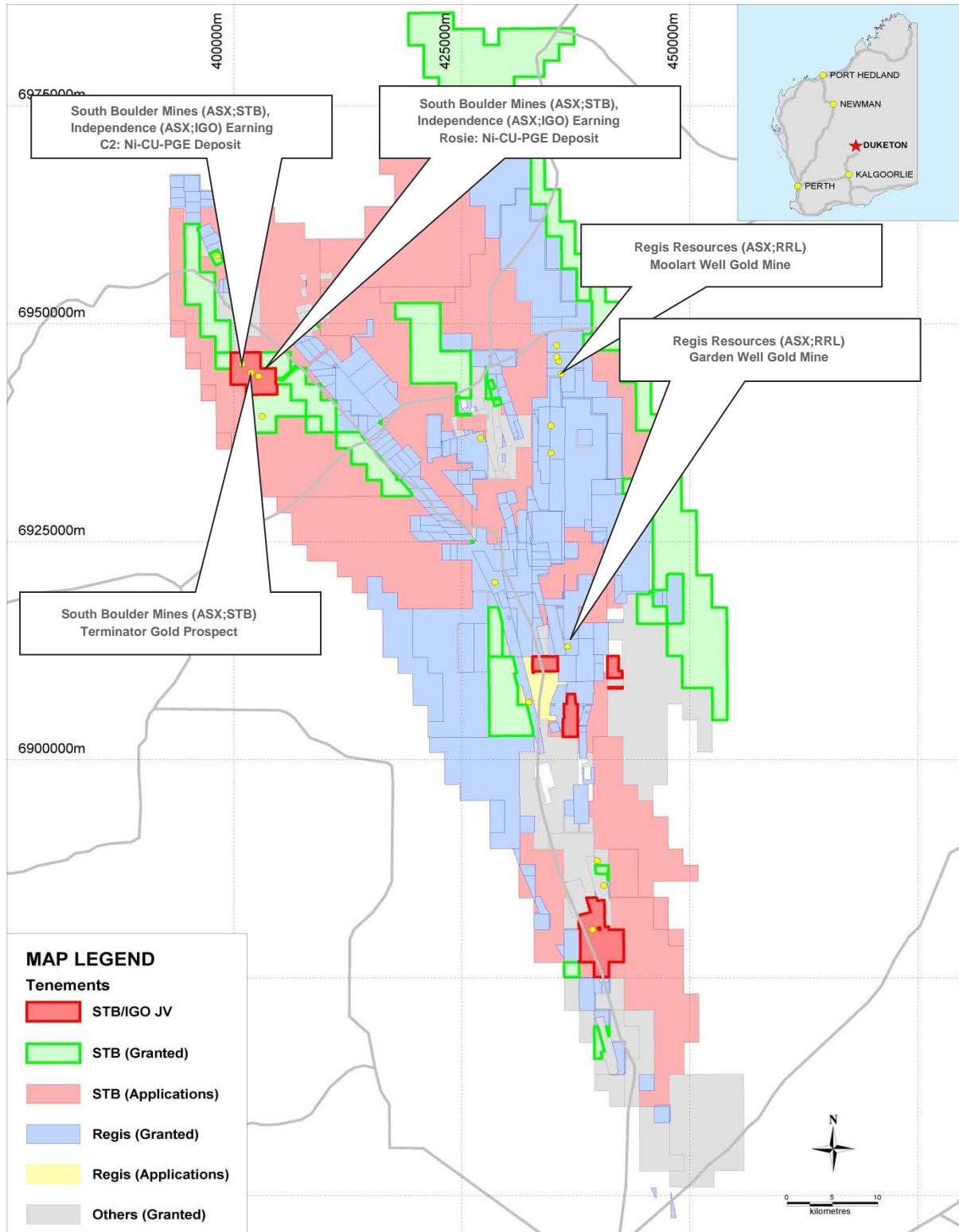


Figure 2: Duketon Gold and Duketon Nickel JV tenements and applications

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THE DUKETON NICKEL JOINT VENTURE

Under the terms of the Duketon Nickel Joint Venture agreement (DNJV), 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).

ROSIE PROSPECT

All final results have been received for the 12 holes completed at Rosie in 2012 (TBDD129-136 previously reported in the June Quarterly Report 2012), Figure 3 below. Significantly, the best result was achieved in the last hole of the program, TBDD140 located around 350m east of the high grade mineralisation intersected at Rosie.

A thin intercept of breccia massive sulphide intersected in TBDD138 was targeted down contact with TBDD140 and intercepted ~ 1.04m of breccia massive sulphide within a 3.17m zone of mineralisation. These downhole intercepts are S.G. weighted and shown with a 1.0% and 0.4% Nickel cut off in Table 3 and 4 respectively.

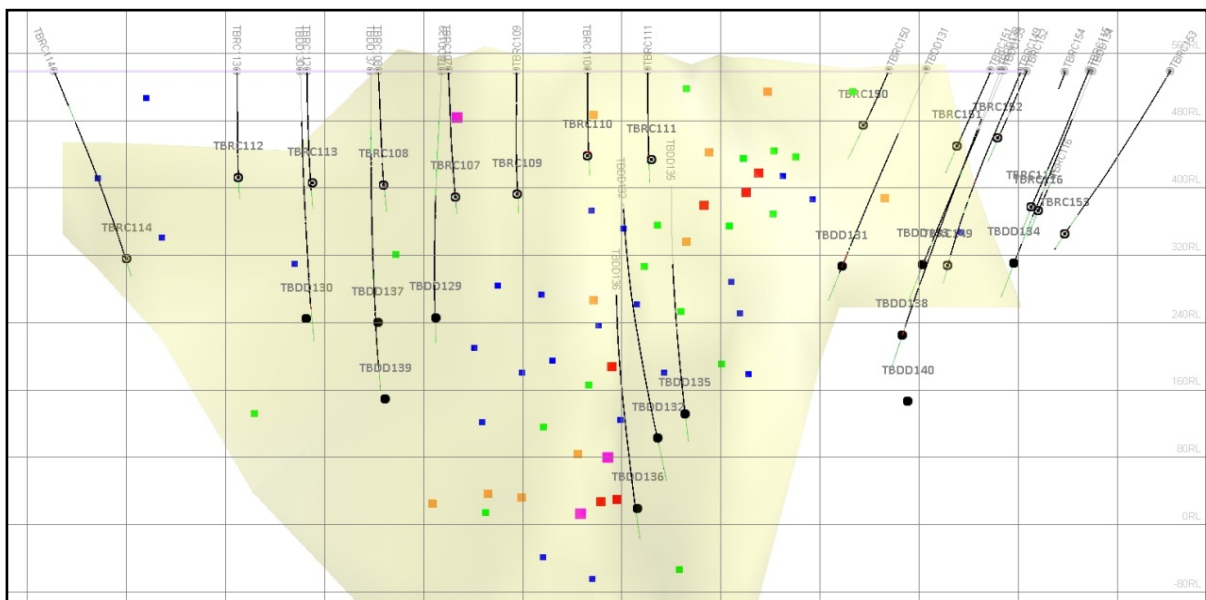


Figure 3 Rosie Prospect long section current program RC (hollow black pierce points) and DD drilling (black solid pierce points), over contact mineralisation solid with Ni% pierce points from historic drilling

| Prospect | Hole | East | North | From (m) | To (m) | Width | Ni (%) | Cu (%) | Pt+Pd (ppb) |
|----------|---------|--------|---------|----------|--------|-------|--------|--------|-------------|
| Rosie | TBDD137 | 402153 | 6944158 | 395.12 | 395.33 | 0.21 | 2.80 | 0.67 | 2350 |
| Rosie | TBDD138 | 402706 | 6943694 | 342.75 | 343.11 | 0.36 | 4.74 | 0.80 | 4000 |
| Rosie | TBDD139 | 402113 | 6944121 | 504.34 | 507.94 | 3.60 | 1.45 | 0.37 | 1647 |
| Rosie | TBDD140 | 402679 | 6943590 | 480.40 | 483.57 | 3.17 | 3.01 | 0.57 | 3292 |

Table 3: Rosie diamond drill hole results July 2012 (1.0% Ni cut-off), S.G. Weighted

| Prospect | Hole | East | North | From (m) | To (m) | Width | Ni (%) | Cu (%) | Pt+Pd (ppb) |
|----------|---------|--------|---------|----------|--------|-------|--------|--------|-------------|
| Rosie | TBDD137 | 402153 | 6944158 | 393.28 | 395.74 | 2.46 | 0.84 | 0.22 | 1050 |
| Rosie | TBDD138 | 402706 | 6943694 | 330.00 | 334.00 | 4.00 | 0.43 | 0.06 | 336 |
| Rosie | TBDD138 | 402706 | 6943694 | 352.88 | 356.00 | 3.12 | 0.43 | 0.05 | 323 |
| Rosie | TBDD139 | 402113 | 6944121 | 503.78 | 507.94 | 4.16 | 1.38 | 0.35 | 1551 |
| Rosie | TBDD140 | 402679 | 6943590 | 404.00 | 423.00 | 19.00 | 0.46 | 0.06 | 384 |
| Rosie | TBDD140 | 402679 | 6943590 | 461.00 | 469.00 | 8.00 | 0.48 | 0.06 | 390 |
| Rosie | TBDD140 | 402679 | 6943590 | 472.00 | 473.47 | 1.47 | 0.43 | 0.05 | 373 |
| Rosie | TBDD140 | 402679 | 6943590 | 480.40 | 484.96 | 4.56 | 2.19 | 0.42 | 2383 |

Table 4: Rosie diamond drill hole results July 2012 (0.4% Ni cut-off), S.G weighted

DHEM has been completed on all but one (TBDD139) of the 2012 holes to date and modelled plates are shown in Figure 4. The plate related to the mineralisation in TBDD140 is a high conductivity late time anomaly up to 20-50,000 S. The plate trends at around 045 degrees toward a shallow zone of high grade massive sulphide mineralisation in and around TBDD112. This plate is a high priority target for shallow high grade mineralisation which may be connected down contact toward TBDD140.

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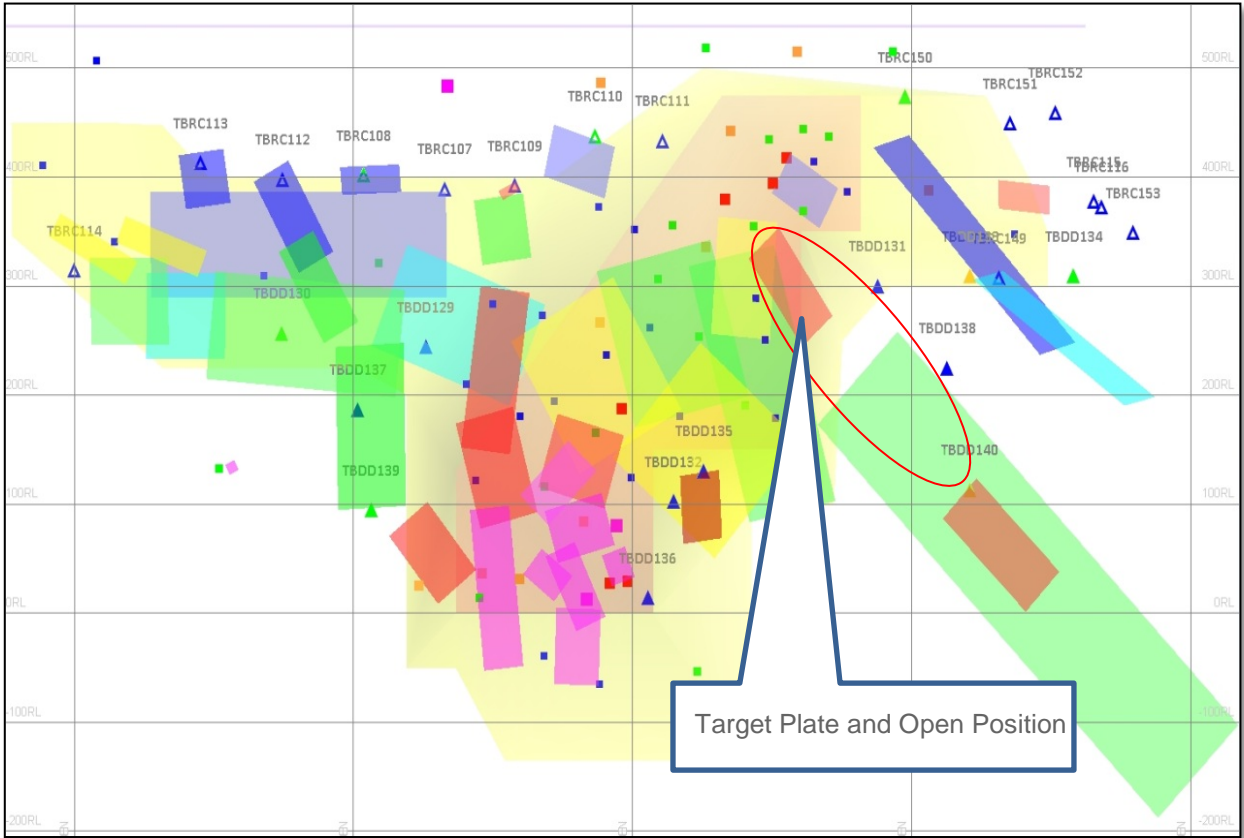


Figure 4 Rosie Long section with Ni%xm pierce points, circles pre 2012 drilling, triangles 2012 drilling (0-5 blue, 5-10 green, 10-15 orange, 15-20 red, >20 pink). EM plates coloured by conductivity thickness (0-1k light blue, 1k-5k blue, 6k-10k green, 11k-19k yellow, 20k-50k red, >50k pink)

ROSIE RESOURCE UPDATE

An updated Mineral Resource Estimate has been completed in October in accordance with the JORC Code. The new estimate above a 1% Ni cut-off is **1,940,000t @ 1.7% Ni (32,700 Ni t), 0.4% Cu and 1.9g/t Pt + Pd** (platinum and palladium) according to the following classification (Table 5).

| ROSIE NICKEL RESOURCE >1.0%Ni - OCTOBER 2012 | | | | | | | | |
|--|------------------|------------------|------------|---------------|------------|----------|----------|-------------|
| Classification | Oxidation | Tonnes | Ni (%) | Ni (t) | Cu (%) | Pt (g/t) | Pd (g/t) | Pt+Pd (g/t) |
| Indicated | Fresh | 1,380,000 | 1.7 | 23,700 | 0.4 | 0.8 | 1.0 | 1.8 |
| | Transitional | 30,000 | 1.2 | 400 | 0.4 | 0.7 | 0.9 | 1.6 |
| | Sub-Total | 1,410,000 | 1.7 | 24,100 | 0.4 | 0.8 | 1.0 | 1.8 |
| Inferred | Fresh | 520,000 | 1.6 | 8,400 | 0.4 | 0.9 | 1.3 | 2.2 |
| | Transitional | 10,000 | 1.3 | 200 | 0.4 | 0.7 | 1.1 | 1.8 |
| | Sub-Total | 530,000 | 1.6 | 8,600 | 0.4 | 0.9 | 1.3 | 2.2 |
| Total | | 1,940,000 | 1.7 | 32,700 | 0.4 | 0.8 | 1.1 | 1.9 |

Table 5: Rosie Nickel Mineral Resource – October 2012 (see Competent Persons Statement below)

Note: Ni(t) figures have been rounded to the nearest 100t. All tonnage and grade values have been rounded to relevant significant figures. Slight differences may occur due to this rounding of values.

This represents an increase of 196,000t @ 1.7% Ni (2,900 Ni t) from the previously announced Resource estimate in January 2012. The main change was to increase the confidence in much of the Resource from Inferred to Indicated status. The Rosie Mineral Resource Estimate Parameters table with supporting details is provided in Appendix 1 of this report.

Competent Persons and Responsibility Statement

The information in this report that relates to the Rosie Mineral Resource is based on information compiled by Ms Michelle Wild who is a full-time employee of Independence Group NL and is a member of the Australasian Institute of Mining and Metallurgy, and Mr Mark Zammit who is a Principal Consultant Geologist with Cube Consulting Pty Ltd and is a Member of the Australian Institute of Geoscientists. Ms Wild and Mr Zammit have 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 Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms Wild and Mr Zammit consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

C2 PROSPECT

All final assay results have been received from the 2012 drilling program as reported in the June Quarterly Report 2012. Geological units have been modelled and statistical analysis completed to ascertain the best approach to interpretation and grade estimation.

An initial estimate for the C2 mineralisation was completed and provided a tonnage and grade estimate that is not considered economically viable within a reasonable time frame, hence it is not considered a Mineral Resource under the JORC (2004) reporting guidelines.

TBRC034 TARGET (EIS Government Co-Funded Target – TBRC034)

Results have been received for TBDD141 which was the final hole drilled at the TBRC034 target, drilled down-dip of TBDD127. TBDD141 intersected a broader zone of mineralisation with breccia and stringer sulphides totalling 4.2m, dispersed throughout an overall interval length of 6.8m (Table 6).

| Prospect | Holeid | East | North | From (m) | To (m) | Width (m) | Ni (%) | Cu (%) | Pt+Pd (ppb) |
|----------------|---------|--------|---------|----------|--------|-----------|--------|--------|-------------|
| TBRC034 Target | TBDD141 | 401953 | 6943962 | 293.03 | 299.84 | 6.81 | 1.14 | 0.28 | 997 |

Table 6: TBRC034 Target Area – July 2012 Results (1.0% Ni Cut-off), S.G. Weighted

DHEM has been completed and the modelling is currently being undertaken. The mineralisation remains open and is located approximately 1.2km southeast along the contact from the C2 mineralised system.

THE 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 2 in Duketon Nickel Section).

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. In 2012 the +2.5M ounce Garden Well Deposit was commissioned as a standalone

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mine and the +1.0M ounce Rosemont Deposit is undergoing development. Both Moolart Well and Rosemont are also owned by RRL.

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 and interpretation continued with exploration activity focussed on generating high level gold targets in preparation for ground disturbing exploration activity.

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 (see Corporate Section Duketon Mining Limited).

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 2 & 5) Air-core intercepts previously reported 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.

In addition to the gold mineralisation at Terminator, a new gold discovery was made on M38/1252 during the June Quarter (see ASX announcement dated 30th May 2012). Visible gold was discovered in diamond drill hole TBDD126 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 previously announced from a follow-up RC pre-collared diamond drill hole TBDD141, returned a 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).

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| 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 |
| | 218.00 | 220.36 | 2.36 | 59.78 | 0.16 | 0.01 |
| Including | 219.51 | 220.36 | 0.85 | 164.00 | 0.09 | 0.01 |
| | 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 | | |
| | 287.31 | 288.60 | 1.29 | 11.56 | | |

Table 7: TBDD126 and TBDD141 previously released 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 8: TBDD126 and TBDD141 previously released 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 (results outstanding). 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).

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

Competent Persons and Responsibility Statement

The information in this report that relates to Exploration Results for the Duketon Gold and Nickel Projects 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.

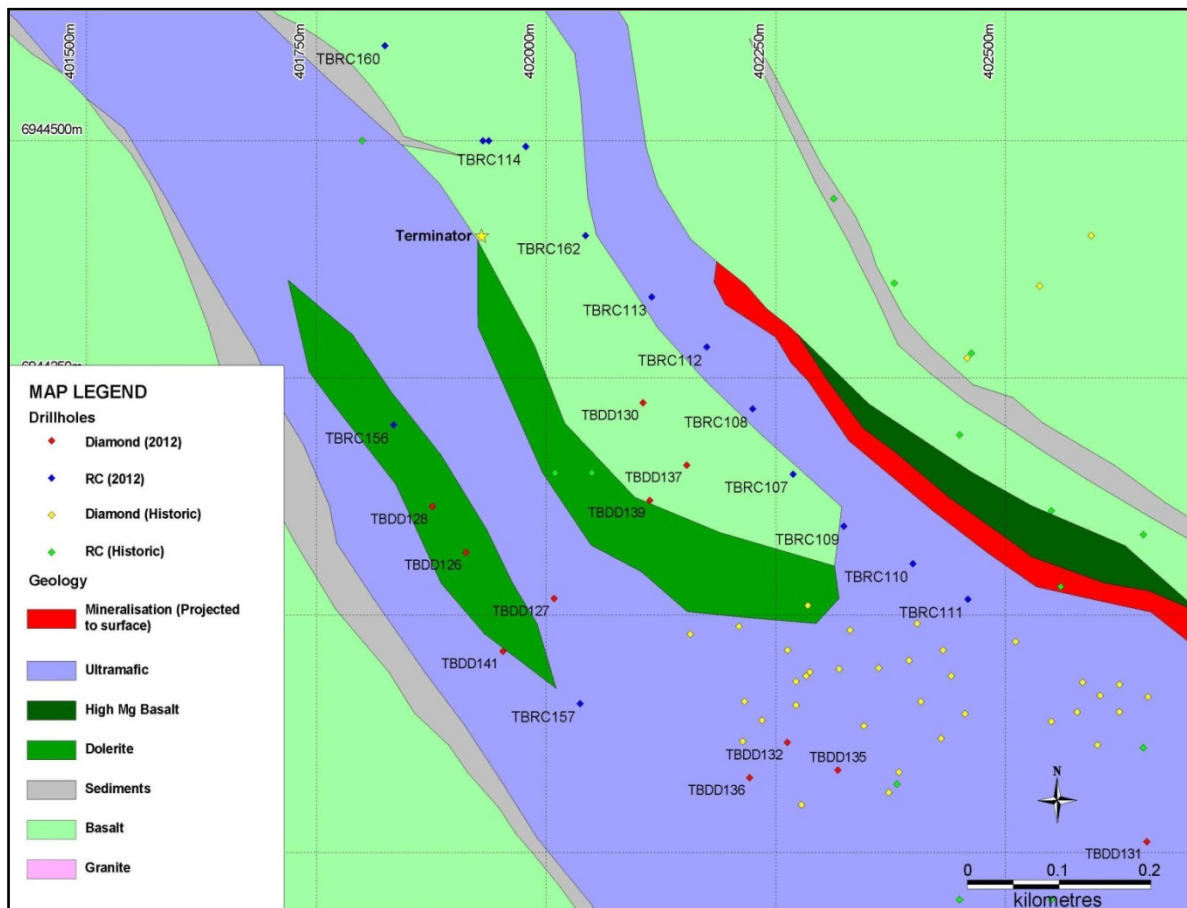


Figure 5: Duketon Terminator and M38/1252 drill collar plan over interpreted geology

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.

The project is located approximately 35km from the coast near the town of Exmouth in Western Australia. During the Quarter Strata reported three tenements, including the two tenements in the area of Phase 1 exploration were granted, Heritage field work was completed and phase 1 mobilisation commenced.

Phase I includes; geological field work, EM geophysics survey, drilling in the south eastern portion of the tenements, a 30 to 39 hole drilling program (50m holes, twinning some pre-existing holes for verification) and a 1 tonne bulk sample for metallurgical analysis.

Strata are the manager and operator of the Cardabia JV and further details on exploration progress can be found on their website: 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 September 2012 was \$21.9 million and the market value of listed investments was \$2.6 million (*Table 9*). South Boulder's investments in listed exploration companies are summarised below:

| Company Name | Stock Exchange | No of fully paid Shares | No of Options | Option Exercise Price | Option Expiry Date |
|------------------------------|----------------|-------------------------|---------------|-----------------------|--------------------|
| Montezuma Mining Company Ltd | ASX | 5,382,000 | - | - | - |
| Buxton Resources Ltd | ASX | 2,012,500 | 201,250 | \$0.30 | 31/1/2016 |
| 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 9: Unlisted and Listed Investments Held by South Boulder

During the Quarter \$5 million (before total issue costs) was received as the final tranche of a total private share placement of \$9.5 million to international private equity group Meridian Capital International Fund. In addition, \$0.1 million was received on the conversion of 500,000 unlisted options at \$0.20 per share.

EQUITY

Share Capital

During the Quarter, 10 million shares at 95 cents per share were issued to Meridian Capital International Fund as part of a recent \$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 September 2012:

| Options | Exercise price | Expiry date |
|-----------|----------------|-------------|
| 1,000,000 | \$0.20 | 30/11/2012 |
| 2,020,000 | \$0.35 | 31/07/2013 |
| 1,750,000 | \$0.20 | 30/06/2014 |
| 1,250,000 | \$2.00 | 31/03/2015 |
| 5,450,000 | \$1.50 | 17/07/2014 |
| 3,800,000 | \$0.75 | 30/06/2015 |

Table 10: South Boulder Unlisted Options as at 30 September 2012

During the Quarter, the Company issued 5.45 million unlisted options expiring on 17 July 2014 to Meridian Capital International Fund as part of a private placement and 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. A total of 1,472,000 Performance Rights were outstanding at the end of the Quarter.

DUKETON MINING LTD

South Boulder plans to undertake a demerger of its non-potash assets, including listed investments as well as cash of \$1 million, to be held in Duketon Mining Limited ("Duketon"). The demerger will be via an in specie distribution of 100% of the shares in Duketon to shareholders of South Boulder on a one for four basis, comprising about 31 million Duketon shares to be issued.

The Company considers the proposed demerger and in specie distribution of Duketon presents the following advantages to South Boulder Shareholders:

- The Demerger will allow South Boulder to focus on the Colluli Potash Project and Duketon to focus on the Duketon Projects. The Demerger provides a strategic opportunity to develop Duketon as a stand-alone company and continue to explore and commercialise the existing assets.
- The demerger will allow the Company and Duketon to allocate their capital in accordance with their strategic goals.
- Shareholders will continue to hold an interest in Duketon Assets directly through their shareholding in Duketon Mining Limited.

The new Duketon board will then be uniquely placed to focus on further development of the non-potash assets and will be able to consider future fundraising opportunities to supplement working capital for exploration programs. It will be independent but will include a representative from the South Boulder Board to ensure continuity of knowledge and experience in relation to the Duketon Assets. No additional assets are being acquired by Duketon from third parties prior to the proposed demerger.

South Boulder has lodged a notice of meeting seeking shareholder approval of the demerger and distribution in specie in to be held in at the Company's Annual General Meeting to be held on 30

November 2012. The record date for the distribution in specie will be 6 business days following the date of the Shareholder meeting.

South Boulder has lodged an application to the Australian Securities and Investment Commission (“ASIC”) for relief consistent with Regulatory Guide 188 such that the Company will not be required to issue a prospectus in relation to the Duketon Shares subject to the proposed distribution in specie. ASIC has made an in-principle decision to grant the relief sought in the Application. Full details of the in specie distribution are provided to South Boulder Shareholders Notice of Annual General Meeting and Explanatory Memorandum.

The Company has also lodged an application to the Australian Taxation Office, seeking a class ruling to confirm the availability of demerger relief for tax purposes for both South Boulder and Duketon shareholders. The result of such an application will not be known before the South Boulder Shareholders are asked to vote in relation to the resolutions to be proposed at the general meeting to approve the distribution in specie of the Duketon shares to South Boulder Shareholders

APPOINTMENT OF NON-EXECUTIVE DIRECTOR

Subsequent to the end of the Quarter, South Boulder appointment highly experienced resource company director and corporate advisor, Mr Anthony (Tony) Kiernan, as a non-executive Director of the Company.

The appointment further strengthens the Company’s Board, and represents a step change in the transition to a Board structure which reflects the production focussed strategies which lay ahead. Mr Kiernan brings particular skills in the areas of Government relations and approvals, corporate strategy and corporate governance, all of which are key areas for the Company as it progresses the development of its key asset, the Colluli Potash Project in Eritrea, East Africa.

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 and www.abid.co.

About South Boulder Mines Ltd

Listed in 2003, South Boulder Mines (ASX: STB) is a diversified explorer focused on potash, nickel and gold. South Boulder has a 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% K₂O of Measured Resources, 674.48Mt @ 17.98% KCl or 11.36% K₂O of Indicated Resources and 143.50Mt @ 18.00% KCl or 11.37% K₂O of Inferred Resources for a total of 1,079.00Mt @ 17.97% KCl or 11.35% K₂O (total contained potash of 194.09Mt KCl or 122.61Mt K₂O). **This includes higher grade Sylvinitite of 114.60Mt @ 28.56% KCl or 18.04% K₂O.** 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 NPV₁₂ 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.

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.

About the Duketon Nickel Joint Venture

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, WA in the Duketon Greenstone Belt. The deposits are approximately 2km apart and the mineralisation at both prospects is considered open in most directions. A Mining Lease was granted over the Rosie and C2 deposits on the 19th November 2010. A updated JORC Compliant Mineral Resource Estimate has been compiled for the Rosie deposit; please refer to the Company's September 2012 Quarterly Report for details.

More information:

Email: info@southbouldermines.com.au | South Boulder Mines Limited – Telephone +61 8 6315 1444

Mr Lorry Hughes
CEO/Managing 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% K₂O (total contained potash of 194.09Mt KCl or 122.61Mt K₂O). The resource contains 261.81Mt @ 17.94% KCl or 11.33% K₂O of Measured Resources, 674.48Mt @ 17.98% KCl or 11.36% K₂O of Indicated Resources and 143.50Mt @ 18.00% KCl or 11.37% K₂O 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.

Quality Control and Quality Assurance

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

APPENDIX 1

Rosie Mineral Resource Estimate Parameters – October 2012

| | |
|--|---|
| Geological setting | The Rosie deposit is a komatiite-hosted nickel sulphide deposit. The mineralisation is characterised by accumulations of massive, matrix, breccia and disseminated Ni-Cu-PGE magmatic sulphides at the basal contact of a komatiite ultramafic rock, overlying a mafic pillow basalt footwall +/- fine grained siltstone sediments which may also contain sulphides in varying amounts. |
| Drilling techniques | The deposit has been drilled with a combination of Aircore, RC and Diamond drilling (NQ2) from surface to a vertical depth of approximately 600m over a strike length of ~1500m, however mineralisation has been intersected over a strike length of ~1km and is still open to the east and down-dip. The primary method of drilling for the Rosie deposit has been oriented diamond core (NQ2) using the Ace and EziMark orientation tools. |
| Drillhole Spacing | The drillhole spacing within the area of the resource is a maximum of single holes on 100m spaced sections or less, down to approximately 30 x 30m in places. |
| Drillhole Collar Positions | Drillhole collars were surveyed using DGPS equipment to sub 0.5m accuracy. A combination of licensed surveyors and company field technicians was used during various programs to determine accurate collar positions. Co-ordinates were surveyed in the MGA94 grid system. No local grid has been established as yet. |
| Drillhole directional control | Dip and azimuth readings have been completed using DHA SEG Target INS– North Seeking Gyroscope for all diamond holes where possible. All gyro downhole surveys have to pass DHS internal audit by cross referencing the in-run and out-run which equates to <10m misclose between IN and OUT run over 1000m (1%). RC drilling has been surveyed approximately every 50m down hole with a Reflex EZ single shot digital camera. Note that the amount of RC drilling used for the resource calculation is less than 20% of the drilling. |
| Geometry of intercepts | The Contact mineralisation intersected to date is sub-vertical in orientation and forms a semi-continuous sheet of mineralisation approximately 1m true width with an average grade of ~2% Ni (plus Cu, Co and PGE), with thicker accumulations in places. The mineralisation is syngenetic and as such is not primarily structurally-controlled, however structural modification is apparent with the formation of breccia-ore. The deposit could be classified as a moderately deformed magmatic sulphide deposit. The details of the structural modification and extent of over-printing relationships are a work in progress and not well understood at this stage. The drillholes were orientated to pierce the mineralisation approximately perpendicular to the strike, at an angle of approximately 60 degrees dip, this may vary from time to time depending on the depth and amount of deviation encountered within the drillhole. Drillhole intersections through the mineralisation are suitable for resource estimation and do not introduce sampling bias. |
| Metal Equivalences | No metal equivalences have been included in this resource estimate. |
| Sampling techniques | RC drillholes have been sampled initially as 4m composites, and subsequently 1m samples. RC 1m samples were split with a riffle splitter into calico bags where mineralisation has been encountered. Diamond core (NQ2) has been sampled as half core in areas of mineralisation with a 5m buffer sampled at either side of the mineralised zone. The samples are generally 1m intervals, however can be less than 20cm in places based on geology and mineralisation styles. This allows tenor determination of the sulphide mineralisation intercepted. Geological boundaries are deemed sample boundaries, in order to gain multi-element analysis of the complete suite of rocktypes observed, and not to contaminate one rock type with another, and/or mineralisation. Diamond holes have also been systematically assayed on 1m intervals using a handheld XRF machine (Innov-X Systems) where no physical sampling has taken place. Also, the XRF machine is used to analyse the mineralisation prior to core-cutting, giving a good approximation to the grade intercepted, prior to the receipt of the assay results from the lab. The XRF data have not been used in the resource estimate and are purely used as a guide to the geological interpretation. |
| Data spacing and distribution | The Contact domain was reviewed in longitudinal projection showing the drill intercept locations. The drill spacing was variable with some well-informed areas where drill spacing was approximately 30 x 30m and some areas where the drilling spacing was in excess of 50 x 50m, to 100 x 100m in parts. The data spacing and distribution is sufficient to establish geological and grade continuity appropriate for the Mineral Resource estimation procedure and classification applied. |
| Sample preparation and assaying | All assay results reported to date for the Rosie deposit have been determined at Ultra Trace Pty Ltd (now Bureau Veritas Group), Canning Vale, WA. All samples were sorted and dried in ovens for up to 24 hours (approx +/-) at 105°C. Primary sample preparation has been by crushing the whole sample. For RC samples, the whole sample was crushed to a nominal 3mm. For diamond core the whole sample was crushed to a nominal 10mm (primary crush) and then further crushed to a nominal 3mm. All samples were then split with a riffle splitter to obtain a sub-fraction, a nominal 2.4 kg sample where possible. All material was retained after splitting. Samples were then milled using a robotic preparation system to 90% passing -75µm. Sample catch weight was 0.15g for Mixed acid digest. |

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| | <p>1m split RC samples and all diamond core samples have been analysed for: Au(1ppb), Pt (5ppb), Pd(5ppb) – the samples have been analysed by firing a 40g portion of the sample. Lower sample weights may be employed for samples with very high sulphide and metal contents. This is the classical fire assay process and will give total separation of gold, platinum and palladium in the sample. Au(FA), Pt(FA), Pd(FA) have been determined by Inductively Coupled Plasma Optical Emission Spectrometry (ICP-OES). As(1ppm), Co(5ppm), Cu(2ppm), Cr(10ppm), Fe(0.01%), Ti(50ppm), Ni(2ppm), Zn(2ppm), Mg(0.01%) and S(0.01%) – 0.15g was digested and refluxed with a mixture of acids including Hydrofluoric, Nitric, Hydrochloric and Perchloric Acids. This extended digest approaches a total digest for many elements however some refractory minerals are not completely attacked. The mixed acid digest (0.3g sample weight) is modified to prevent losses of sulphur from high sulphide samples. The samples are peroxidised using an oxidant that converts the sulphides present to sulphates. As has been determined by Inductively Coupled Plasma Mass Spectrometry (ICP-MS). Co, Cu, Cr, Ti, Fe, Ni, Zn, Mg, S have been determined by Inductively Coupled Plasma Optical Emission Spectrometry (ICP-OES). High Sulphide content Diamond Core samples have also been analysed for 6 PGE: Pt(1ppb), Pd(1ppb), Rh(1ppb), Ru(1ppb), Os(1ppb), Ir(1ppb) – the samples have been analysed by Fire Assay using Nickel sulphide as the collecting medium. Here a nominal 25g sample is mixed with a Nickel Carbonate / Sulphur based flux and fused at 1120°C for 1.25 hours. The resultant Nickel Sulphide button is pulverised and a portion is digested to remove the Nickel Sulphide base. Ultra Trace ensures recovery of the platinoids by carrying out this stage in a reducing environment which is coupled with Tellurium co-precipitation. The insoluble Platinoid Sulphides are separated by filtration, digested, and the resulting solution is analysed by ICP-MS. If gold has been reported the result may be low. This is a method limitation. Inter-laboratory (Umpire) Checks on pulps from the Rosie deposit were completed at Genalysis, Maddington, WA. The pulps were analysed by a comparative method and for the same suite of elements as those completed at Ultra Trace (detailed above).</p> |
| Audits or reviews | <p>No audits or reviews of sampling techniques, database integrity and data validation procedures have been completed to date. Standard validation procedures are in place for data upload to the SQL database via the AcQuire front end. Assays are merged from electronic files supplied by the laboratory. The downhole survey database table was overhauled and magnetic and true north azimuths corrected for magnetic declination and grid convergence to the MGA94 grid, prior to wireframing. Cube Consulting did not detect any errors during the resource estimation work.</p> |
| Sample compositing | <p>All sample/intercept composites have been length and density-weighted. Most diamond core samples have measured density values assigned to them. All RC assay results were assigned a density based on a regression formula calculated from the measured density and Ni, Cu, Co and S content of the diamond core samples. Where S values were not present, a modified regression formula calculated from the measured density and Ni, Cu and Co was used.</p> |
| Quality Control procedures | <p>Prior to 2012, standards were submitted with a minimum 3/100 samples, blanks minimum 2/100 samples, duplicates minimum 2/100 samples, in Aircore and RC drilling. In 2012 the standard insertion rate was increased to 5/100 samples. With diamond drillholes, every zone of mineralisation generally had 2 or more standards, 1 or more blanks and 1 or more duplicates spread throughout the zone of mineralisation. Various Geostats Pty Ltd Certified Reference Materials standards have been used from 0.5%, 1%, 2%, 3% Nickel, up to 11.65% Nickel for high grade massive sulphide. A Gold, Platinum and Palladium standard has also been used where Nickel Sulphide Fire Assays have been completed for the PGE suite of elements. Standards were submitted within mineralised intervals in a suitable location based on the expected grade of the zone being sampled and using a comparable grade standard, i.e., disseminated mineralisation would have a ~0.5% Ni standard inserted into the sample run, whereas matrix sulphide mineralisation may have a 3% Ni standard inserted and so on. In 2011, three standards consistently returned a low result, irrespective of the laboratory used: GBM310-12 expected value 2.993%Ni, mean value obtained 2.880%Ni, and mean bias - 3.79%. GBM305-13 expected value 2.971%Ni, mean value obtained 2.693%Ni, and mean bias - 9.34%. GBM307-11 expected value 1.128% Ni, mean value obtained 1.029% Ni, and mean bias - 8.80%. IGO, in discussion with various laboratories to ascertain the reason for these standards returning lower than expected values on a consistent basis, concluded that the standards returned reduced values as a consequence of oxidation of the standard pulps. New standards were purchased for the 2012 drilling, sourced from Geostats Pty Ltd, O'Connor, Western Australia. All of the standards were stored in sealed, separate plastic containers to prevent contamination and with oxygen absorbing sachets in the containers to prevent oxidation. The suite of standards used in diamond drilling and RC drilling were slightly different, and were spread across the expected grade range of the ore forming sulphide</p> |

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| | <p>minerals of the Rosie deposit. The main economic minerals targeted are Nickel (Ni), Copper (Cu), Cobalt (Co), Platinum (Pt) and Palladium (Pd). The nickel sulphide mineralisation observed historically at the Rosie deposit typically ranges in grade from around 0.4%-9.9% Ni and around 0.02-1.5% Cu, with around 500ppm Co and 2g/t Pt combined with Pd.</p> <p>Duplicates have been taken for RC drilling using conventional cone and riffle splitters and for diamond drilling, using ¼ NQ2 core.</p> <p>External laboratory (umpire) checks for 2012 have been completed on 4.8% of the total sample count. IGO protocol minimum (5%).</p> <p>Total Blank count for the 2012 resource drilling is 4.0% of samples. IGO protocol minimum (5%).</p> <p>Total Standard count for the 2012 resource drilling is 6.3% of samples. IGO protocol minimum (5%).</p> <p>Total Field Duplicates for the 2012 resource drilling is 2.6%. IGO protocol minimum (2%).</p> <p>Laboratory results for 2012 have been reasonably high quality, with good accuracy and minimal bias.</p> <p>No twin holes have been completed at this time and will be addressed in the next infill resource drilling program.</p> |
| <p>Drill sample recovery</p> | <p>The majority of the resource drilling to date has been diamond core and sample quality on the whole was excellent. Wet samples have been recorded for RC drilling, however the wet samples were not used in the resource estimate. RC sample weights (total for 1m) were noticeably variable through each 6m rod run, tending to increase with penetration depth per rod. In addition, individual sample weights per 1m drilled also varied considerably. The cone splitter was swapped for a riffle splitter which alleviated some of the blockage and contamination issues seen in the cone split samples. An area of concern was that there might be a grade/weight bias in the RC 1m samples. Statistical analysis for the riffle splitter has shown that although there was a weight bias, it did not necessarily affect the grades. The cone split sample weights have not been able to be statistically analysed due to mixed methods of primary vs field duplicate sample selection in the field, an issue which was rectified later in the program.</p> <p>Problems with drilling methods and sampling technique for RC drilling will be addressed in future programs.</p> |
| <p>Geological logging and photography</p> | <p>Logging has been completed in detail for diamond core including rock type, grain size, texture, colour, foliation, mineralogy, alteration and a detailed description written for every interval. In sections of oriented diamond core structural measurements of fractures, foliation, veins and shearing have been measured systematically using the Kenometer, with Alpha and Beta measurements taken for each feature where possible. If the core is not orientated only an Alpha reading has been taken. RC chip samples have been logged with a detailed geological description. All logging is of a level sufficient in detail to support resource estimation.</p> <p>All diamond holes are logged on paper logs using the IGO geological codes library and a detailed written description is recorded for each interval. The logs are then data entered into an excel spreadsheet before being uploaded to the SQL database with an AcQuire front end. All original paper logs are stored in the Perth Office in lever-arch folders and digital records are stored on the server.</p> <p>Field Marshall software is used for RC logging and the files are loaded directly into the SQL database.</p> <p>Core photography has been completed both wet and dry for the majority of the diamond drilling over the entire length of the hole. The photographs are labelled and stored on the Perth server.</p> <p>Geotechnical logging has been completed for 30m either side of the footwall contact/mineralisation – and involved measuring fracture frequency, depth, hardness, fracture type, alpha, beta angle, profile of the fracture, the roughness of the joint surface, the infill type and characteristics. These data are recorded on paper logs, entered into an excel spreadsheet which is then loaded into the SQL database by the database administrator.</p> <p>The handheld Innov-X XRF machine stores a multi-element analysis of the point at which the reading was taken. These data have been used as an aid to the geological interpretation of the drilling where sampling and analysis by a laboratory has not taken place. The XRF machine is also used to analyse the mineralisation prior to sampling, which gives a good approximation to the grade intercepted and allows a visual estimate to be obtained from the core prior to the receipt of the assay results from the lab. No handheld XRF data have been used in the resource estimate.</p> |
| <p>Geological interpretation</p> | <p>There is a high confidence level in the geological interpretation and that of the mineralisation. The resource estimate has been guided by the geology due mostly to the fact that the mineralisation is syn-genetic and directly linked to the contact horizon of the base of the ultramafic rock unit in which it resides. The grade distribution of the mineralisation has been used as a controlling guide for the wireframes for the estimation, the rock type of the mineralised envelope will vary in places but is in general restricted to ultramafic rocks and minor zones of the footwall sediments and basalts. The grades are highest in the ultramafic rocks and weakest within the sediments and basalts of the footwall units. The main factors</p> |

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| | <p>affecting continuity of grade are rock type and amount of structural deformation within the zone of mineralisation. Some minor remobilisation into the footwall units has been observed.</p> <p>Cube Consulting interpreted a single Contact mineralisation domain as well as Footwall and Hangingwall disseminated domains, based on the geological logging. The Contact mineralisation was defined by the mineralisation style and position relative to the basal geological contact (ultramafic), and displays grades of typically greater than 1% Ni. The Footwall and Hangingwall domains were interpreted based on mineralisation styles of heavily disseminated sulphides (10-40% sulphides) and stringer sulphides (10-75% sulphides), and typically display grades generally greater than 0.2% Ni. Wireframes were built for all three mineralised domains and were used to constrain grade interpolation. The wireframe for the Contact mineralisation was constructed to include all mineralised drillholes, however the resource estimate was limited to boundaries around blocks considered appropriate for inclusion in the resource estimate.</p> <p>A felsic porphyry intrusion in the hangingwall of the Contact mineralisation was also modelled. This porphyry is more than 50m from the Contact mineralisation and does not intersect it.</p> |
| Dimensions | <p>The drilling used for the estimate of the Mineral Resource to date spans a vertical depth of approximately 600m over a strike length of ~1500m, however mineralisation has been intersected over a strike length of ~1km and is still open to the east and down-dip. The main mineralised envelope (+1% Ni) is approximately 0.2m-4.5m wide (true width) and sub-vertical in a sheet like orientation striking approximately north-west to south-east. The mineralisation projects to the surface, however is obscured from direct detection by a thin veneer of transported overburden (~10-20m thick).</p> |
| Estimation and modelling techniques | <p>Isatis v11.2 and Surpac v6.3 software were used for variography, domain modelling and grade estimation. Ordinary kriging was used for grade interpolation, based on the variography and validation of the search orientations in Surpac. All grade interpolation was constrained to within the interpreted domain boundaries.</p> <p>The Contact domain was estimated using a 2D projection method, which simplifies undulating, narrow lode geometry onto a longitudinal plane. Drillhole intercepts for each intersection were represented as a single point composite per drillhole. The horizontal width for each intersection was calculated and composites carried accumulation variables for each element. The accumulation variable for each element was the top-cut grade x horizontal width x density. Also carried was the density thickness accumulation variable (density x horizontal width). Variography was carried out on the accumulation variables for each element in Isatis. No preferred direction of continuity was obtained from the variography therefore omni-directional searches were used for grade estimation. Accumulation variables for Ni, Cu, Co, As, Au, Pt, Pd, S and density were interpolated into a 2D block model, along with the density thickness accumulation variable and the horizontal width. After kriging, the block grades for each element were back-calculated from the kriged accumulation variables to obtain the element grades (accumulation variable / density thickness accumulation variable).</p> <p>A high grade sub-domain was identified within the Contact domain. The estimation neighbourhood was constrained so that the grade within the high grade domain was not over-represented. Blocks inside the high grade domain were estimated using all intercept composite data and blocks outside the high grade domain were estimated using only the intercept composite data outside the high grade sub-domain.</p> <p>The block centroids and grades were converted to 3D and imported into a real world block model using nearest neighbour assignment. The orientation, block size and sub-celling regime of the real world block model were designed to provide sufficient volume resolution for accurate surface geometry representation.</p> <p>Hangingwall and Footwall sub-economic mineralisation was also modelled but does not form part of the resource estimate. Arsenic (As) is a deleterious element and has been estimated into the resource model.</p> <p>A maiden resource estimate was previously completed for the Rosie Deposit in late December 2011 by Cube Consulting Pty Ltd and released to the ASX by IGO on 25 January 2012. This estimate is an update of that model.</p> |
| Block modelling | <p>The 2D block model consisted of 50 x 50m parent cells (NW-SE longitudinal grid) with a single cell 1m thick in the longitudinal plane. Data spacing, geometry of mineralised zones and volume fill were the primary considerations in selecting this parent block size.</p> <p>The 3D block model was 1088m in X, 960m in Y and 800m in Z. The parent cells were 16mN x 16mE x 16mRL, sub-celling to 1mN x 1mE x 2mRL for better volume resolution.</p> |
| Moisture | <p>Tonnages are currently estimated with natural moisture with laboratory testwork planned in future infill drilling programs to determine actual moisture content. It is expected that the moisture content will be very low (<1%) based on IGO's experience with other Ni sulphide deposits in WA.</p> |
| Previous mine production | <p>No previous mining has taken place at the Rosie deposit.</p> |
| Cut-off grades, top-cut grades | <p>The Contact domain is a geological domain with no assay cut-off grade. Top-cuts were reviewed by Cube Consulting and applied to the intercept composites in the Contact domain, prior to calculation of the accumulation variables for each composite. Only Co and Pd required</p> |

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| | <p>top-cutting. Top-cut values assigned were: Co_ppm (1500), and Pd_ppb (3000). No top-cuts were applied to Ni, Pt or Cu.</p> <p>For resource reporting, a block cut-off grade of 1.0% Ni was applied to the Contact mineralisation.</p> |
| Mining and metallurgical assumptions | <p>No assumptions about mining method, minimum mining width or internal mining dilution have been made. Similarly, no assumptions about metallurgical treatment processes and parameters have been made. Various options for both are being considered.</p> |
| Density | <p>Bulk densities were determined by Ultra Trace and IGO for the majority of significant interval diamond core samples from the Rosie deposit. Ultra Trace and IGO used the same water displacement method. The samples were weighed in air (DryWt) and then submerged in water and the water displacement measured (WetWT) and the formula $Density = \frac{DryWT}{(DryWT - WetWT)}$ was applied.</p> <p>For IGO core samples, a single density measurement using one piece of core from the respective sample bag was taken in areas of weak mineralisation (<0.5% Ni). In areas that were interpreted to be well mineralised (+0.5% Ni visual estimate), three pieces of core were measured from the respective sample bag and an average taken of the three pieces to give a more representative density of the mineralisation. Core was not coated prior to weighing – porosity was considered to be extremely low.</p> <p>For a selection of the holes drilled, IGO used a certified 200g brass weight as a standard. It was weighed both before, and after, the sample run was measured for density. This was primarily to monitor the digital scales for potential drift and accuracy.</p> <p>For the RC samples, there were no measured densities, hence the sample intervals were assigned a density based on a regression formula calculated from the measured density and Ni, Cu, Co and S content of the diamond core samples. Where S values were not present, a modified regression formula calculated from the measured density and Ni, Cu and Co was applied. Densities were used for all downhole compositing and metal accumulation variables. Density was interpolated into the resource model as with the grade (metal accumulation) attributes.</p> |
| Classification | <p>The data spacing and quality is sufficient to classify the resource as Indicated and Inferred. Indicated classification was assigned to Contact mineralisation where the drilling was at a drillhole spacing of 50 x 50m or less. Inferred classification was assigned where the drillhole spacing was greater than 50 x 50m and within a boundary where geological continuity and confidence was considered reasonable. Search strategy, number of informing composites, average distance of composites from blocks and kriging quality parameters such as slope of regression were also taken into account. Based on the drilling to date the tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence.</p> |
| Tenement and land tenure status | <p>A Joint Venture exists between Independence Group NL (IGO) and South Boulder Mines Ltd, whereby IGO can earn a 70% joint venture interest in the Nickel rights of the relevant tenement by completing a Bankable Feasibility Study within 5 years of the grant of the relevant tenement. The Rosie resource area is within Mining Lease M38/1252 which was granted on 19 October 2010. There are no known relevant impediments or agreements with third parties over the tenement M38/1252. There are no known cultural sites of significance in the proposed resource area and no known environmental impediments based on the level 1 flora and fauna baseline studies completed to date.</p> |
| Audits or reviews | <p>No audits or reviews of the Mineral Resource estimate have been conducted as the work was completed by external consultants Cube Consulting Pty Ltd.</p> |
| Further work | <p>Further work is required to find additional high grade mineralisation. It is anticipated that this material will likely be structurally controlled and possibly at depth, down plunge, below the current resource area. Further structural work is warranted and a review of the geochemistry of the system may provide vectors toward further mineralisation.</p> |
| Resource Model Number | RO_RSC_2012_10 |

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 September 2012

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration | (3,618) - - (204) | (3,618) - - (204) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 60 | 60 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) | - | - |
| Net Operating Cash Flows | (3,762) | (3,762) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets | - - (113) | - - (113) |
| 1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets | - - - | - - - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | - | - |
| Net investing cash flows | (113) | (113) |
| 1.13 Total operating and investing cash flows (carried forward) | (3,875) | (3,875) |

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Appendix 5B
Mining exploration entity quarterly report

| | | | |
|---|--|---------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (3,875) | (3,875) |
| Cash flows related to financing activities | | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 4,530 | 4,530 |
| 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) | - | - |
| Net financing cash flows | | 4,530 | 4,530 |
| Net increase (decrease) in cash held | | 655 | 655 |
| 1.20 | Cash at beginning of quarter/year to date | 21,288 | 21,288 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 21,943 | 21,943 |

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 | 147 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |
| 1.25 | Explanation necessary for an understanding of the transactions | |
| <div style="border: 1px solid black; padding: 5px;"> Item 1.2 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation. </div> | | |

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

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

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 | 3,900 |
| 4.2 | Development | - |
| 4.3 | Production | - |
| 4.4 | Administration | 270 |
| Total | | 4,170 |

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 | 92 | 806 |
| 5.2 | Deposits at call | 21,851 | 20,482 |
| 5.3 | Bank overdraft | - | - |
| 5.4 | Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | | 21,943 | 21,288 |

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 | E08/2301 | Registered Applicant | 100 | 0 |
| 6.2 | Interests in mining tenements acquired or increased | E08/2411 | Registered Applicant | 0 | 100 |
| | | E08/2423 | Registered Applicant | 0 | 100 |
| | | E082424 | Registered Applicant | 0 | 100 |
| | | E38/2762 | Registered Applicant | 0 | 100 |
| | | E38/2767 | Registered Applicant | 0 | 100 |
| | | P38/4028 | Registered Applicant | 0 | 100 |
| | | P38/4029 | Registered Applicant | 0 | 100 |
| | | P38/4030 | Registered Applicant | 0 | 100 |
| | | P38/4031 | Registered Applicant | 0 | 100 |
| | | P38/4032 | Registered Applicant | 0 | 100 |
| | | P38/4033 | Registered Applicant | 0 | 100 |
| | | P38/4034 | Registered Applicant | 0 | 100 |
| | | P38/4035 | 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.

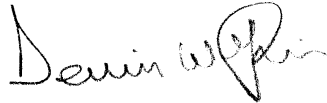
| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|---|---------------|---|--|
| 7.1 Preference + securities <i>(description)</i> | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 +Ordinary securities | 126,732,826 | 126,732,826 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 4,736,842 5,263,158 500,000 | | \$0.95 \$0.95 \$0.20 | |
| 7.5 +Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | 3,800,000 2,020,000 1,000,000 1,750,000 1,250,000 5,450,000 1,472,000 | | <i>Exercise price</i> 75 cents 35 cents 20 cents 20 cents \$2.00 \$1.50 Performance Rights | <i>Expiry date</i> 30/06/2015 31/07/2013 30/11/2012 30/06/2014 31/03/2015 17/07/2014 |
| 7.8 Issued during quarter | 5,450,000 | | <i>Exercise Price</i> \$1.50 | <i>Expiry Date</i> 17/07/2014 |
| 7.9 Exercised during quarter | 500,000 | | \$0.20 | 30/03/2015 |
| 7.10 Expired during quarter | | | | |
| 7.11 Debentures <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <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 October 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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