SOUTH BOULDER
MINES LTD

ANNUAL REPORT 2013

Corporate Information

SOUTH BOULDER MINES LTD

ABN 56 097 904 302

Directors

Seamus Ian Cornelius (Non–Executive Chairman)

Anthony William "Tony" Kiernan (Non–Executive Director)

Liam Raymond Cornelius (Non–Executive Director)

Ian Christopher Robertson "Chris" Gilchrist (Non–Executive Director)

Executive Management

Paul Michael Donaldson (Chief Executive Officer)

Flavio Lino Garofalo (Chief Financial Officer)

Company Secretaries

Flavio Lino Garofalo

Dennis William Wilkins

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Bankers

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Share Register

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Level 1, Lincoln House

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WEST PERTH WA 6005

Internet Address

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Stock Exchange Listing

South Boulder Mines Limited shares (Code: STB) are listed on the Australian Stock Exchange.

Contents

Chairman's Letter
4

Review of Operations
5

Directors' Report
22

Audit Independence Letter
33

Corporate Governance Statement
34

Statement of Comprehensive Income
39

Statement of Financial Position
40

Statement of Changes in Equity
41

Statement of Cash Flows
42

Notes to the Financial Statements
43

Directors' Declaration
64

Independent Audit Report
65

ASX Additional Information
67

Dear Fellow Shareholders

On behalf of the board, management and staff of South Boulder Mines Ltd (South Boulder) it is my privilege to thank you for your support over the past 12 months. In recent years the macro economic environment has been challenging for all companies and the international equity markets have not been kind to emerging producers or emerging markets. Many shareholders will also be aware of the recent disruption in the global potash market caused by the collapse of the cartel which exercised a significant degree of control over market prices for potash. Despite this challenging background South Boulder has continued to progress its world class Colluli potash project in Eritrea. After divesting all of its non-core assets by way of an in specie distribution to shareholders during the 2012/2013 financial year, South Boulder is completely focussed on developing the Colluli project together with our joint venture partners, ENAMCO.

The development of the Colluli project has potential to bring significant benefits to the people of Eritrea and South Boulder shareholders. During the past 12 months a lot of progress has been made on various aspects of the DFS which is an essential part of bringing the project into production in an efficient, profitable and timely manner. The development of a large, long term project like Colluli is an iterative process requiring input from many expert sources in areas as diverse as chemistry, mining, industrial processing, transport, environmental science, construction and finance. Fortunately our CEO, Paul Donaldson, is well placed to manage this complex process and under his leadership the company has already made very substantial progress in a number of the key areas. While no one should underestimate the challenges ahead I look forward with confidence to further positive developments in the next 12 months. Naturally the market will be kept fully informed as and when information is available for release.

In closing I would like to thank my predecessor Terry Grammer for his valuable contributions to South Boulder.

Your sincerely

Seamus Cornelius
Chairman

Highlights

Colluli Potash Project

- Definitive Feasibility Study continued during the year with studies underway into processing a mixed feed of Sylvinite, Carnallite and Kainite, which has the potential to improve the financial returns from the project.
- Binding term sheet agreement reached with the Eritrean National Mining Corporation ("ENAMCO") regarding ENAMCO's participation in the development of the Colluli Potash Project.
- Updated project economics released for the Project with a staged development model commencing at 1 Mtpa production and expanding to 2 Mtpa two years subsequent to initial commissioning. The updated model utilises Sylvinite and Carnallite mineralisations compared to the original Sylvinite only processing option, resulting in lower operating costs.
- Diamond drilling returns some of the highest potash grades to date including some of the shallowest high grade Sylvinite to date of 1.25m @ 38.88% KCl from 25.90m and 2.71m of Sylvinite @ 42.22% KCl from 29.70m.

Corporate

- Completion of the de–merger of the Company's non–potash assets via an in–specie distribution of 100% of the shares in Duketon Mining Limited to shareholders of South Boulder on a one–for–four basis.
- Class Ruling received from the Australian Taxation Office in relation to the de–merger of the non–potash assets.
- New Corporate appointments during the year including Mr Seamus Cornelius as Non–Executive Chairman of South Boulder, Mr Anthony (Tony) Kiernan appointed as a Non–Executive Director and Mr Flavio Garofalo appointed as Joint Company Secretary.
- Strong cash position of $14.3M as at 30 June 2013.

Colluli Potash Project

Project Overview

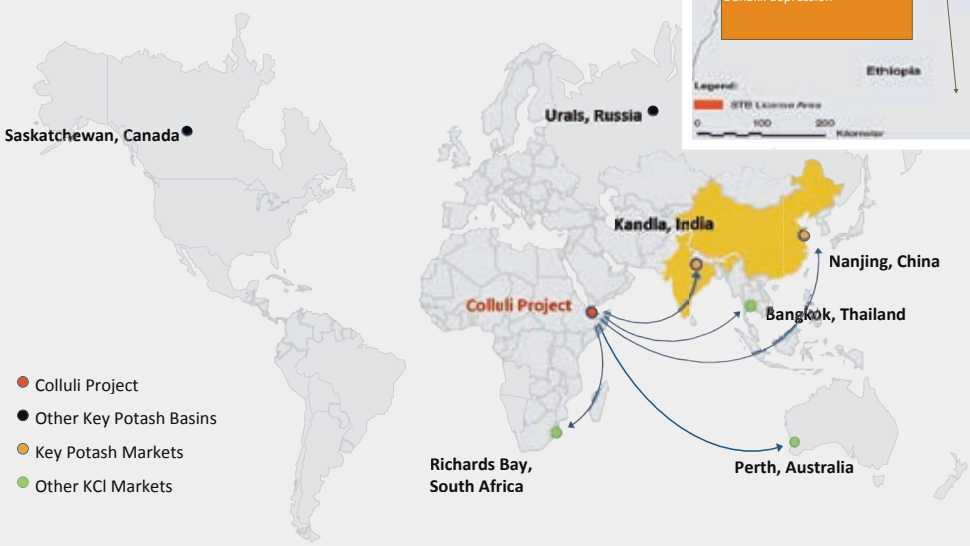
The Colluli Potash Project (Colluli) is situated in the Danakil region of Eritrea, approximately 200km south east of the capital city, Asmara.

South Boulder Mines Limited has been actively exploring for potash at the Colluli Potash Project in Eritrea since 2009 having now identified a contained KCl resource of 194Mt and covering a significant 906km^2 area.

Colluli is the world's shallowest potash deposit (starting at 16m), facilitating the low capex open pit mining. The JORC/NI43-101 Compliant Mineral Resource Estimate for the Colluli Potash Project now stands at 1.08 billion tonnes @ 18% KCl for 194Mt of contained potash. Substantial project upside exists for other contained products.

Colluli is favourably positioned to supply the world's fastest growing markets with the potential to be one of the first major development outside of the traditional potash basins. China is the largest potash consumer in the world since overtaking USA in 2000 currently accounting for 20% of global potash demand.

Colluli has a significant resource base with potential to supply the market for over 40 years. Of the projects in the Danakil Depression, Colluli has the most favourable port access.



Project Development

To date, two studies to scoping level have been completed by the Company: "ESS-1"(1 Mtpa Sylvinite processing only case) in November 2011, and "ESS-2" (2 Mtpa of Sylvinite and Carnallite processing) in November 2012.

The Company has taken key elements from each of these studies including the most up to date findings from the current Definitive Feasibility Study in order to generate a staged development scenario ("SDM") commencing at 1 Mtpa and expanding to 2 Mtpa 2 years subsequent to initial commissioning.

The Company outlines below the current economics of the SDM.

Overview – Staged Development Model

- **SDM base case project economics (100%, pre–participation basis):**
  - **NPV range of US$601 – $1,303 million (based on post–tax, real discount rates of 7 – 10%);**
  - **IRR of 15.1%;**
  - **NPV range and IRR above calculated on a real, ungeared, post–tax, 100% basis (before applying any joint venture with ENAMCO) and applying a US$450/t flat real potash price assumption;**
  - **South Boulder estimates that Colluli's capital intensity is in the first quartile of emerging greenfield potash projects globally.**
- **Strong leverage to potash prices – NPV increases to US$773 million and IRR to 16.5% if potash price assumption is increased from US$450/t to US$475/t;**
- **Total capex (excluding working capital) to be externally funded (i.e. net of project cashflows) of US$1,295 million which is significantly lower than the previously announced ESS–2 development configuration (US$1,514 million);**
- **LOM average steady state cash operating costs of US$184/t1;**
- **SDM completed to scoping study level of detail (+/- 40%);**
- **South Boulder is also considering approaches from strategic investors regarding the potential for third party investment in the Project.**

1 Total all–in cash operating costs including mining, processing, transport, port and overheads.

Staged Development Model

The SDM draws on ESS-1 and ESS-2 and the conclusions of the DFS process to date and model the following:

- **Construction in years 1 and 2 of 1 Mpta operation processing Sylvinite ore only with commencement of production in year 3 ramping up to full production of 1 Mpta in year 4;**
- **Construction in years 4 and 5 of 1 Mpta expansion operation processing Carnallite ore with commencement of expansion project production in year 6 ramping up to full production of 2 Mpta in year 7.**

The SDM also takes into account a new mine plan and improved process recovery assumptions from the DFS work and a more rigorous approach to financial assumptions such as income taxes, royalties, working capital and inflation. The key assumptions of the Staged Development Model are set out below:

Item	Unit	Value
Construction Start: Upfront Capital	Year	2014
Construction Start: Expansion Capital	Year	2017
Production Start Date	Year	2016
Steady State 2.0 Mpta Production	Year	2020
Total Sylvinite Ore Mined	Mt	112
Sylvinite Ore Grade	KCl	23.3%
Total Carnallite Ore Mined	Mt	209
Carnallite Ore Grade	KCl	12.4%
Total Ore Mined	Mt	321
Total Waste Mined	Mt	2,057
LOM Strip Ratio	Waste: Ore	6.4 : 1.0
Mine Life	Years	28
Sylvinite Processing Recovery[1]	%	90%
Carnallite Processing Recovery[1]	%	85%
Annual Steady State MOP production	Mt	2.0
Mining Costs[1]	US$/Saleable t	122.1
Processing Costs[1]	US$/Saleable t	50.8
Transportation[1]	US$/Saleable t	5.6
Port[1]	US$/Saleable t	4.6
Overheads[1]	US$/Saleable t	0.8
Average LOM Cash Operating Costs[1]	US$/Saleable t	184
Development Capital Cost	US$M	1,514
Working Capital and Financing Costs[2]	%	25%
Maximum Negative Cashflow	US$M	1,545
Sustaining Capital	% Development	4.0%
Valuation Date	Date	31-Dec-2012

Staged Development Key Assumptions

Notes:

1. *Average LOM unit cost*
2. *Assumed working capital and financing costs as a % of capital costs that are required to be financed in addition to capital items*

Common to all scenarios is an assumption that mining will be by conventional open pit methods. A breakdown of the capital costs and an initial estimate of the associated funding requirement are outlined below:

Item	Upfront Capital: Sylvinite–Only Processing, 1 MPta Production (US$M)	Expansion Capital: Sylvinite & Carnallite Processing, 2 Mpta Production (US$M)	Total Development Capital (US$M)
Camp & Infrastructure	100	-	100
Port	115	10	125
Processing Plant	265	235	500
Auxiliary Facilities	50	55	105
Pre–Strip, EPCM, etc	80	-	80
Solar Ponds (Expansion)	-	197	197
Pit Development	-	3	3
Indirects	-	177	177
Other / Contingency	127	100	227
Total Capex	737	777	1,514
Less: Cumulated Project Cashflow	-	(219)	(219)
Total Capex Funding Requirement	737	558	1,295

Staged Development Capital Requirements

Note: Excludes financing costs and upfront working capital requirements

Project Economics – Staged Development Model

A summary of the SDM project economics are set out below (100%, ungeared basis):

Item	Low Price Case: US$425/t Potash Price	Base Case: US$450/t Potash Price	High Price Case: US$475/t Potash Price
NPV at 7% Discount Rate (US$M)	1,055	1,303	1,551
NPV at 8.5% Discount Rate (US$M)	698	904	1,110
NPV at 10% Discount Rate (US$M)	428	601	773
Post Tax IRR	13.7%	15.1%	16.5%

Table 5: Staged Development Valuation
Note: The Valuation presented above is conducted at 100% project level and excludes any funding or proposed profit share structures. Discount rates are shown on a post–tax, real basis.

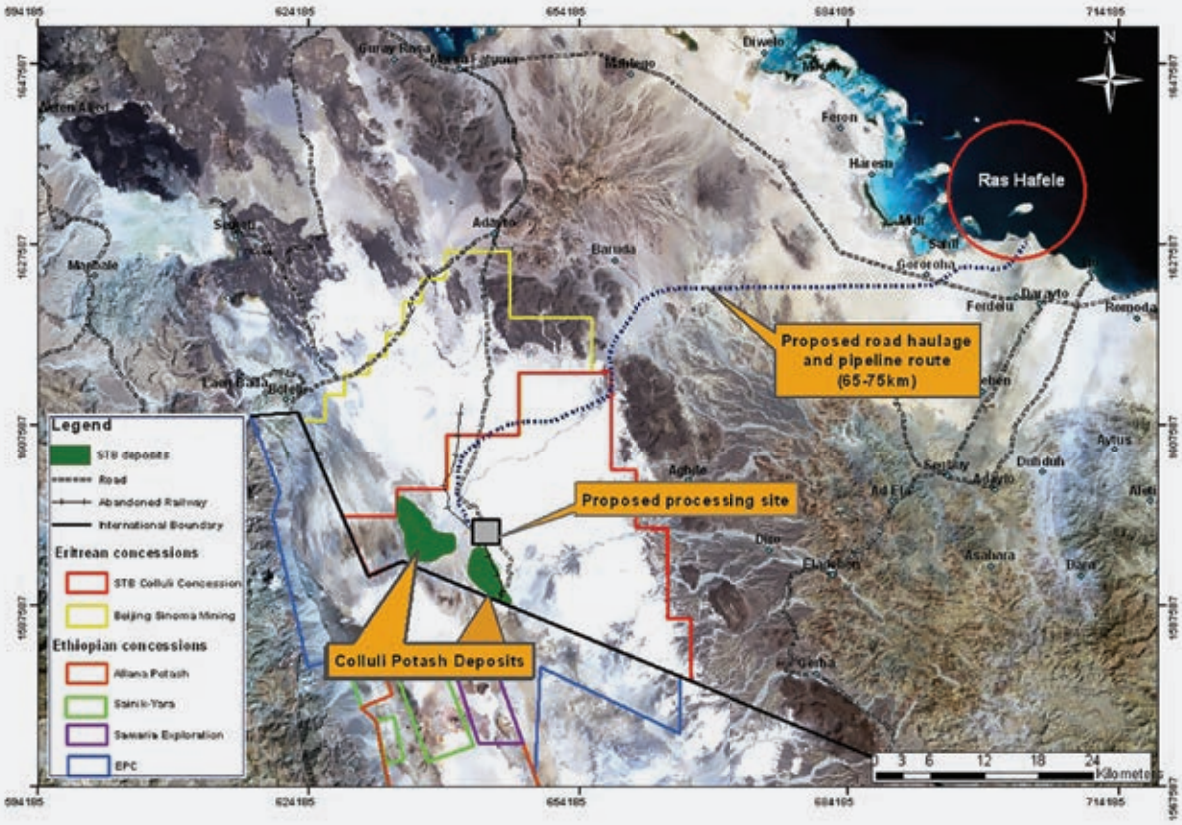
The estimated capital cost per annual production tonne is US$757/t. South Boulder estimates that this capital intensity places the project in the first quartile of emerging (undeveloped) greenfield potash projects globally.

Project Resource

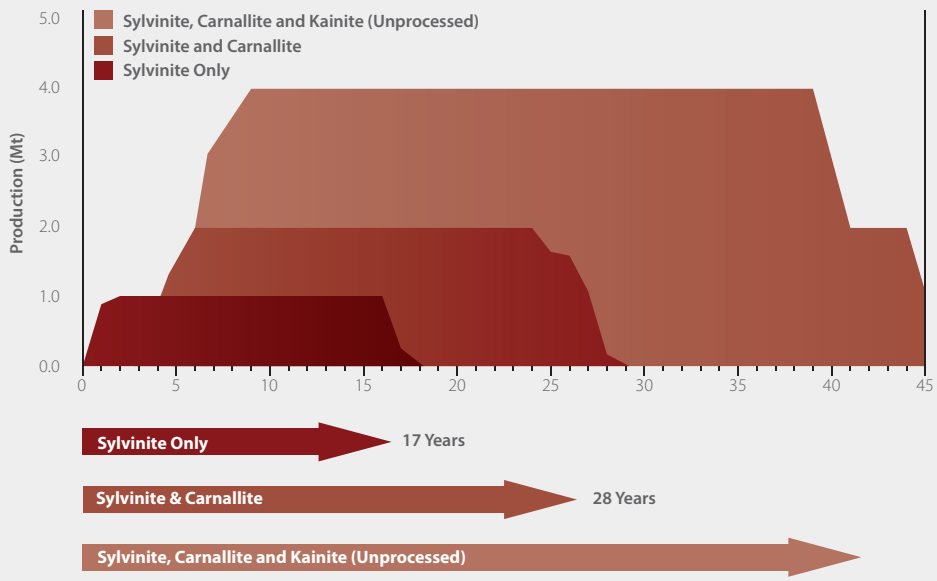
The JORC/NI43-101 Compliant Mineral Resource Estimate for Colluli includes higher grade Sylvinite of 110Mt at 28.4% KCl. The resource contains 4 different principal minerals, being sylvinite, polysulphate, carnalite and kainite. The Company's current resource estimate, as previously published in November 2012, is summarised below:

Occurrence	Tonnes (Mt)	Equivalent KCl	Contained KCl (Mt)
Sylvinite(KCl.NaCl)	110	28.4%	31
Polysulphate(K_2SO_4.NaCl.$MgSO_4$.H_2O)	65	10.8%	7
Carnallite(KCl.$MgCl_2$.H_2O)	309	12.3%	38
Kainitite(KCl.$MgSO_4$.H_2O)	596	19.8%	118
Total	1,080	18.0%	194

Colluli JORC–Compliant Mineral Resource Estimate by potash mineral



Potential Mine Life



The DFS initially concentrated on the sylvinite and is where most of the work to date has been focussed. Only 35% of Colluli's resource is included in the current mine plan and project economics. The remaining 65% presents significant upside.

Kainite and Polysulphate are currently considered to have long term potential. Previously not considered in the initial development studies however studies now underway for Kainite use as a direct application fertiliser.

Inclusion of Kainite would better utilise the resource and infrastructure, further reducing unit costs and improving project economics.

Project Agreement

During the year, the Company announced a binding term sheet agreement with the Eritrean National Mining Corporation ("ENAMCO") regarding ENAMCO's participation in the Colluli Potash Project.

The key terms of the agreement are:

- **ENAMCO and STB will each hold a 50% ownership interest in the Project through a newly formed company, Colluli Mining Share Company ("CMSC");**
- **It is proposed that Project Development Costs for initial development will be funded 70% by debt and 30% by equity;**
- **To the extent that third party commercial debt is not available for 70% of Project Development Costs, STB will be required to provide the debt to CMSC on arms' length commercial terms;**
- **The balancing 30% project equity required (including ENAMCO's 50% share) for initial Development Costs will be funded by STB. STB will be entitled to recoup 50% of this equity as a preferential payment from 50% of the Project cashflows that would have otherwise been available to all equity holders. As a result, until such time as the 50% of the equity contributed by STB on behalf of ENAMCO is repaid, STB will be entitled to receive 75% of all free distributable cashflows after debt service obligations;**
- **CMSC will have a Board of 5 being 3 members from STB and 2 from ENAMCO; and**
- **ENAMCO will provide a stabilisation agreement under which it bears the risk of adverse changes in the Eritrean fiscal regime for 10 years from first production.**

A binding term sheet has been executed by the parties and approved by the Government of the State of Eritrea, ENAMCO and the STB Board. The next step is for this term sheet to be documented, largely in the form of establishing CMSC and signing the associated agreements between ENAMCO and STB.

A more detailed overview of the terms of the Agreement, its potential financial impact and STB's current activities are outlined:

Mining Agreement

- **ENAMCO will support CMSC's efforts in negotiating a Mining Agreement with the State of Eritrea and the issuing of a mining licence within two years of entry into the CMSC Shareholders Agreement.**

Ownership and Board of CMSC

- **STB and ENAMCO will incorporate a new Eritrean company, CMSC;**
- **ENAMCO and STB will each own 50% of the issued shares of CMSC;**
- **STB shall transfer its interest in the Project (primarily an exploration licence) to CMSC (without incurring any tax, stamp duty or other costs) and CMSC will own 100% of the Project;**
- **The Exploration Agreement between STB and the State of Eritrea shall be transferred to CMSC;**
- **CMSC will take over the exploration, development and operation of the Project;**
- **The Board of CMSC shall consist of 5 members, 3 appointed by STB and 2 appointed by ENAMCO; and**
- **CMSC will manage the Project through the Board and its own employees, with certain specified key decisions requiring the unanimous approval of both shareholders.**

Debt Funding

- **CMSC will seek to borrow up to 70% of Development Costs (which includes STB costs to date) from a third party financier on commercial terms;**
- **To the extent the full 70% of Development Costs cannot be funded by externally sourced debt, it will be contributed by STB on market terms and conditions as agreed between ENAMCO and STB; and**
- **CMSC will provide security for debt funding.**

Equity Funding

- The required equity funds for 30% of Development Costs will be contributed by STB in respect of both its shares and ENAMCO's shares;
- Of equity funding, 50% shall be recouped as outlined below;
- Free cashflows available to equity holders after obligations to debt providers have been satisfied will be applied as follows:
  - 50% to the repayment of the equity funds contributed by STB (until repaid); then
  - The balance will be distributed to CMSC shareholders in proportion to their equity holdings.
  - The equity contribution regime outlined above only applies to initial Development Costs. Equity funding for project development costs that may be required after first production shall be financed by CMSC either through its own internal cash or from debt funding decided upon by the Board (e.g. for expansions).

Project Development Costs

- Pre–production development costs include all expenditure incurred for capital costs, exploration (including past exploration), financing costs/interest, working capital and all other funding required prior to first production ("Development Costs").

Fiscal Stabilisation

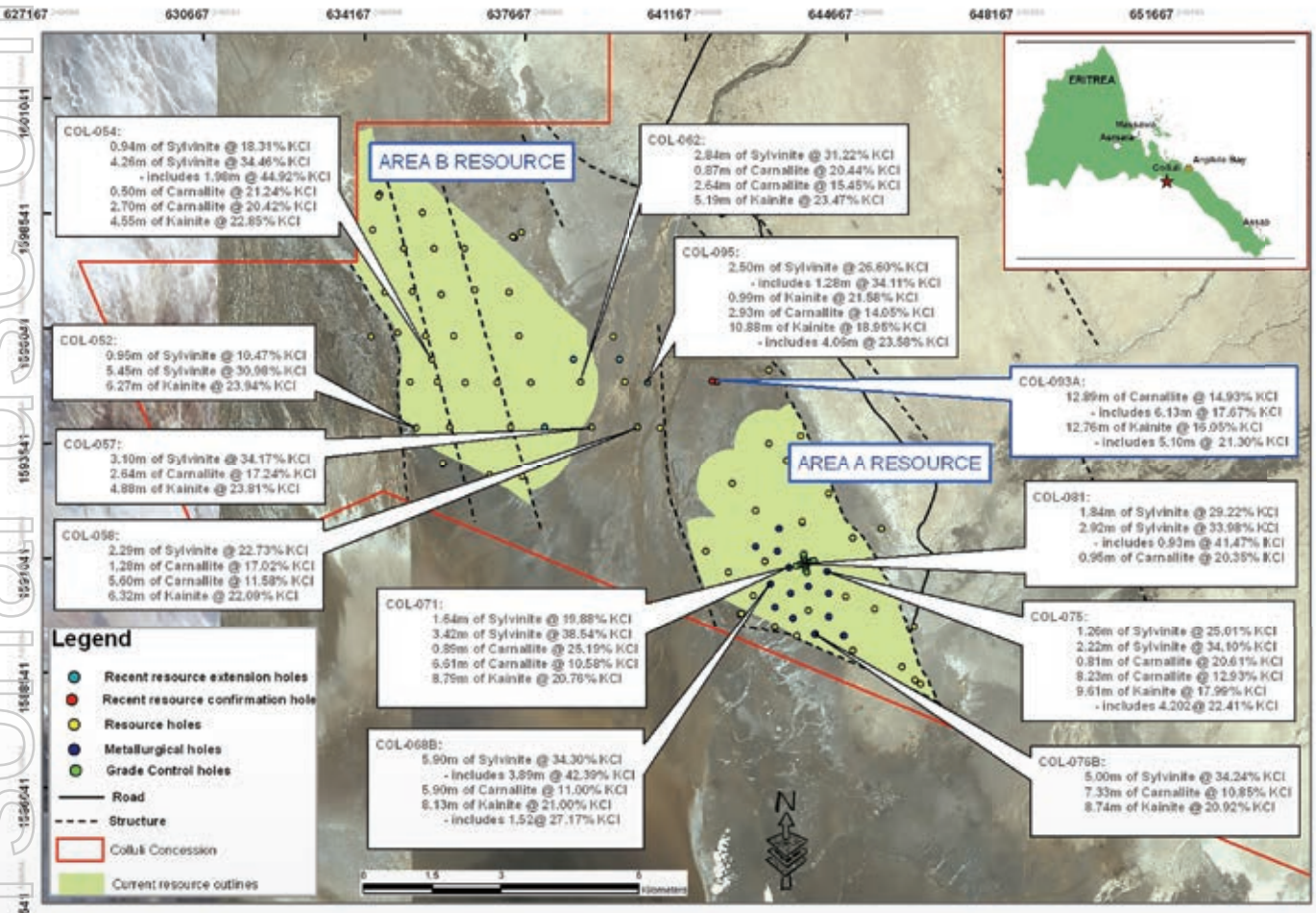
- ENAMCO will bear the risk of adverse impact on the economics of the Project or CMSC associated with a change to the fiscal regime in Eritrea for 10 years from first commercial production through a stabilisation agreement between ENAMCO and STB.

Exploration

During the year the Company received assay results for drilling completed on the Colluli Potash Project targeting sylvinite, carnallite and kainite mineralisation. The results included some of the shallowest and high grade sylvinite mineralisation received to date for the project.

A summary of the potash assay results received from drilling during the year is detailed on the right page. Full details of assay results are included in the quarterly reports which are available on the Company's website.

Significant Potash assay results received from drilling during the year are detailed below:



The results included some of the shallowest and high grade sylvinite mineralisation received to date for the project.

Sustainability

Eritrea Country Profile — Brief History

The government of Eritrea is supportive of foreign investment in exploration and mining projects. Eritrea is located along the Red Sea coast in the Horn of Africa, bordering Ethiopia and Djibouti to the south and Sudan to the west and north. Eritrea has approximately 1,200km of coast line and two commercial ports located in both Massawa and Asseb.

Eritrea become an Italian Colony in 1890 until 1941 when British forces overthrew the Italian administration and developed a temporary military administration. Eritrea's food, architecture and language still bear heavy influence from Italian colonisation.

Eritrea achieved independence in 1991 after fighting a war for independence against Ethiopia. Eritrea now has a stable government led by the head of state Mr Isaias Afwerki who was appointed by referendum in 1993.

The Government of Eritrea has been engaged in rehabilitating the war–torn economy and improving the standard of living for the people. Eritrean people have united through their struggles and now make Eritrea a proud country, looking forward to a more prosperous future.

Social and Environmental Commitment

South Boulder Mines is committed to sustainable development through balancing social, environmental, and economic considerations throughout every aspect of our business. The Company takes corporate responsibility seriously and operates to leading standards of health, safety, and environmental management. Our contribution to the development of sustainable communities and engaging with our stakeholders in a mutually beneficial and meaningful way, enhances our corporate reputation.

We also believe that through inclusive engagement, we maintain a competitive advantage within our industry and with the communities in which we operate. At South Boulder we respect and adhere to the laws, proclamations, regulations and cultural sensitivities of any area, region or country in which we conduct our business.

Financial

Financial Results

The net loss after tax for the financial year ended 30 June 2013 was $5.3 million, compared to $11.4 million for the previous financial year. The result included exploration expenditure written off for the period of $8.8 million, a positive movement in the fair value of listed investment securities of $1.1 million and a gain on deconsolidation of $3.5 million. Revenue for the year included interest income of $0.8 million (2012: $0.7 million).

Depreciation and amortisation charges for the financial year were $0.2 million (2012: $0.2 million) and share based payment expense for the period was $0.3 million (2012: $0.4 million).

Financial Position

The Group's net asset position as at 30 June 2013 was $14.0 million and consolidated cash on hand as at 30 June 2013 was $14.3 million, (2012: $21.3 million).

During the year, the Company completed an in–specie distribution of the Duketon Mining Limited. The de–merger of the non–potash assets including listed investments and cash of $1 million was through an in specie distribution of 100% of the shares in Duketon Mining Ltd to shareholders of South Boulder on a one for four basis, comprising approximately 32 million Duketon shares.

Equity

Total contributed equity as at 30 June 2013 was $38.9 million comprising of 128.0 million issued shares, 18.1 million unlisted options and 1.4 million performance rights.

Options

The exercise price for each existing South Boulder option was reduced during the year by the same amount as the amount returned in relation to each South Boulder share (being 5.1 cents) under the in–specie distribution of Duketon Mining +Limited shares to South Boulder shareholders, completed on 15 April 2013. The number of STB options on issue has not changed as a result of the in–specie distribution and the adjustment to the exercise price of South Boulder options is set out in the table below:

Option Expiry Date	Number of Options	Exercise Price (original)	Exercise Price (adjusted)
31 July 2013	1,950,000	$0.35	$0.299
30 June 2014	1,600,000	$0.20	$0.149
17 July 2014	5,450,000	$1.50	$1.449
31 March 2015	1,250,000	$2.00	$1.949
30 June 2015	3,800,000	$0.75	$0.699
30 November 2015	500,000	$1.50	$1.449
30 November 2015	500,000	$2.00	$1.949
31 January 2016	700,000	$0.65	$0.599
31 January 2016	1,000,000	$0.70	$0.649
31 January 2016	1,300,000	$1.00	$0.949

During the year, 9,450,000 million options were issued and 1,720,000 million options were exercised and converted into fully paid ordinary shares. A total of 18,050,000 options were outstanding at the end of the year.

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 year, 225,000 Performance Rights were issued and 300,000 Performance Rights were cancelled. A total of 1,397,000 Performance Rights were outstanding at the end of the year.

Duketon Mining Ltd

The de–merger of the Company's non–potash assets was implemented on 15 April 2013 via an in–specie distribution of 100% of the shares in Duketon Mining Ltd to South Boulder shareholders. The Company received a Class Ruling from the Australian Taxation Office ("ATO") confirming the taxation implications for shareholders.

The Class Ruling, CR 2013/37, states that the ATO accepts a reasonable apportionment of the shareholders' existing cost base is 85.36% to South Boulder shares and 14.64% to Duketon shares.

The Class Ruling only applies to South Boulder shareholders who held their shares in South Boulder on capital account and are residents of Australia for income tax purposes.

South Boulder shareholders should refer in detail to the Class Ruling and are advised to seek their own independent professional advice for further clarification and the specific income tax consequences of the De–merger for them. A copy of the Class Ruling CR 2013/37 is available from the ATO's website.

Executive Management Changes

During the year, the Company appointed Mr Paul Donaldson as Chief Executive Officer of the Company and Mr Anthony Kiernan and non–executive directors of the Company. Subsequent to year end, Mr Seamus Cornelius was appointed as Non–Executive Chairman and Flavio Garofalo as Joint Company Secretary in addition to his role as Chief Financial Officer.

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 information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Greg Knox using 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. Greg Knox 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 Knox,Dr Rauche and Dr 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 Knox, Dr Rauche and Dr Van Der Klauw consent to the inclusion in the report of the matters based on 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 (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.

Corporate Information

SOUTH BOULDER MINES LTD
ABN 56 097 904 302

Directors
Seamus Ian Cornelius (Non-Executive Chairman)
Anthony William "Tony" Kiernan (Non-Executive Director)
Liam Raymond Cornelius (Non-Executive Director)
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Stock Exchange Listing
South Boulder Mines Limited shares (Code: STB) are listed on the Australian Stock Exchange.

Financial Contents

Directors' Report	22
Audit Independence Letter	33
Corporate Governance Statement	34
Statement of Comprehensive Income	39
Statement of Financial Position	40
Statement of Changes in Equity	41
Statement of Cash Flows	42
Notes to the Financial Statements	43
Directors' Declaration	64
Independent Audit Report	65
ASX Additional Information	67

The directors present their report together with the financial report of South Boulder Mines Limited ("South Boulder" or "the Company") and its controlled entities ("the Group") for the year ended 30 June 2013.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Seamus Ian Cornelius
Non-Executive Chairman, LLB, LLM, (Age 47), appointed 15 July 2013 to date

Mr Cornelius is a corporate lawyer and former partner of one of Australia's leading international law firms. He specialised in cross-border transactions, particularly in the resources sector.

Mr Cornelius has been based in Shanghai and Beijing since 1993 and brings more than 20 years of corporate experience in legal and commercial negotiations. He has also advised global companies on their investments in China and in recent years advised Chinese State-owned entities on their investments in overseas resource projects.

Mr Cornelius is currently the Chairman of Buxton Resources Ltd since 29 November 2010 and Montezuma Mining Company Ltd since 30 June 2011.

Anthony William "Tony" Kiernan
Non-Executive Director, LLB, (Age 62), appointed 15 October 2012 to date

Mr Kiernan has over 25 years of experience in the mining industry and was previously a commercial lawyer. He is currently a corporate advisor and has extensive experience in the administration and operation of public listed companies. He 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.

Mr Kiernan is currently the Non-Executive Chairman of BC Iron Ltd since 11 October 2006, Non-Executive Chairman of Venturex Resources Limited since 14 July 2010, Non-Executive Director of Chalice Gold Mines Ltd since 15 February 2007, Non-Executive Director of Uranium Equities Limited since 3 June 2003 and a Non-Executive Director of Liontown Resources Limited since 2 February 2006.

Ian Christopher Robertson "Chris" Gilchrist
Non-Executive Director, C Eng PhD FIMMM, (Age 54), appointed 14 October 2011 to date

Dr. Chris Gilchrist is presently a consultant to the Mining Industry and has a background in managing major projects, managing mining and mineral processing research, new product development and the operation of large mines. He has served on the Boards of several mining companies and his areas of speciality include potash, diamonds, mineral sands and gold.

Dr Gilchrist has delivered numerous technical papers to the mining industry in areas including project management, operations management and hydraulic transportation. Dr Gilchrist holds a Bachelor's Degree in Mineral Engineering from the University of Birmingham and a Doctorate from the School of Mechanical Engineering, University of the Witwatersrand, Johannesburg. Dr Gilchrist is a UK Chartered Engineer and a Fellow of the IMMM. Dr Gilchrist has not held any former directorships in the last 3 years.

Liam Raymond Cornelius
Non-Executive Director, BApp.Sc, (Age 45), appointed 21 August 2001 to date

Mr Cornelius graduated from Curtin University of Technology with a BApp.Sc in Geology. Mr Cornelius has been involved in the exploration industry within Australia, Asia and Africa for nearly 20 years. Whilst originally specializing in gold he has experience with a wide range of commodities including nickel, copper, platinum, uranium and potash.

As a founding member of South Boulder Mines Ltd, Mr Cornelius has played a key role in outlining areas of interest for the Company. In addition to project generation and fund raising he also provides guidance to the board on future directions. Mr Cornelius has not held any former directorships in the last 3 years.

Terrence Ronald "Terry" Grammer
Non-Executive Chairman, BApp.Sc. (Age 63), appointed 16 October 2007 and resigned 15 July 2013.

David Lawrence "Lorry" Hughes
Managing Director, BSc, MAusIMM, (Age 42), appointed 23 May 2008 and resigned 1 February 2013.

COMPANY SECRETARIES

Flavio Lino Garofalo
B.Bus, CPA (Age 45), appointed 4 July 2013 to date

Mr Garofalo is the Chief Financial Officer of the Group and has more than 20 years experience in the mineral exploration and mining industry. He has vast experience in project finance, capital raisings, corporate management and investor relations for listed resource companies.

He joined South Boulder Mines in 2011 after working with Kagara Ltd as Chief Financial Officer since 2004 and prior to that was the General Manager of Finance and Company Secretary for Titan Resources NL, a position he held for 10 years. He commenced his career in auditing at Coopers and Lybrand specialising in the resource and finance sector.

Dennis William Wilkins
B.Bus, MAICD, ACIS (Age 50), appointed 14 May 2004 to date

Mr Wilkins is the founder and principal of DWCorporate Pty Ltd a leading privately held corporate advisory firm servicing the natural resources industry. Since 1994 he has been a director of, and involved in the executive management of, several publicly listed resource companies with operations in Australia, PNG, Scandinavia and Africa. From 1995 to 2001 he was the Finance Director of Lynas Corporation Ltd during the period when the Mt Weld Rare Earths project was acquired by the group. He was also founding director and advisor to Atlas Iron Limited at the time of Atlas' initial public offering in 2006.

Since July 2001 Mr Wilkins has been running DWCorporate Pty Ltd where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector.

INTERESTS IN SHARES, OPTIONS AND PERFORMANCE RIGHTS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of South Boulder Mines Limited were:

Director	Ordinary Shares	Options over Ordinary Shares	Performance Rights *
S I Cornelius	5,019,239	-	-
A W Kiernan	20,000	1,000,000	225,000
I C R Gilchrist	30,000	-	200,000
L R Cornelius	12,398,806	-	100,000

* None of the performance rights have vested as at 30 June 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year consisted of exploration and evaluation of mineral resources. There was no significant change in the nature of the Group's activities during the year.

DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

REVIEW OF OPERATIONS

Exploration and Evaluation

During the financial year ended 30 June 2013, the Group advanced its exploration and development activities on the Colluli Potash Project and completed the demerger of all non-potash assets held in the Group.

Updated scoping studies were completed on the Colluli Potash Project and the Company has taken key elements from these studies along with work performed in the current feasibility study to define the optimum development path for the Project. During the year, the Company received assay results from drilling completed on the Project and results included some of the shallowest and highest grade sylvinite mineralisation received to date.

During the year the Company reached a binding term sheet agreement with the Eritrean National Mining Corporation ("ENAMCO") regarding ENAMCO's participation in the Colluli Potash Project ("Project"). The agreement represents a major milestone in the development of the Colluli Potash Project and provides significant certainty as to the economic and fiscal basis under which the Project can be developed and is expected to assist ongoing discussions with potential strategic investors.

The Company completed an Asset Sale Agreement during the year between South Boulder Mines Ltd and Duketon Mining Limited whereby all of the Company's non-potash assets, including listed investments as well as cash of $1 million were transferred to Duketon Mining Ltd in exchange for the issue of 31,683,206 Duketon shares. The demerger was completed via and in specie distribution of 100% of the shares in Duketon Mining Ltd to South Boulder Mines Ltd shareholders.

Finance Review

The Group recorded a net loss after tax of $5.3 million for the financial year ended 30 June 2013 compared to a net loss of $11.8 million in the previous financial year. Included in the loss for the year was exploration expenditure of $9.0 million (2012: $9.1 million). In line with the Group's accounting policies, all exploration expenditure is written off in the year incurred. Also included in the net loss after tax was a $3.5 million gain on deconsolidation of Duketon Mining Ltd following the completion of the demerger of all non-potash assets from the Group.

During the year, $5.0 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, $0.4 million was received on the conversion of unlisted options.

Total consolidated cash on hand at the end of the year was $14.3 million (2012: $21.3 million).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Report, no significant changes in the state of affairs of the Group occurred during the financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Details of important developments occurring in this financial year have been covered in the Review of Operations section of the Directors' Report. The Group will continue activities in the exploration, evaluation and development of the Colluli Potash Project and mineral tenements with the objective of developing a significant mining operation and any significant information or data will be released to the market and the shareholders pursuant to the Continuous Disclosure rules as and when they come to hand.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT (AUDITED)

The Remuneration Report outlines the director and executive remuneration arrangement of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (Cth) and its Regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company. For the purposes of this report, the term 'Executive' includes the Chief Executive Officer and senior executives of the Company and the Group.

The Key Management Personnel of South Boulder Mines Ltd and the Group during the year included:

Directors

T R Grammer	Non-Executive Chairman (resigned 15 July 2013)
D L Hughes	Managing Director (resigned 1 February 2013)
L R Cornelius	Non-Executive Director
I C R Gilchrist	Non-Executive Director
A W Kiernan	Non-Executive Director (appointed 15 October 2012)

Named Executives

P M Donaldson	Chief Executive Officer (appointed 1 February 2013)
F L Garofalo	Chief Financial Officer / Company Secretary
D W Wilkins	Company Secretary

All of the above persons were also key management personnel during the year unless otherwise stated. The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

Key Elements of Key Management Personnel/Executive Remuneration Strategy

The remuneration strategy for South Boulder Ltd is designed to provide rewards that achieve the following:

- attract, retain, motivate and reward executives
- reward executives for Company and individual performance against targets set by reference to appropriate benchmarks
- link reward with the strategic goals and performance of the Company
- provide remuneration that is competitive by market standards
- align executive interests with those of the Company's shareholders
- comply with applicable legal requirements and appropriate standards of governance

Key Developments on Remuneration Strategy for Executives

The Company undertook a review of its remuneration strategy during the previous year to ensure its remuneration framework reflected current business needs, shareholder views and contemporary market practice and where appropriate to attract, motivate, retain and reward employees.

A summary of the key elements of the current remuneration incentive scheme are as follows:

Remuneration Component	Item	Purpose	Link to Performance
Fixed Remuneration	• Base salary • Superannuation contributions • Other benefits	Provide competitive remuneration with reference to the role and responsibilities, market and experience, to attract high calibre people	Executive performance and remuneration packages are reviewed at least annually by the Board and Remuneration Committee. The review process includes consideration of the individual's performance in addition to the overall performance of the Group
Performance Based Short Term Incentive (STI)	• Cash bonus	Provide reward to executives for the achievement of individual and group performance targets linked to the Company's strategic objectives	Award of STI linked directly to achievement of KPI's and performance targets
Performance Based: Long Term Incentive (LTI)	• Performance Rights Plan	Provide reward to executives for their continued service and their contribution to achieving corporate objectives set by the Board to ensure the long term growth of the Company	Award of LTI linked directly to achievement of strategic Company objectives

The Remuneration Report has been set out under the following headings:

a) Decision Making Authority for Remuneration
b) Principles Used to Determine the Nature and Amount of Remuneration
c) Details of Remuneration
d) Service Agreements
e) Share-based Compensation
f) Additional Information

a) Decision Making Authority for Remuneration

The Company's remuneration policy and strategies are overseen by the Remuneration Committee on behalf of the Board. The Remuneration Committee is responsible for making recommendations to the Board on all aspects of remuneration arrangements for key management personnel including:

- the Company's remuneration policy and framework
- the remuneration arrangements for the Chief Executive Officer and other senior executives
- the terms and conditions of long term incentives and short term incentives for the Chief Executive Officer and other senior executives
- the terms and conditions of employee incentive schemes
- the appropriate remuneration to be paid to non-executive Directors

The Remuneration Committee Charter is approved by the Board and is published on the Company's website. Remuneration levels of the Directors and Key Management Personnel are set by reference to other similar sized mining and exploration companies with similar risk profiles and are set to attract and retain executives capable of managing the Group's operations in Australia and overseas.

Remuneration levels for the Chief Executive Officer and key management personnel are determined by the Board based upon recommendations from the Remuneration Committee. Remuneration of non-executive directors is determined by the Board within the maximum levels approved by the shareholders from time to time. The Board undertakes an annual review of its performance against goals set at the start of the year. No bonuses are paid to non-executive directors.

b) Principles Used to Determine the Nature and Amount of Remuneration

The Company's remuneration practices are designed to attract, retain, motivate and reward high calibre people capable of delivering the strategic objectives of the Company. The Company's Key Management Personnel remuneration framework aligns their remuneration with the achievement of strategic objectives and the creation of value for shareholders, and confirms with market best practice for delivery of reward.

The Remuneration Committee ensures that the remuneration of Key Management Personnel is competitive and reasonable, acceptable to shareholders and aligns remuneration with performance. The structure and level of remuneration for key management personnel is conducted annually by the Remuneration Committee relative to the Company's circumstances, size, nature of business and performance.

Remuneration of Non-Executive Directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board receives advice from independent remuneration consultants to ensure non-executive directors fees and payments are appropriate and in line with the market. No advice was received during the year. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any of the discussions relating to the determination of his own remuneration. In order to maintain their independence impartiality, the fees paid to non-executive directors are not linked to the performance of the Company.

Fees for the Chairman and non-executive directors are determined within an aggregate directors' fee pool limit of $200,000. The Chairman and non-executive directors' fees are inclusive of committee fees. There are no retirement allowances for non-executive directors.

Remuneration of Key Management Personnel

The Company's pay and reward framework is designed to ensure reward structures are aligned with shareholders' interest by:

- being market competitive to attract and retain high calibre individuals
- rewarding high individual performance
- recognising the contribution of each key management personnel to the contributed growth and success of the Company
- ensuring that long term incentives are linked to shareholder value

To achieve these objectives, the remuneration of key management personnel comprise a fixed salary component and an 'at risk' variable component linked to performance of the individual and the Company as a whole. Fixed remuneration comprises base salary, superannuation contributions and other defined benefits. 'At risk' variable remuneration comprises both short term and long term incentives.

The pay and reward framework for key management personnel consists of the following areas:

i) Fixed Remuneration – base salary

ii) Variable Short Term Performance Incentives

iii) Variable Long Term Incentives

The combination of these comprises the key management personnel's total remuneration.

i) Fixed Remuneration – Base Salary

The fixed remuneration for each senior executive is influenced by the nature and responsibilities of each role and knowledge, skills and experience required for each position. Fixed remuneration provides a base level of remuneration which is market competitive and comprises a base salary inclusive of statutory superannuation. It is structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Key management personnel are offered a competitive base salary that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base salary for key management personnel is reviewed annually to ensure the executives' pay is competitive with the market. The pay of key management personnel is also reviewed on promotion. There is no guaranteed pay increase included in any key management personnel's contract.

ii) Variable Remuneration – Short Term Incentives (STI)

The South Boulder Mines Ltd Short Term Incentive Scheme applies to executives in the Company and is designed to link any STI payment with the achievement by each Key Management Personnel of specified key performance indicators ('KPI's') which are in turn linked to the Company's strategic objectives and targets.

The KPI's are established at the start of each financial year and any STI is paid at the end of the financial year and will be determined by the extent to which KPI's have been achieved. A maximum of up to 50% of the fixed remuneration can be payable under the STI and the Board has the discretion to reduce or suspend any bonus payments where Company circumstances render it appropriate.

iii) Variable Remuneration – Long Term Incentives (LTI)

Long term incentives have been previously provided to employees through the issue of options. At the 2011 annual general meeting of the Company, the South Boulder Mines Ltd Performance Rights Plan ('PRP') was approved by shareholders. The PRP provides incentives for employees which promote both the long term performance, growth and support of the Company.

The PRP is designed to increase the range of potential incentives available to Directors and employees and to recognise their contribution to the Company's success.

Under the PRP, performance rights are granted over ordinary shares in the Company on an annual basis. The performance rights will be granted subject to the following vesting conditions:

Class 1:

- 50% upon completion of a Feasibility Study for the Colluli Potash Project; and
- 50% upon completion of securing finance for the development of the Colluli Potash Project

Class 2:

- 33% upon signing of the ENAMCO agreements for the Colluli Potash Project
- 33% upon granting of a Mining License for the Colluli Potash Project
- Balance upon completion of securing finance for the development of the Colluli Potash Project

All performance rights will automatically expire on the earlier of the expiry date or the date their holder ceases to be an employee of the Company unless the Board determines to vary the expiry date in the event the holder ceased to be an employee because of retirement, redundancy, death or total and permanent disability and such other cases the Board may determine. Performance rights granted under the PRP will carry no dividend or voting rights. When exercised, each performance right will be converted into one ordinary share.

Voting and Comments made at the last Annual General Meeting

The Company received more than 90% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2012 and received no specific feedback on its Remuneration Report at the Annual General Meeting.

c) Details of Remuneration

Details of the remuneration of the directors, the key management personnel (as defined in AASB 124 *Related Party Disclosures*) and specified executives of South Boulder Mines Limited are set out in the following table. Given the size and nature of operations of South Boulder Mines Limited, there are no other employees who are required to have their remuneration disclosed in accordance with the Corporations Act 2001.

Key management personnel and other executives of South Boulder Mines Limited for 2013

2013	Short-Term			Post Employment		LTI (g)	Total
	Salary & Fees	STI/Bonus Payments	Non-Monetary	Superannuation	Retirement benefits	Share Based Payments	
	$	$	$	$	$	$	$
Non-Executive Directors							
T R Grammer	51,207	-	-	4,648	-	8,304	64,159
I C R Gilchrist	223,656	-	-	-	-	8,304	231,960
L R Cornelius	84,399	-	-	7,661	-	8,304	100,364
A W Kiernan	105,755	-	-	3,825	-	12,571	122,151
Executive Directors							
D L Hughes (d)	185,203	-	-	16,866	322,640	-	524,709
Other Key Management Personnel							
P M Donaldson (e)	195,192	-	-	17,567	-	197,160	409,919
F L Garofalo	350,000	-	-	31,769	-	-	381,769
D W Wilkins (f)	88,387	-	-	-	-	-	88,387
TOTAL	1,283,799	-	-	82,336	322,640	234,643	1,923,418

(a) Mr Gilchrist received $183,176 in arms-length consultancy fees for services performed as part of the Colluli Potash Project Feasibility Study.

(b) Mr Cornelius became a Non-Executive Director on 29 March 2013 and was previously Executive Director for the Company. His remuneration as a Non-Executive Director will be $40,000 exclusive of superannuation beginning in the next financial year.

(c) Mr Kiernan was appointed on 15 October 2012 and received $63,255 in arms-length fees for consulting services provided to the Group.

(d) Mr Hughes ceased employment on 1 February 2013 and received a termination payment of $322,640 in accordance with the terms of his contractual employment and as approved by shareholders at the 2011 Annual General Meeting.

(e) Mr Donaldson was appointed as Chief Executive Officer on 1 February 2013.

(f) Mr Wilkins provides services through his firm, DW Corporate Pty Ltd and fees are charged on an arms-length basis.

(g) The fair value of options and performance rights is calculated at the date of grant using a Black-Scholes Option Pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options or rights allocated to this reporting period. In valuing the options and performance rights market conditions have been taken into account.

Key management personnel and other executives of South Boulder Mines Limited for 2012

2012	*Short-Term*			*Post Employment*		*LTI (c)*	*Total*
	Salary & Fees	*STI/Bonus Payments*	*Non-Monetary*	*Superannuation*	*Retirement benefits*	*Share Based Payments*	
	$	*$*	*$*	*$*	*$*	*$*	*$*
Non-Executive Directors							
T R Grammer	*52,386*	-	-	*4,715*	-	*3,113*	*60,214*
I C R Gilchrist (a)	*165,774*	-	-	-	-	*3,113*	*168,887*
Executive Directors							
D L Hughes	*217,827*		-	*21,813*	-	*3,113*	*242,753*
L R Cornelius	*86,505*	-	-	*7,785*	-	*3,113*	*97,403*
Other Key Management Personnel							
F L Garofalo (b)	*134,615*	-	-	*12,115*	-	-	*146,730*
D W Wilkins	*93,876*	-	-	-	-	-	*93,876*
TOTAL	*750,983*	-	-	*46,428*	-	*12,452*	*809,863*

(a) Mr Gilchrist was appointed on 14 October 2011 and received $125,774 in arms-length consultancy fees for services performed as part of the Colluli Potash feasibility study.

(b) Mr Garofalo was appointed on 13 February 2012 as Chief Financial Officer.

d) Service Agreements

Remuneration and other terms of employment for the Chief Executive Officer and other Key Management Personnel are formalised in employment contracts. Other major provisions of the agreements relating to remuneration are set out below.

P M Donaldson, Chief Executive Officer:

- No set term of agreement
- Base salary, exclusive of superannuation, for the year ended 30 June 2013 of $350,000.
- Payment of termination benefit on early termination by the Company, other than for gross misconduct, equal to three months of the base salary.
- Notice period required to be given by the Employee for termination of three months.

F L Garofalo, Chief Financial Officer / Company Secretary:

- No set term of agreement.
- Base salary, exclusive of superannuation, for the year ended 30 June 2013 of $350,000.
- Payment of termination benefit on early termination by the Company, other than for gross misconduct, of two month's base salary.
- Notice period required to be given by the Employee for termination of two months.

D W Wilkins, Company Secretary:

- No set term of agreement.
- Mr Wilkins provides Company Secretarial services though his firm, DW Corporate Pty Ltd. Fees are charged on an hourly basis with a minimum monthly retainer charge of $750.
- The engagement is subject to one month's notification of termination.

e) Share Based Compensation

Options

During the year the Company issued 4,000,000 options for no consideration over unissued ordinary shares in the Company to the following Directors and Key Management Personnel below. The numbers of options over ordinary shares in the Company held during the financial year by each director of South Boulder Mines Limited and other Key Management Personnel of the Group, including their personally related parties, are set out below:

2013	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of South Boulder Mines Ltd							
T R Grammer (a)	1,600,000	-	(1,000,000)	-	600,000	-	-
D L Hughes (b)	2,500,000	-	-	(2,500,000)	-	-	-
L R Cornelius	-	-	-	-	-	-	-
I C R Gilchrist	-	-	-	-	-	-	-
A W Kiernan (c)	-	1,000,000	-	-	1,000,000	1,000,000	
Other Key Management Personnel of the Group							
P M Donaldson	-	3,000,000	-	-	3,000,000	3,000,000	-
F L Garofalo	-	-	-	-	-	-	-
D W Wilkins	-	-	-	-	-	-	-

(a) Resigned on 15 July 2013.

(b) Resigned on 1 February 2013.

(c) Approved at the 2012 Annual General Meeting of the Company.

f) Additional Information

The remuneration structure has been set up with the objective of attracting and retaining the highest calibre staff who contribute to the success of the Company's performance and individual rewards. The remuneration policies seek a balance between the interests of stakeholders and competitive market remuneration levels. The overall level of key management personnel's compensation takes into account the performance of the Group over a number of years and the stage of activities the Company is engaged in.

During the year, there was an active level of development activity and continuation of the Feasibility Study on the Colluli Potash Project. Given the remuneration paid during the year is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a mining company. Company performance is measured against a comparable list of companies operating in the same market segment. There was no increase in key management personnel compensation during the year.

The Company is still in the exploration and development stage and revenue streams only relate to interest earned on investing surplus funds from capital raisings. The net losses after tax reflect the ongoing costs of the Company's exploration programs and development on the Colluli Potash Project.

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors held during the year ended 30 June 2013 and the number of meetings attended by each Director were:

	Total Directors Meetings Available	Directors Meetings Attended	Total Audit Committee Meetings Available	Total Audit Committee Meetings Attended	Total Remuneration & Nomination Committee Meetings Attended	Total Remuneration & Nomination Committee Meetings Attended
T R Grammer (a)	8	5	1	1	1	1
D L Hughes (b)	4	4	-	-	-	-
L R Cornelius	8	8	-	-	-	-
I C R Gilchrist	7	7	1	1	1	1
A W Kiernan	7	7	1	1	1	1

(a) Resigned on 15 July 2013.
(b) Resigned on 1 February 2013.

OPTIONS

At the date of this report, unissued ordinary shares in respect of which options are outstanding are as follows:

	Number of options
Balance at the beginning of the year	10,320,000
Movements of share options during the year	
Issued, exercisable at $1.449, on or before 17 July 2014	5,450,000
Issued, exercisable at $1.449, on or before 30 November 2015	500,000
Issued, exercisable at $1.949, on or before 30 November 2015	500,000
Issued, exercisable at $0.599 on or before 31 January 2016	700,000
Issued, exercisable at $0.649 on or before 31 January 2016	1,000,000
Issued, exercisable at $0.949 on or before 31 January 2016	1,300,000
Exercised at $0.20 (30 November 2012)	(1,000,000)
Exercised at $0.35 (31 July 2013)	(70,000)
Exercised at $0.20 (30 June 2014)	(150,000)
Exercised at $0.35 (31 July 2015)	(500,000)
Expired at $0.299 (31 July 2013)	(1,950,000)

Total number of options outstanding as at the date of this report		16,100,000
Expiry date	**Exercise price**	**Number of options**
30 June 2014	$0.149	1,600,000
17 July 2014	$1.449	5,450,000
31 March 2015	$1.949	1,250,000
30 June 2015	$0.699	3,800,000
30 November 2015	$1.449	500,000
30 November 2015	$1.949	500,000
31 January 2016	$0.599	700,000
31 January 2016	$0.649	1,000,000
31 January 2016	$0.949	1,300,000
Total number of options outstanding at the date of this report		**16,100,000**

No option holder has any right under the option to participate in any share issue of the Company or any other entity.

PERFORMANCE RIGHTS

Details of performance rights over unissued shares in South Boulder Mines Ltd as at the date of this report are set out below:

	Number of rights
Balance at the beginning of the year	1,472,000
Movements of performance rights during the year	
Issued	225,000
Exercised	-
Cancelled	(630,000)
Total number of performance rights as at the date of this report	1,067,000

No performance rights holder has any right to participate in any other share issue of the company or any other entity. On 2 August 2013, 330,000 Performance Rights were cancelled in addition to the 300,000 cancelled during the year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

INSURANCE OF DIRECTORS AND OFFICERS

During the year, the Company has paid a premium in respect of Directors' and Executive Officers' insurance. The contract contains a prohibition on disclosure of the amount of the premium and the nature of the liabilities under the policy.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings.

This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

NON-AUDIT SERVICES

During the year, Rothsay Chartered Accountants, the Company's auditors, performed no other services in addition to their statutory duties.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out separately in this report.

Signed in accordance with a resolution of the directors.

Seamus Cornelius
CHAIRMAN

Perth, 17 September 2013

ROTHSAY

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Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
South Boulder Mines Ltd
PO Box 970
West Perth WA 6872

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 30 June 2013 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan FCA (Lead auditor)

Rothsay Chartered Accountants

Dated 17 September 2013

The Board of Directors of South Boulder Mines Ltd is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and accountable. The Board continuously reviews its governance practices to ensure they remain consistent with the needs of the Company.

The Group complies with each of the recommendations set out in the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition ("the ASX Principles"). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, were in place throughout the year.

Further information on the Group's corporate governance policies and practices can be found on the Company's website at www.southbouldermines.com.au.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSGHT

Recommendation 1.1: *Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of those goals, monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The responsibility for the operation and administration of the Group is delegated by the Board to the CEO and executive management team. The Board ensures that both the CEO and the executive team are appropriately qualified and experienced to discharge their responsibilities and have procedures in place to monitor and assess their performance. Senior executives are responsible for supporting and assisting the CEO to conduct the general operations and financial business of the Company in accordance with the delegated authority of the Board and to progress the strategic direction provided by the Board.

Recommendation 1.2: *Companies should disclose the process for evaluating the performance of senior executives.*

The CEO is responsible for evaluating the performance of senior executives by conducting formal interviews and documenting the evaluations. Reports are provided to the Board when required.

Recommendation 1.3: *Companies should provide the information indicated in the Guide to reporting on Principle 1.*

During the year, an evaluation of senior executives took place in accordance with the process disclosed at Recommendation 1.2.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1: *A majority of the board should be independent directors.*

During the year, the Board comprised a majority of independent directors (including the Chairman). Details of the Directors (including details of their skills, experience, expertise and term of office) are set out in the Directors' Report.

The Directors are considered to be independent when they are independent of management and free from any business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of their independent judgement. Materiality levels are considered from both the Company and individual director's perspective. The determination of materiality is based on both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. Qualitative factors include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the ability of the director in question to influence the direction of the company.

Messrs S I Cornelius, A W Kiernan and I C R Gilchrist were considered to be independent in accordance with the definition and materiality thresholds set above.

Recommendation 2.2: *The chair should be an independent director.*

The chair is an independent director.

Recommendation 2.3: *The roles of chair and chief executive officer should not be exercised by the same individual.*

The positions of chair and chief executive officer are held by separate persons.

Recommendation 2.4: *The board should establish a nomination committee.*

The Board has established a Remuneration and Nomination Committee which has a separate charter which describes its role, composition, functions and responsibilities. A copy of the charter is set out on the Company website.
The Remuneration and Nomination Committee oversees the appointment and induction process for directors and the selection, appointment and succession planning process of the Group's CEO. When a vacancy exists or there is a need for a particular skill, the Committee, in consultation with the Board, determines the selection criteria that will be applied. The Committee will then identify suitable candidates, with assistance from an external consultant if required, and will assist the Board in interviewing and assessing the selected candidates. Directors are initially appointed by the Board and must stand for re-election at the Group's next annual general meeting of shareholders. Directors must then retire from office and nominate for re-election at least once every three years with the exception of the Managing Director and Chief Executive Officer.

The Remuneration and Nomination Committee comprises Mr A W Kiernan (Chairman), Mr S I Cornelius and Mr I C R Gilchrist, being a majority of independent nonexecutive directors. Details of attendance at Remuneration and Nomination Committee meetings are set out in the Meetings of Directors section of the Directors' Report.

Recommendation 2.5: *Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

The Board may undergo periodic formal assessment processes, including assessment of the Board's committees, where applicable. An independent third party consultant may be used to facilitate the assessment.

An informal process of Board review which may be used by the Board requires each director to complete a questionnaire relating to the role, composition, procedures, practices and behaviour of the Board and its members. Senior executives having most direct contact with the Board may also be invited to complete similar questionnaires. Responses to the questionnaires are confidential and provided directly to the Chair. The Board as a whole then hold a facilitated discussion during which each Board member has the opportunity to raise any matter, suggestion for improvement or criticism with the Board as a whole.

The Chair of the Board may also meet individually with each Board member to discuss their performance. Non-executive directors may also meet to discuss the performance of the Chair or the Managing Director.

Recommendation 2.6: *Companies should provide the information indicated in the Guide to reporting on Principle 2.*

The skills, experience and period of office of Directors are set out in the Company's Directors' Report and on its website. A statement as to the Company's materiality thresholds can be found in the Company's Board Charter on the Company's website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1: *Companies should establish a code of conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Group recognises the importance of establishing and maintaining high ethical standards and decision making in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All directors, managers and employees are expected to act with the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Group.
The Company has established a Code of Conduct which can be viewed on its website. New employees are introduced to the Code of Conduct as part of their induction training. Employees sign a declaration confirming receipt of the Code of Conduct and their compliance with it. Unethical practices, including fraud, legal and regulatory breaches and policy breaches are required to be reported on a timely basis to management.

Recommendation 3.2: *Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.*

The Company has adopted a diversity policy which can be viewed on its website. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements and achieving these objectives in the future as director and senior executive positions become vacant and appropriately qualified candidates become available.

Recommendation 3.3: *Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.*

The Company has adopted a diversity policy which can be viewed on its website. The Diversity Policy outlines the requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. To assist in fostering diversity, the policy includes the requirement for the Company to take diversity of background into account (in addition to candidates' skills and experience in a variety of the specified fields) when selecting new directors, senior management and employees.

Recommendation 3.4: *Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.*

There are currently no women in senior executive positions or on the Board of the Company during this year. The proportion of women employees in the whole organisation is 20%.

Recommendation 3.5: *Companies should provide the information indicated in the Guide to reporting on Principle 3.*

A copy of the Company's Code of Conduct and Diversity Policy are set out on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1: *The board should establish an audit committee.*

The Company has established an Audit Committee which comprises three directors (A W Kiernan (Chair), S I Cornelius and I C R Gilchrist). The charter for this committee is disclosed on the Company's website.
All matters that might properly be dealt with by the Audit Committee are subject to regular scrutiny at full board meetings.

Recommendation 4.2: *The Audit Committee should be structured so that it:*

- *Consists only of non-executive directors*
- *Consists of a majority of independent directors*
- *Is chaired by an Independent Chair, who is not the Chair of the Board*
- *Has at least three members*

The Audit Committee is structured in accordance with Recommendation 4.2 and is comprised of three non-executive directors, A W Kiernan, S I Cornelius and I C R Gilchrist. The committee is chaired by A W Kiernan, who is a non-executive director of the Company. Details of attendance at Audit Committee meetings are set out in the Meetings of Directors section of the Directors' Report.

Recommendation 4.3: *The audit committee should have a formal charter.*

A copy of the Audit Committee Charter is available on the Company's website. The charter describes the Audit Committee's role, composition, functions and responsibilities.

Recommendation 4.4: *Companies should provide the information indicated in the Guide to reporting on Principle 4.*

The Audit Committee is to meet at least annually and otherwise as required.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLSURE

Recommendation 5.1: *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

The Company has established policies and procedures to ensure timely disclosure of all material matters concerning the Group and ensure that investors have access to information on the Group's financial performance. This ensures the Group is compliant with the information disclosure requirements under the ASX Listing Rules. The policies and procedures include a Continuous Disclosure Policy that includes identification of matters that may have a material impact on the price of the Company's securities, notifying them to the ASX, posting relevant information on the Group's website and issuing media releases.
Matters involving potential market sensitive information must first be reported to the Chief Executive Officer either directly or via the Company Secretary. The Chief Executive Officer will advise the Board if the issue is important enough and if necessary seek external advice. In all cases the appropriate action must be determined and carried out in a timely manner in order for the Group to comply with the Information Disclosure requirements of the ASX.
Once the appropriate course of action has been agreed upon, either the Chief Executive Officer or Company Secretary will disclose the information to the relevant authorities, being the only authorised officers of the Group who are able to disclose such information. Board approval is required for market sensitive information such as financial results and material transactions.
A copy of the Continuous Disclosure Policy is available on the Company's website. The Board receives monthly reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at each Board meeting.

Recommendation 5.2: *Companies should provide the information indicated in the Guide to reporting on Principle 5.*

A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: *Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

In line with adherence to the continuous disclosure requirements of the ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Half Yearly Report, Quarterly Reports, the Company website and the distributions of specific releases covering major transactions and events or other price sensitive information.
The Company values its relationship with shareholders and understands the importance of communication with them in accordance with the requirements of the ASX. To keep shareholders informed, the Company maintains a website at www.southbouldermines.com.au.

Recommendation 6.2: *Companies should provide the information indicated in the Guide to reporting on Principle 6.*

The Company has formulated a Communication Policy which can be viewed on the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: *Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

The Company has formulated a Risk Management Policy which can be viewed on the Company website. The Board is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems. Major risk categories reported include operational risk, environmental risk, sustainability, statutory reporting and compliance, financial risks (including financial reporting, treasury, information technology and taxation), occupational health and safety risks and market related risks.

Recommendation 7.2: *The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.*

The Board has established a Risk Committee and the Company's Risk Management Policy can be viewed on the Company's website. The Board recognises its responsibility for identifying areas of significant business risk and ensuring that arrangements are in place to adequately manage these risks. This issue is regularly reviewed at Board meetings and a risk management culture is encouraged amongst employees and contractors.

Recommendation 7.3: *The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

In accordance with the requirements of the Corporations Act 2001 and Principle 7 of the ASX Principles and Recommendations, the Chief Executive Officer and the Chief Financial Officer have provided a declaration in accordance with Section 295A of the Corporations Act and have assured the Board that the declaration is founded on sound systems of risk management and internal controls and that the systems are operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4: *Companies should provide the information indicated in the Guide to reporting on Principle 7.*

A summary of the Company's Risk Management Policy is available on the Company's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: *The board should establish a remuneration committee.*

As previously stated in Principle 2, the Board has established a Remuneration and Nomination Committee whose role is documented in a Charter which is approved by the Board and available on the Company's website.

Recommendation 8.2: *The remuneration committee should be structured so that it:*

- *consists of a majority of independent directors;*
- *is chaired by an independent chair; and*
- *has at least three members.*

The Remuneration and Nomination Committee is structured in accordance with Recommendation 8.2 and is comprised of three non-executive directors, A W Kiernan, S I Cornelius and I C R Gilchrist. The committee is chaired by A W Kiernan, who is a non-executive director of the Company. Details of attendance at Remuneration and Nomination Committee meetings are set out in the Meetings of Directors section of the Directors' Report.

Recommendation 8.3: *Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

All compensation arrangements for Directors and key management personnel are determined at Board level, in consultation with the Remuneration Committee, after taking into account the current competitive rates prevailing in the market.
Remuneration levels of Directors and key management personnel are set by reference to other similar sized mining and exploration companies with similar risk profiles and are set to attract and retain key executives capable of managing the Group's operations. Full details of the Group's Remuneration structure is set out in the Remuneration Report contained within the Directors' Report.

Recommendation 8.4: *Companies should provide the information indicated in the Guide to reporting on Principle 8.*

There are no termination or retirement benefits for non-executive directors (other than statutory superannuation). A copy of the Company's Remuneration Committee Charter is set out on the Company's website. Details of remuneration, including the Company policy on remuneration, are contained in the Remuneration Report which forms part of the Directors' Report.

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013	Notes	Consolidated 2013 $	2012 $
REVENUE			
Interest	4	**832,537**	691,872
Other income	5	**147,016**	210,400
Fair value movement of financial assets through the profit and loss		**1,057,756**	-
Gain on deconsolidation		**3,475,034**	-
EXPENDITURE			
Depreciation expense		**(206,233)**	(165,278)
Administration expenses		**(1,580,283)**	(1,324,242)
Exploration expenditure		**(8,768,823)**	(9,148,387)
Share based payment expense	25	**(256,563)**	(439,404)
Fair value movement of financial assets through the profit and loss		**-**	(1,666,484)
LOSS BEFORE INCOME TAX		**(5,299,559)**	(11,841,523)
INCOME TAX	7	**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF SOUTH BOULDER MINES LIMITED		**(5,299,559)**	(11,841,523)
Basic earnings per share (cents per share)	24	**(4.2)**	(11.6)
Diluted earnings per share (cents per share)	24	**(3.8)**	(10.6)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

AS AT 30 JUNE 2013	Notes	Consolidated 2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	8	**14,259,879**	21,288,409
Trade and other receivables	9	**132,059**	136,639
Financial assets at fair value through profit or loss	10	**-**	1,243,779
TOTAL CURRENT ASSETS		**14,391,938**	22,668,827
NON-CURRENT ASSETS			
Plant and equipment	11	**395,562**	288,169
TOTAL NON-CURRENT ASSETS		**395,562**	288,169
TOTAL ASSETS		**14,787,500**	22,956,996
CURRENT LIABILITIES			
Trade and other payables	12	**664,524**	1,745,275
Provisions	13	**66,702**	93,405
TOTAL CURRENT LIABILITIES		**731,226**	1,838,680
NON-CURRENT LIABILITIES			
Provisions	13	**13,288**	33,299
TOTAL NON-CURRENT LIABILITES		**13,288**	33,299
TOTAL LIABILITIES		**744,514**	1,871,979
NET ASSETS		**14,042,986**	21,085,017
EQUITY			
Issued capital	14	**38,934,640**	40,933,675
Reserves	15(a)	**7,164,292**	6,907,729
Accumulated losses	15(b)	**(32,055,946)**	(26,756,387)
TOTAL EQUITY		**14,042,986**	21,085,017

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013 Consolidated	Notes	Contributed Equity $	Options Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2011		23,185,805	6,468,325	(14,914,864)	14,739,266
Loss for the year	15(b)	-	-	(11,841,523)	(11,841,523)
TOTAL COMPREHENSIVE LOSS		23,185,805	6,468,325	(26,756,387)	2,897,743
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS		17,747,870	-	-	17,747,870
Shares issued during the year	14	-	439,404	-	439,404
Employee and contractor options	15(a)	-	-	-	-
BALANCE AT 30 JUNE 2012		40,933,675	6,907,729	(26,756,387)	21,085,017
BALANCE AT 1 JULY 2012		**40,933,675**	**6,907,729**	**(26,756,387)**	**21,085,017**
TOTAL COMPREHENSIVE LOSS		**-**	**-**	**(5,299,559)**	**(5,299,559)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the year	14	**4,784,500**	**-**	**-**	**4,784,500**
Employee and contractor options	15(a)	**-**	**256,563**	**-**	**256,563**
In-specie distribution		**(6,783,535)**	**-**	**-**	**(6,783,535)**
BALANCE AT 30 JUNE 2013		**38,934,640**	**7,164,292**	**(32,055,946)**	**14,042,986**

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2013	Notes	Consolidated 2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**983,102**	692,459
Payments to suppliers and employees		**(1,544,653)**	(873,381)
Proceeds from sale of tenement rights		**-**	200,000
Expenditure on mining interests		**(10,115,070)**	(7,883,320)
Proceeds on sale of financial assets at fair value through profit or loss		**-**	757,272
Payments for other financial assets at fair value through profit or loss		**(4,000)**	(101,750)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	23	**(10,680,621)**	(7,208,720)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(181,508)**	(221,627)
Proceeds from sale of plant and equipment		**49,000**	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(132,508)**	(221,627)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**4,784,500**	17,747,870
Payment to Duketon Mining Ltd on in-specie distribution		**(1,000,000)**	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**3,784,500**	17,747,870
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(7,028,629)**	10,317,523
Cash and cash equivalents at the beginning of the financial year		**21,288,409**	10,970,886
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	**14,259,780**	21,288,409

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of South Boulder Mines Limited and its subsidiaries. The financial statements are presented in the Australian currency. South Boulder Mines Limited is a company limited by shares, domiciled and incorporated in Australia. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of the South Boulder Mines Limited Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of South Boulder Mines Limited ("Company" or "parent entity") as at 30 June 2013 and the results of all subsidiaries for the year then ended. South Boulder Mines Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of South Boulder Mines Limited.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of South Boulder Mines Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is South Boulder Mines Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(e) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are consolidated at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(j) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(k) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets - reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within revenue from continuing operations or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

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

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

(l) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Group's policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(m) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(o) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 25.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(p) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(q) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group does not expect to adopt these new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in other Entities, revised AASB 127 Separate Financial Statements and AASB 12B Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013). AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements,* and Interpretation 12 *Consolidation – Special Purpose Entities.* The core principle remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence its returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionally consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group is yet to assess the full impact of AASB 11.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments. Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a 'partial disposal' concept. The Group is still assessing the impact of these amendments.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013). AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013). In July 2011 the AASB decided to remove the individual key management personnel disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2011.* While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 cycle (effective for annual periods beginning on or after 1 January 2013). In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The Group will apply the amendments from 1 July 2013. On initial application, the Group will need to include operating segment disclosure in interim financial reports and make adjustments to the accounting treatment of spare parts and servicing equipment previously included in inventory and reclassify them to property, plant and equipment.

AASB 2012-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective 1 July 2014). The AASB has made small changes to some of the disclosures that are required under AASB 136 *Impairment of Assets.* These may result in additional disclosures if the Group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The Group intends to apply the amendment from 1 July 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(t) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 25.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The Chief Financial Officer, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements. The international operations are at the start-up stage and there is only limited exposure at the reporting date to assets and liabilities denominated in foreign currencies. Hence the Group's current exposure to foreign currency risk is immaterial.

(ii) Price risk

The Group currently has no significant exposure to equity price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group's policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Groups $14,259,879 (2012: $21,288,409) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 4.9% (2012: 4.9%).

Sensitivity analysis

At 30 June 2013, if interest rates had changed by -/+ 80 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been $152,031 lower/higher (2012: $68,000 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings.

The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the Statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of geographic location of assets given that the type of work done in each location is of a similar nature. Operating segments are therefore determined on this basis.

Types of activites by segment

Australia

The Australia segment is engaged in mineral exploration on the Group's interests in Australia.

Eritrea

The Eritrea segment is engaged in mineral exploration on the Group's interests in Eritrea.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

3. SEGMENT INFORMATION (cont'd)

	Australia		Eritrea		Total	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Segment revenue						
Other income	**147,016**	210,400	**-**	-	**147,016**	210,400
Total segment revenue	**147,016**	210,400	**-**	-	**147,016**	210,400
Reconciliation of segment revenue to Group revenue						
Interest revenue					**832,537**	691,872
Fair value gains on financial assets					**1,057,756**	-
Gain on deconsolidaiton					**3,475,034**	-
Total Group revenue					**5,512,343**	902,272
Segment result						
Segment result before income tax	**(762,942)**	(1,089,701)	**(7,858,875)**	(7,848,286)	**(8,621,817)**	(8,937,987)
Reconciliation of segment result to Group loss before tax						
Depreciation					**(206,223)**	(165,278)
Interest revenue					**832,537**	691,872
Fair value gains/(losses) on financial assets					**1,057,756**	(1,666,484)
Administration and corporate charges					**(1,580,283)**	(1,324,242)
Share-based payment expenses					**(256,563)**	(439,404)
Gain on deconsolidation					**3,475,034**	-
Loss for the year					**(5,299,559)**	(11,841,523)
Segment assets	**-**	**-**	**314,825**	320,386	**314,825**	320,386
Reconciliation of segment assets to Group assets						
Corporate assets					**14,787,500**	22,636,610
Total Group assets from continuing operations					**14,787,500**	22,956,996
Segment liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Reconciliation of segment liabilities to Group liabilities						
Corporate liabilities					**744,514**	1,871,979
Total Group liabilities from continuing operations					**744,514**	1,871,979

	Consolidated	
	2013 $	2012 $
4. REVENUE		
From continuing operations		
Interest	**832,537**	691,872

	Consolidated 2012 $	Consolidated 2011 $
5. OTHER INCOME		
Fair value gains on financial assets at fair value through profit or loss	**1,057,756**	-
Net gain on sale or sub-let of tenement	**-**	210,400
	1,057,756	210,400
6. EXPENSES		
Profit / (loss) before income tax includes the following specific expenses:		
Foreign exchange losses	**54,353**	30,912
Minimum lease payments relating to operating leases	**129,983**	107,854
Defined contribution superannuation expense	**117,883**	82,371
7. INCOME TAX		
(a) Income tax expense/(benefit)		
Current tax	**-**	-
Deferred tax	**-**	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(5,299,559)**	(11,841,523)
Prima facie tax benefit at the Australian tax rate of 30% (2012: 30%)	**(1,589,868)**	(3,552,457)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**76,969**	131,821
Gain on deconsolidation	**(1,042,510)**	-
Movements in unrecognised temporary differences	**(317,327)**	499,945
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**2,872,736**	2,920,691
Income tax expense/(benefit)	**-**	-
(c) Deferred tax liabilities (at 30%)		
Financial assets at fair value through profit or loss	**(105,345)**	973,606
Deferred tax liabilities offset by deferred tax assets	**105,345**	(973,606)
	-	-
(d) Deferred Tax Assets (at 30%)		
On Income Tax Account		
Tax losses	**9,076,146**	6,203,410
Deferred tax assets offset against deferred tax liabilities	**105,345**	(973,606)
Deferred tax assets not brought to account	**(9,181,491)**	(5,229,804)
	-	-

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

	Consolidated 2013 $	Consolidated 2012 $
8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**470,594**	806,756
Short-term deposits	**13,789,285**	20,481,653
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**14,259,879**	21,288,409

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES		
Trade and other receivables	**132,059**	136,639
10. CURRENT ASSETS – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Australian listed equity securities	**-**	3,565,785

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income (note 5) or other expenses in the statement of comprehensive income.

11. NON-CURRENT ASSETS - PLANT AND EQUIPMENT		
Plant and equipment		
Cost	**1,025,545**	765,631
Accumulated depreciation	**(629,983)**	(477,462)
Net book amount	**395,562**	288,169
Plant and equipment		
Opening net book amount	**288,169**	231,820
Additions	**314,724**	221,627
Disposals	**(49,100)**	-
Depreciation charge	**(206,233)**	(165,278)
Closing net book amount	**347,560**	288,169
12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade payables	**614,524**	1,037,416
Other payables and accruals	**50,000**	707,859
	664,524	1,745,275
13. PROVISIONS		
CURRENT		
Employee entitlements	**-**	93,405
NON-CURRENT		
Employee entitlements	**13,288**	33,299

Employee entitlements relate to the balance of annual leave and long service leave accrued by the Group's employees. Recognition and measurement criteria have been disclosed in Note 1.

14. ISSUED CAPITAL

(a) Share capital

	Notes	2013 Number of shares	2013 $	2012 Number of shares	2012 $
Ordinary shares fully paid	14(b), 14(d)	**127,952,826**	**38,934,640**	120,969,668	40,933,675
Total issued capital		**127,952,826**	**38,934,640**	120,969,668	40,933,675

	2013 Number of shares	2013 $	2012 Number of shares	2012 $
(b) Movements in ordinary share capital				
Beginning of the financial year	**120,969,668**	**40,933,675**	87,115,688	23,185,805
Issued during the year:				
• Issued on exercise of options (20 cents)	**1,650,000**	**330,000**	8,000,000	1,600,000
• Issued on exercise of options (35 cents)	**70,000**	**24,500**	520,000	182,000
• Issued on exercise of options (75 cents)	**-**	**-**	1,100,000	825,000
• Rights issue (55 cents)	**-**	**-**	19,347,138	10,640,870
• Rights issue (nil – underwriter shares)	**-**	**-**	150,000	-
• Issued for cash at $0.95 per share (i)	**5,263,158**	**4,430,000**	4,736,842	4,500,000
• In-specie distribution	**-**	**(6,783,535)**	-	-
End of the financial year	**127,952,826**	**38,934,640**	120,969,668	40,933,675

(i) Final tranche of a placement arranged in the previous financial year to Meridian Capital International Fund.

(c) Movements in options on issue

	Number of options 2013	Number of options 2012
Beginning of the financial year	**10,320,000**	18,690,000
Issued during the year:		
• Exercisable at $1.449, on or before 17 July 2014	**5,450,000**	**-**
• Exercisable at $1.449, on or before 30 November 2015	**500,000**	**-**
• Exercisable at $1.949, on or before 30 November 2015	**500,000**	**-**
• Exercisable at $0.599, on or before 31 January 2016	**700,000**	**-**
• Exercisable at $0,649, on or before 31 January 2016	**1,000,000**	**-**
• Exercisable at $0.949, on or before 31 January 2016	**1,300,000**	
• Exercisable at $2.00, on or before 31 March 2015	**-**	1,250,000
Exercised, cancelled or expired during the year:		
• Exercisable at 20 cents, on or before 30 November 2012	**(1,000,000)**	(1,100,000)
• Exercisable at 20 cents, on or before 30 June 2014	**(150,000)**	(3,900,000)
• Exercisable at 20 cents, on or before 31 March 2015	**-**	(3,000,000)
• Exercisable at 35 cents, on or before 31 July 2013	**(70,000)**	(520,000)
• Exercisable at 50 cents, on or before 19 August 2010	**-**	-
• Exercisable at 75 cents, on or before 30 June 2015	**-**	(1,100,000)
• Exercisable at $0.35, on or before 31 July 2015	**(500,000)**	-
End of the financial year	**18,050,000**	10,320,000

14. ISSUED CAPITAL (cont'd)

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

	Consolidated	
	2013	2012
	$	$

(e) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2012 and 30 June 2011 are as follows:

Cash and cash equivalents	**14,259,879**	21,288,409
Trade and other receivables	**132,059**	136,639
Financial assets at fair value through profit or loss	**-**	1,243,779
Trade and other payables	**(731,226)**	(1,838,680)
Working capital position	**13,660,712**	20,830,147

15. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

Share-based payments reserve

Balance at beginning of year	**6,907,729**	6,468,325
Employees and contractors share options (note 25)	**256,563**	439,404
Balance at end of year	**7,164,292**	6,907,729

(b) Accumulated losses

Balance at beginning of year	**(26,756,387)**	(14,914,864)
Net loss for the year	**(5,347,561)**	(11,841,523)
Balance at end of year	**(32,103,948)**	(26,756,387)

(c) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel

The Key Management Personnel of South Boulder Mines Ltd and the Group during the year included:

a) **Directors**

T R Grammer	Non-Executive Chairman (resigned 15 July 2013)
D L Hughes	Managing Director (resigned 6 February 2013)
A W Kiernan	Non-Executive Director (appointed 15 October 2012)
L R Cornelius	Executive Director
I C R Gilchrist	Non-Executive Director

b) **Named Executives**

P M Donaldson	Chief Executive Officer (appointed 1 February 2013)
F L Garofalo	Chief Financial Officer
D W Wilkins	Company Secretary

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid or payable to key management personnel.

(b) Key management personnel compensation

	Consolidated	
	2013	2012
	$	$
Short-term benefits	1,283,799	750,983
Post employment benefits	82,336	46,428
Other long-term benefits	-	-
Termination benefits	322,640	-
Share-based payments	234,643	12,452
	1,923,418	809,863

(c) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report contained within the Directors' Report.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of South Boulder Mines Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2013	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of South Boulder Mines Limited							
T R Grammer (a)	1,600,000	-	(1,000,000)	-	600,000	-	-
D L Hughes (b)	2,500,000	-	-	(2,500,000)	-	-	-
A W Kiernan	-	1,000,000	-	-	1,000,000	1,000,000	-
L R Cornelius	-	-	-	-	-	-	-
I C R Gilchrist	-		-	-	-	-	-
Other key management personnel of the Group							
P M Donaldson	-	3,000,000	-	-	3,000,000	3,000,000	-
F Garofalo	-	-	-	-	-	-	-
D W Wilkins	-	-	-	-	-	-	-

(a) Resigned on 15 July 2013.
(b) Resigned on 1 February 2013.

All vested options are exercisable at the end of the year.

2012	*Balance at start of the year*	*Granted as compensation*	*Exercised*	*Other changes*	*Balance at end of the year*	*Vested and exercisable*	*Unvested*
Directors of South Boulder Mines Limited							
T R Grammer	*1,600,000*	*-*	*-*	*-*	*1,600,000*	*1,600,000*	*-*
D L Hughes	*3,000,000*	*-*	*(500,000)*	*-*	*2,500,000*	*2,500,000*	*-*
L R Cornelius	*4,650,000*	*-*	*(4,650,000)*	*-*	*-*	*-*	*-*
Other key management personnel of the Consolidated Entity							
F L Garofalo	*-*	*-*	*-*	*-*	*-*	*-*	*-*
D W Wilkins	*-*	*-*	*-*	*-*	*-*	*-*	*-*

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of South Boulder Mines Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2013 **Ordinary shares**	**Balance at start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at end of the year**
Directors of South Boulder Mines Limited				
T R Grammer (resigned 15 July 2013)	**492,000**	**1,000,000**	**-**	**1,492,000**
D L Hughes (resigned 1 February 2013)	**1,409,934**	**-**	**(1,409,934)**	**-**
A W Kiernan	**-**	**-**	**20,000**	**20,000**
L R Cornelius	**13,148,806**	**-**	**-**	**13,148,806**
I C R Gilchrist	**-**	**-**	**30,000**	**30,000**
Other key management personnel of the Group				
P M Donaldson	**-**	**-**	**-**	**-**
F L Garofalo	**20,000**	**-**	**-**	**20,000**
D W Wilkins	**165,000**	**-**	**(165,000)**	**-**

2012 *Ordinary shares*	*Balance at start of the year*	*Received during the year on the exercise of options*	*Other changes during the year*	*Balance at end of the year*
Directors of South Boulder Mines Limited				
T R Grammer	*410,000*	*-*	*82,000*	*492,000*
D L Hughes	*674,945*	*500,000*	*234,989*	*1,409,934*
L R Cornelius	*6,307,338*	*4,650,000*	*2,191,468*	*13,148,806*
Other key management personnel of the Group				
F L Garofalo	*-*	*-*	*20,000*	*20,000*
D W Wilkins	*-*	*500,000*	*(335,000)*	*165,000*

(iv) Performance Rights held by Key Management Personnel

The Performance Rights Plan and issue of rights during the year was approved by shareholders at the 2011 Annual General Meeting of the Company.

2013 Performance Rights	Balance at start of the year	Granted as Remuneration	Other changes during the year	Balance at end of the year	Performance Rights Vested
Directors of South Boulder Mines Limited					
T R Grammer (a)	**100,000**	-	-	**100,000**	-
D L Hughes (b)	**300,000**	-	**(300,000)**	-	-
A W Kiernan	-	**225,000**	-	**225,000**	-
L R Cornelius	**100,000**	-	-	**100,000**	
I C R Gilchrist	**200,000**	-	-	**200,000**	-
Other key management personnel of the Group					
P M Donaldson	-	-	-	-	-
F L Garofalo	-	-	-	-	-
D W Wilkins	-	-	-	-	-

(a) Mr Grammer resigned on 15 July 2013 and the Performance Rights were terminated on that date.
(b) Mr Hughes resigned on 1 February 2013 and Performance Rights were terminated on that date.

2012 Performance Rights	*Balance at start of the year*	*Granted as Remuneration*	*Other changes during the year*	*Balance at end of the year*	*Performance Rights Vested*
Directors of South Boulder Mines Limited					
T Grammer	-	*100,000*	-	*100,000*	-
L Hughes	-	*300,000*	-	*300,000*	-
L Cornelius	-	*100,000*	-	*100,000*	-
I Gilchrist	-	*200,000*	-	*200,000*	-
Other key management personnel of the Group					
D Wilkins	-	-	-	-	-
F Garofalo	-	-	-	-	-

(d) Loans to key management personnel

There were no loans to key management personnel during the year.

(e) Other transactions with key management personnel

DWCorporate Pty Ltd, a business of which Mr Wilkins is principal, provided company secretarial and other corporate services to South Boulder Mines Limited during the year. The amounts paid were at arms-length and are included as part of Mr Wilkins' compensation.

Gilchrist Mining, a business of which Mr Gilchrist is principal, provided technical services to South Boulder Mines Limited during the year. The amounts paid were at arms-length and are included as part of Mr Gilchrist's compensation.

A W Kiernan Pty Ltd, a business of which Mr Kiernan is principal, provided company consulting services to South Boulder Mines Limited during the year. The amounts paid were at arms- length and are included as part of Mr Kiernans' compensation. Refer to the Remuneration Report in the Directors' Report section for further details.

17. REMUNERATION OF AUDITORS

	Consolidated	
	2013	**2012**
	$	**$**
During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:		
(a) Audit services		
Rothsay Chartered Accountants - audit and review of financial reports	**44,000**	44,000

(b) Non-audit services

There were no fees payable to Rothsay Chartered Accountants for non-audit services during the year.

18. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at balance date.

	Consolidated	
	2013	2012
	$	$
19. COMMITMENTS		
(a) Exploration commitments		
The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:		
within one year	**3,400,000**	6,048,042
later than one year but not later than five years	**-**	-
	3,400,000	6,048,042
(b) Lease commitments: Group as lessee		
Operating leases (non-cancellable):		
Minimum lease payments		
within one year	**109,172**	**90,396**
later than one year but not later than five years	**327,516**	**361,584**
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**436,688**	**451,980**

The minimum future payments above relate to non-cancellable operating leases for offices.

(c) Remuneration commitments		
Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in the remuneration report contained within the Directors' Report that are not recognised as liabilities and are not included in the key management personnel compensation.		
within one year	**291,667**	317,750
later than one year but not later than five years	**-**	-
	291,667	317,750

20. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is South Boulder Mines Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 21.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 16.

21. SUBSIDIARY

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding	
			2013 %	2012 %
STB Eritrea Pty Ltd	Australia	Ordinary	**100**	100
Duketon Mining Ltd	Australia	Ordinary	**-**	100

The proportion of ownership interest is equal to the proportion of voting power held. During the year, an in-specie distribution of the Duketon Mining Limited shares was completed. The demerger of the non-potash assets including listed investments and cash of $1 million was implemented on 15 April 2013 via an in-specie distribution of 100% of the shares in Duketon to shareholders of South Boulder.

22. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No matter or circumstance has arisen since 30 June 2013, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

	Consolidated	
	2013 $	2012 $
23. STATEMENT OF CASH FLOWS		
(a) Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(5,299,559)**	(11,841,523)
Non-Cash Items		
Depreciation of plant and equipment	**206,233**	165,278
Share-based payment expense	**256,563**	439,404
Fair value (gains)/losses on financial assets at fair value through profit and loss	**(1,057,756)**	1,666,484
Loss on sale of plant and equipment	**22,168**	-
Gain on deconsolidation	**(3,475,034)**	-
Change in operating assets and liabilities		
(Increase) in trade and other receivables	**4,580**	(6,363)
(Increase)/decrease in financial assets at fair value through profit or loss	**-**	688,851
Increase/(decrease) in trade and other payables	**(1,291,113)**	1,585,744
Increase/(decrease) in provisions	**(46,703)**	93,405
Net cash outflow from operating activities	**(10,680,621)**	(7,208,720)

(b) Non-cash investing and financing activities

During the year, a controlled entity, Duketon Mining Ltd, was demerged from the Group. Aggregate details of this transaction are:

Cash	**378**	-
Property, plant and equipment	**1,432**	-
Payables	**(21,011)**	-
Gain on deconsolidation	**(3,475,034)**	-

24. LOSS PER SHARE

	Consolidated	
	2013	2012
	$	$
(a) Reconciliation of earnings used in calculating earnings per share		
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(5,299,559)**	(11,841,523)

(b) Weighted average number of shares used as the denominator	No. of Shares	No. of Shares
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**127,301,704**	101,698,565
Weighted average number of ordinary shares used as the denominator in calculating diluted loss per share	**138,345,348**	112,018,017

25. SHARE-BASED PAYMENTS

a) Option Plans

The Group provides benefits to employees (including directors), contractors and consultants of the Group in the form of share-based payment transactions, whereby employees, contractors and consultants render services in exchange for options to acquire ordinary shares. All options issued have exercise prices ranging from $0.149 each to $1.949 each and expiry dates ranging from 17 July 2013 to 31 January 2016.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Set out below are summaries of the options granted:

	Consolidated			
	2013		2012	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**10,320,000**		18,690,000	36.5
Granted (i)	**9,450,000**		1,250,000	200.0
Forfeited	**-**		-	-
Exercised	**(1,720,000)**		(9,620,000)	23.6
Expired	**-**		-	-
Outstanding at year-end	**18,050,000**		10,320,000	65.0
Exercisable at year-end	**18,050,000**		10,320,000	65.0

(i) Includes 5,450,000 options granted to Merridian Capital International Fund as part of an equity raising completed during the year.

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.5 years (2012: 2.2 years), with exercise prices ranging from $0.149 to $1.949.

The weighted average fair value of the options granted during the year was $0.12 (2012: $0.34). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2013	2012
Weighted average exercise price	**$1.26**	$2.00
Weighted average life of the option (years)	**1.7**	3.0
Weighted average underlying share price	**$0.69**	$1.00
Expected share price volatility	**50%**	75%
Risk free interest rate	**2.54%**	4.25%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate. The life of the options is based on historical exercise patterns, which may not eventuate in the future.

b) Performance Rights Plan

The Performance Rights Plan was approved at the 2011 annual general meeting of the company. Under the Performance Rights Plan, shares are issued in the future subject to the performance based vesting conditions being met. The vesting conditions include the following:

Class 1:

- 50% upon completion of a Feasibility Study for the Colluli Potash Project; and
- 50% upon completion of securing finance for the development of the Colluli Potash Project

Class 2:

- 33% upon signing of the ENAMCO agreements for the Colluli Potash Project
- 33% upon granting of a Mining License for the Colluli Potash Project
- Balance upon completion of securing finance for the development of the Colluli Potash Project

Subject to achievement of either one of these performance conditions, one share will be issued for each Performance Right that has vested. The following were issued in 2013:

2013 Performance Rights Grant Date	**Balance at start of the year**	**Granted during the year**	**Other changes during the year**	**Balance at end of the year**	**Performance Rights Vested**
25 January 2012 (Class 1)	**700,000**	**-**	**(300,000)**	**400,000**	**-**
15 May 2012 (Class 1)	**772,000**	**-**	**-**	**772,000**	**-**
12 December 2012 (Class 2)	**-**	**225,000**	**-**	**225,000**	**-**
TOTAL	**1,472,000**	**225,000**	**(300,000)**	**1,397,000**	**-**

2012 Performance Rights Grant Date	*Balance at start of the year*	*Granted during the year*	*Other changes during the year*	*Balance at end of the year*	*Performance Rights Vested*
25 January 2012	*-*	*700,000*	*-*	*700,000*	*-*
15 May 2012	*-*	*772,000*	*-*	*772,000*	*-*
TOTAL	*-*	*1,472,000*	*-*	*1,472,000*	*-*

c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated	
	2013	**2012**
	$	**$**
Options and Performance Rights issued to employees and contractors	**256,563**	439,404

	2013 $	2012 $

26. PARENT ENTITY INFORMATION

The following information relates to the parent entity, South Boulder Mines Limited, at 30 June 2013. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

Current assets	**14,050,784**	22,596,854
Non-current assets	**19,400,190**	10,994,357
Total assets	**33,450,974**	33,591,211
Current liabilities	**731,227**	1,838,680
Non-current liabilities	**13,288**	33,299
Total liabilities	**744,515**	1,871,979
Issued capital	**38,934,640**	40,933,675
Share-based payments reserve	**7,164,292**	6,907,729
Accumulated losses	**(13,392,473)**	(16,122,172)
Total equity	**32,706,459**	31,719,232
Profit/(Loss) for the year	**2,729,699**	(3,993,237)
Total comprehensive profit/(loss) for the year	**2,729,699**	(3,993,237)

27. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

28. INTERESTS IN JOINT VENTURES

The Group had no interest in the joint ventures following the in-specie distribution of Duketon Mining Ltd.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 22 to 47 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Group's financial position as at 30 June 2013 and of their performance for the financial year ended on that date;

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

(c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Seamus Cornelius
CHAIRMAN

Perth, 17 September 2013

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SOUTH BOULDER MINES LTD

Report on the financial report

We have audited the accompanying financial report of South Boulder Mines Ltd (the Company") which comprises the balance sheet as at 30 June 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

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

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

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Audit opinion

In our opinion the financial report of South Boulder Mines Ltd is in accordance with the *Corporations Act 2001*, including:

a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Audit opinion

In our opinion the remuneration report of South Boulder Mines Ltd for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Graham R Swan FCA
Partner

Dated 17 September 2013

Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 16 September 2013.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Ordinary Shares	Unlisted Share Options	Performance Rights
1	-	1,000	759	-	-
1,001	-	5,000	1,225	-	-
5,001	-	10,000	474	-	2
10,001	-	100,000	664	-	7
100,001		and over	99	6	5
TOTAL			3,221	6	14

The number of shareholders holding less than a marketable parcel was 1,321.

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	HSBC Custody Nominees Australia Ltd	15,656,656	12.24%
2	Cornelius, Liam Raymond	11,958,806	9.35%
3	Meridian Capital International Fund	10,000,000	7.82%
4	Citicorp Nominees Pty Ltd	7,811,686	6.11%
5	JP Morgan Nominees Australia Ltd Cash Income A/C	6,536,868	5.11%
6	Alpha Boxer Ltd	4,625,400	3.61%
7	National Nominees Ltd	4,436,466	3.47%
8	Kongming Investments Ltd	2,889,200	2.26%
9	Maslin Anthony + Norris M	2,452.320	1.92%
10	Ranguta Ltd	2,250,000	1.76%
11	Zero Nominees Pty Ltd	1,950,000	1.52%
12	Grandor Pty Ltd	1,906,077	1.49%
13	Arotinco Resources Pty Ltd	1,410,000	1.10%
14	Aradia Ventures Pty Ltd	1,360,000	1.06%
15	Sino West Assets Ltd	1,216,900	0.95%
16	Ms Dianne Claire Grammer	1,020,000	0.80%
17	Ranguta Ltd	1,005,000	0.79%
18	De Jong, Jacobus Gerardus	975,697	0.76%
19	Pennock Pty Ltd	750,000	0.59%
20	Giles, Michael Asley	750,000	0.59%
		80,961,076	63.30%

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
Sprott Asset Management LP (SAM)	16,327,220
Meridian Capital International Fund	11,574,591

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. Holders of unlisted options and performance rights do not have voting rights.

(e) Schedule of Interests in Mining Tenements

Tenement :	Colluli, Eritrea
License Type:	Exploration License
Nature of Interest:	Owned
Current Equity:	100%

SOUTH BOULDER
MINES LTD

FORGE CREATIVE

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PO Box 970 WEST PERTH WA 6872

Management

Non–Executive Chairman

Seamus Ian Cornelius

Non–Executive Directors

Anthony William Kiernan
Liam Raymond Cornelius
Ian Christopher Robertson Gilchrist

Chief Executive Officer

Paul Michael Donaldson

Chief Financial Officer

Flavio Lino Garofalo

Company Secretaries

Flavio Lino Garofalo
Dennis William Wilkins