

ASX Release

31 January 2014

Company Details

ASX Code:	STB
Share Price	\$0.20
Market Cap	\$26M
Shares on issue	128M
Company options	22M
Cash at Bank	\$11M

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QUARTERLY REPORT

for the period ending 31 December 2013

HIGHLIGHTS

COLLULI POTASH PROJECT, ERITREA

- Work on the Definitive Feasibility Study continued with a focus on establishing the processing requirements for all potassium-bearing salts within the resource including sylvinitic, polysulphate, carnallite and kainite.
- Shareholders Agreement signed between the Eritrean National Mining Corporation (“ENAMCO”) and South Boulder outlining the key joint venture terms covering the Colluli Potash Project’s development.

CORPORATE

- Strong cash position of \$11.4M at Quarter-end.
- Exercise of 150,000 unlisted options during the Quarter.

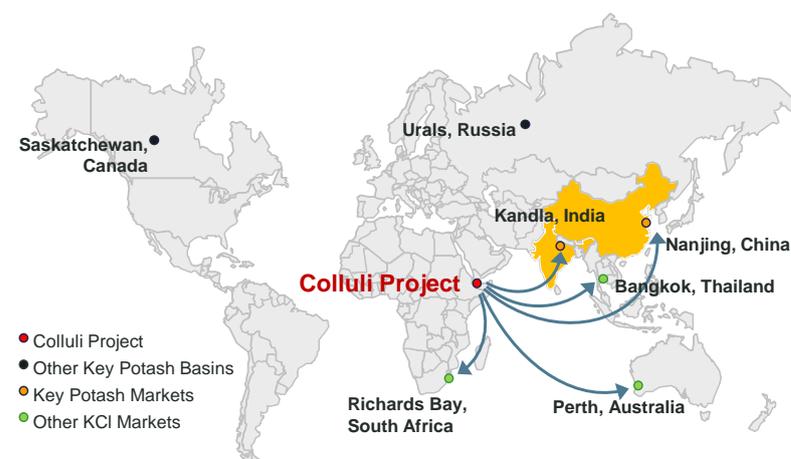


Figure 1: Colluli Project location and port access

COLLULI POTASH PROJECT

OVERVIEW

South Boulder Mines Ltd (ASX: STB) (“South Boulder” or “the Company”) is pleased to provide the following quarterly update for activities at its Colluli Potash Project (“Colluli” or “the Project”), located in Eritrea, East Africa.

The Colluli Potash Project is situated in the Danakil region of Eritrea, approximately 200km south-east of the capital city, Asmara. South Boulder has been actively exploring for potash at Colluli since 2009, having now identified a contained KCl resource of 194Mt and covering an area of approximately 500km².

Colluli is the world’s shallowest potash deposit (starting at 16m below surface), facilitating the potential for a low CAPEX open pit mining development. The JORC/NI 43-101 Compliant Mineral Resource Estimate for Colluli now stands at 1.08 billion tonnes @ 18% KCl for 194Mt of contained potash. There is substantial upside for the Project from the exploitation of other contained products within the resource.

PROJECT AGREEMENT

During the Quarter, the Company completed and signed a Shareholders Agreement with the Eritrean National Mining Corporation (ENAMCO) outlining the key joint venture terms covering the development of the Colluli Potash Project.

The signing of the Shareholders Agreement enables the joint venture company, Colluli Mining Share Company (“CMSC”) to be formally incorporated and established. This in turn will pave the way for all the relevant licences to be transferred to CMSC, which will own and operate the Colluli Potash Project.

The key terms of the Shareholders Agreement are outlined below:

- ENAMCO and STB will each hold a 50% ownership in the Project through a newly formed company, Colluli Mining Share Company (“CMSC”);
- It is proposed that project development costs for the 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, South Boulder will be required to provide the debt to CMSC on arms’ length commercial terms;
- The balancing 30% project equity required for the initial development costs will be funded by South Boulder. The Company will be entitled to recoup 50% of this equity as a preferential payment from 50% of the project cash flows (subject to ongoing funding requirements of CMSC) that would have otherwise been available to all equity holders; and
- CMSC will have a Board of five comprising three members from South Boulder and two from ENAMCO.

PROJECT UPDATE

Work continued during the Quarter on the Colluli Definitive Feasibility Study (“DFS”), which has been expanded to investigate the impact of unlocking all four principal minerals within the resource, including the sylvinite, polysulphate, carnallite and kainite. Key activities during the Quarter included:

- Completion of an in-country freight and logistics study to review and validate feasibility costs and evaluate alternative options to reduce total CAPEX;
- A review of the drill-hole database and sample management practices to validate the resource composition;

- A comprehensive review of the mine plan and optimisation based on the resource block model.

The current Colluli resource is detailed below:

Table 1 - Occurrence	Tonnes (Mt)	Equivalent KCl	Contained KCl (Mt)
Measured	262	17.9%	47
Indicated	675	18.0%	121
Inferred	143	18.0%	26
Total	1,080	18.0%	194

Table 2 - Occurrence	Tonnes (Mt)	Equivalent KCl	Contained KCl (Mt)	% of Total Resource
Sylvinite(KCl.NaCl)	110	28.4%	31	16%
Polysulphate(K ₂ SO ₄ .NaCl.MgSO ₄ .H ₂ O)	65	10.8%	7	4%
Carnallite(KCl.MgCl ₂ .H ₂ O)	309	12.3%	38	19%
Kainitite(KCl.MgSO ₄ .H ₂ O)	596	19.8%	118	61%
Total	1,080	18.0%	194	100%

Table 1: Colluli Project Mineral Resource Estimate by classification

Table 2: Colluli Project Mineral Resource Estimate by potash mineral

Note: This information above was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported by independent consultants ERCOSPLAN and announced by South Boulder on 16 April 2012).

The initial development approach for Colluli focussed on processing sylvinitite only to produce potassium chloride (MOP) fertiliser. Sylvinitite represents only 16% of the potassium-bearing salts within the resource and, following a comprehensive review, the Company has identified the potential to develop the Colluli Project into a multi-commodity agri-chemical business.

A number of processing options have been under examination, including solar ponds, flotation and hot leaching. There is potentially value associated with other non-potassium salts within the resource, including rock salt, gypsum and magnesium chloride – which represent potential long-term, low-margin products that would support and enhance project economics.

The focus remains on potassium salts for project start-up and the results from the processing review are expected in the March 2014 Quarter. The work currently being undertaken on the principal infrastructure elements of the project as part of the DFS – including mining, processing, infrastructure and sustainability – will incorporate the processing requirements for all potassium-bearing salts within the resource.

Once operational, the Colluli Potash Project would be the only open pit potash mine in the world and is the world's shallowest potash deposit, starting at just 16m below surface.

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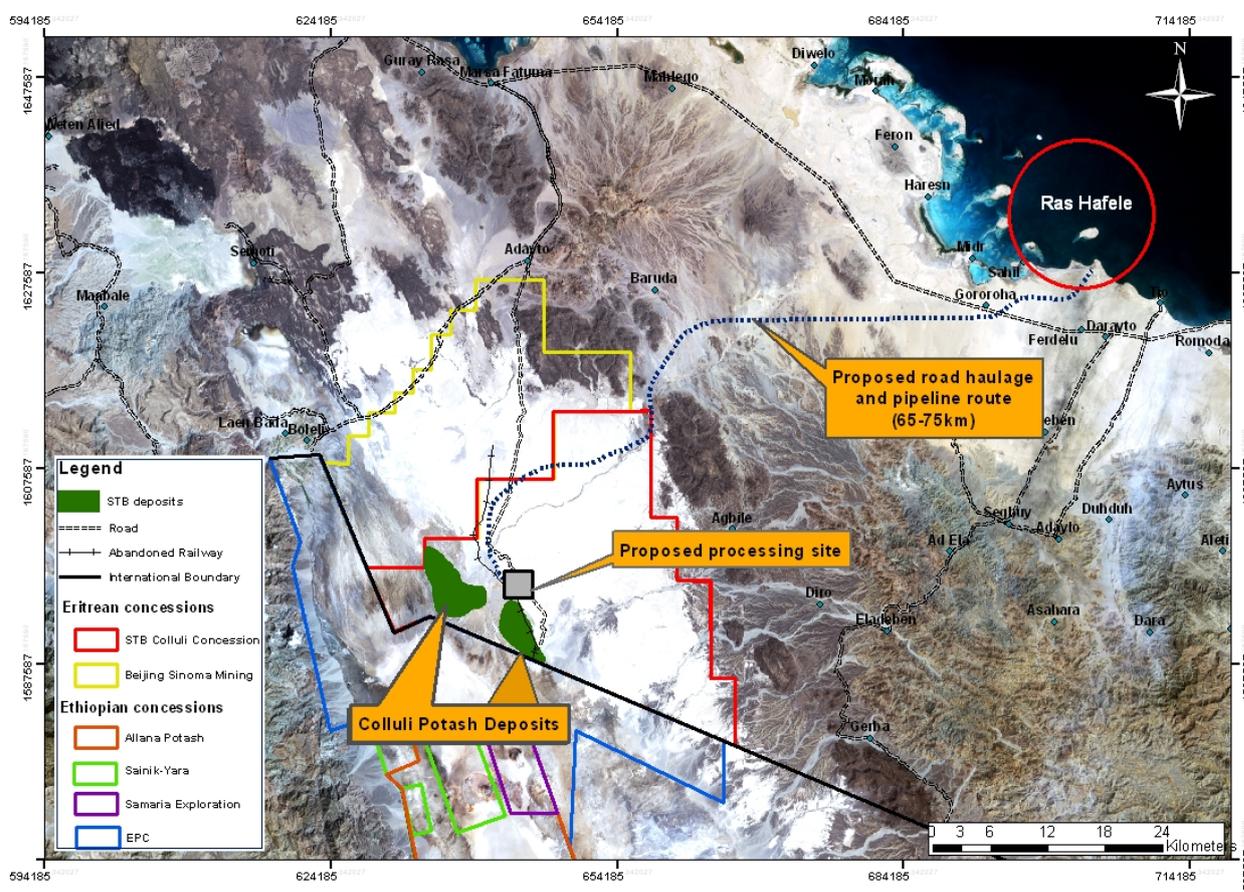


Figure 2: Colluli Project tenement boundary

EXPLORATION

There was no exploration activity during the Quarter as all work was focussed on progressing the feasibility and technical studies on the Colluli Potash Project.

CORPORATE

CASH

Consolidated cash on hand as at 31 December 2013 was \$11.4 million.

EQUITY

Share Capital

The Company's issued capital increased during the Quarter by 225,000 ordinary fully paid shares following the conversion of 150,000 unlisted options and the vesting of 75,000 performance rights. Total issued capital at the end of the Quarter was 128,177,826 ordinary fully paid shares.

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Options

During the Quarter, 150,000 unlisted options exercisable at \$0.149 each were exercised, raising \$22,350. There were 6,000,000 unlisted options issued at an exercise price of \$0.34 each and expiring on 29 November 2016. The balance of unlisted options as at 31 December 2013 is listed below:

Option Expiry Date	Number of Options	Exercise Price
30 June 2014	1,450,000	\$0.149
17 July 2014	5,450,000	\$1.449
31 March 2015	1,250,000	\$1.949
30 June 2015	3,800,000	\$0.699
30 November 2015	500,000	\$1.449
30 November 2015	500,000	\$1.949
31 January 2016	700,000	\$0.599
31 January 2016	1,000,000	\$0.649
31 January 2016	1,300,000	\$0.949
29 November 2016	6,000,000	\$0.34

Performance Rights

The South Boulder Mines Ltd Performance Rights Plan was approved at the 2011 Annual General Meeting. The purpose of the Plan is to provide recognition to employees of the Company and its subsidiaries for their continued and ongoing support of the Company. During the Quarter, 75,000 Class 2 Performance Rights vested following the signing of the agreement between ENAMCO and South Boulder.

A total of 842,000 Class 1 Performance Rights were outstanding at the end of the Quarter and 150,000 Class 2 Performance Rights were outstanding at the end of the Quarter.

Performance Rights are 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; and
- Balance upon completion of securing finance for the development of the Colluli Potash Project

FINANCE

Discussions are continuing with potential strategic investors for the Colluli Project and have been conducted in various forms including site visits to Project from participants in the potash and natural resources industry.

Azure Capital continues to provide the Company with advice on the evaluation of the Colluli Potash Project including Government negotiations and project financing evaluations.

INTERESTS IN MINING TENEMENTS

The Exploration Licence covering the Colluli Potash Project covers an area of approximately 500km² with further details provided below. There was no change in tenement holding during the Quarter.

<i>Tenement Reference:</i>	<i>Colluli</i>
<i>Licence Type:</i>	<i>Exploration Licence</i>
<i>Location::</i>	<i>Eritrea</i>
<i>Current Equity:</i>	<i>50%</i>

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ABN: 56 097 904 302

Paul Donaldson
CHIEF EXECUTIVE OFFICER

Flavio Garofalo
COMPANY SECRETARY

About South Boulder Mines Ltd

South Boulder is an ASX-listed (ASX: STB) resources company currently developing the emerging, world-class Colluli Potash Project located in Eritrea, Africa. The Colluli Potash Project is located in the Danakil Depression region of Eritrea ~65km from the coast comprising approximately 500km². South Boulder Mines Limited has been actively exploring for potash at the Colluli Potash Project in Eritrea since 2009. Colluli is the world's shallowest potash deposit (starting at 16m), facilitating the low capex open pit mining and favourably positioned to supply the world's fastest growing markets.

The JORC/NI43-101 Compliant Mineral Resource Estimate for the flagship Colluli Potash Project now stands at 1.08 billion tonnes @ 18% KCl for 194Mt of contained potash. Substantial project upside exists in higher production capacity and market development for other contained products. Engineering Scoping Study (ESS) results were favourable, proving that an economic 2Mt p.a. potash mine can be built at a materially lower cost than typical potash development. The start-up capital cost for Colluli is one of the lowest in the industry; couple this with cheap expansion capability via open pit mining methods, excellent infrastructure and location, and it becomes even more attractive, ensuring South Boulder gains a high level of investment interest for the long term. South Boulder Mines Ltd is working steadily towards developing the world's first, modern, open pit potash mine.

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.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported by independent consultants ERCOSPLAN and announced by South Boulder on 16 April 2012.

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.

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Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

South Boulder Mines Limited

ABN

57 097 904 302

Quarter ended ("current quarter")

31 December 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(1,785)	(2,647)
(b) development	-	-
(c) production	-	-
(d) administration	(292)	(606)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	66	277
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - research and development grant	91	91
- sundry income	11	11
Net Operating Cash Flows	(1,909)	(2,874)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	2	4
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	2	4
1.13 Total operating and investing cash flows (carried forward)	(1,907)	(2,870)

+ See chapter 19 for defined terms.

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,907)	(2,870)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	22	22
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) – payment to Duketon Mining Ltd per in-specie distribution	-	-
Net financing cash flows		22	22
Net increase (decrease) in cash held		(1,885)	(2,848)
1.20	Cash at beginning of quarter/year to date	13,297	14,260
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	11,412	11,412

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	84
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions Item 1.2 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.	

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	Nil
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

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

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	1,416
4.2	Development	-
4.3	Production	-
4.4	Administration	276
Total		1,692

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	316	479
5.2	Deposits at call	11,096	12,818
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		11,412	13,297

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

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Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference *securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	128,177,826	128,177,826		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	150,000 75,000	150,000 75,000	\$0.149 Nil – (Performance shares - Class 2)	
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	1,450,000		\$0.149	30/06/2014
	5,450,000		\$1.449	17/07/2014
	1,250,000		\$1.949	31/03/2015
	3,800,000		\$0.699	30/06/2015
	500,000		\$1.449	30/11/2015
	500,000		\$1.949	30/11/2015
	700,000		\$0.599	31/01/2016
	1,000,000		\$0.649	31/01/2016
	1,300,000		\$0.949	31/01/2016
	6,000,000		\$0.34	29/11/2016
	842,000		Performance Rights – Class 1	
	150,000		Performance Rights – Class 2	
7.8 Issued during quarter	6,000,000		<i>Exercise price</i> \$0.34	<i>Expiry date</i> 29/11/2016
7.9 Exercised during quarter	150,000 75,000		<i>Exercise price</i> \$0.149 Nil – (Performance Shares – Class 2)	<i>Expiry date</i> 30/06/2014
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

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