



ASX Release

28 April 2014

Company Details

ASX Code:	STB
Share Price	\$0.21
Market Cap	\$27M
Shares on issue	129M
Company options	21M
Cash at Bank	\$10M

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QUARTERLY REPORT

for the period ending 31 March 2014

HIGHLIGHTS

COLLULI POTASH PROJECT

- Results of a desktop processing review support the revised strategy to process all resource types at Colluli, rather than just the sylvinites as planned initially.
- Prefeasibility-level mining studies indicate revised strategy could deliver operational cost savings of over \$50 per tonne of product in mining.
- Revised strategy expected to reduce strip ratios and therefore cut mining capital requirements relative to original development strategy.
- Three processing options shortlisted and prioritised for further test work. All options include production of potassium sulphate, which currently carries a price premium of ~\$300/t relative to potassium chloride.
- Metallurgical test work commenced post quarter-end to confirm that each of the three salt types which make up the Colluli resource can be processed.
- Incorporation of Colluli Mining Share Company completed.
- First CMSC board meeting held in Asmara.
- Appointment of AMC Consultants to calculate the revised mineral resource estimate in preparation for the maiden Ore Reserve.

CORPORATE

- Exercise of 450,000 unlisted options during the quarter.
- Strong cash position of \$10.1M at March 31, 2014



COLLULI POTASH PROJECT

OVERVIEW

South Boulder Mines Ltd (ASX: STB) ("South Boulder" or "the Company") is pleased to provide the following quarterly update on its Colluli Potash Project ("Colluli" or "the Project") in Eritrea, East Africa.

The Colluli Potash Project is situated in the Danakil region of Eritrea, approximately 300km south-east of the capital city, Asmara and 180km from the port of Massawa, which is Eritrea's key import/export facility.

The resource is located 70km from the coast and is favourably positioned to key growth markets for potassium-bearing fertilisers, commonly known as potash. Since exploration commenced in 2009, a contained KCl resource of 194Mt has been identified.



Figure 1: Colluli Project tenement area

The resource comprises three potassium bearing salts; sylvinite, carnallite and kainitite. These salts are suitable for the production of potassium chloride and/or potassium sulphate, a high quality potash fertiliser which carries a price premium over potassium chloride.

Mineralisation starts at just 16m below the surface, making Colluli the shallowest known potash deposit globally. The close proximity to the surface facilitates the potential for a low capital cost open pit mining development and safer, more efficient open cut mining methods.

The JORC/NI43-101 Compliant Mineral Resource Estimate for Colluli now stands at 1.08 billion tonnes at 18% KCl for 194Mt of contained potash.

Substantial upside for the Project exists from the exploitation of other contained products within the resource such as high purity rocksalt, gypsum and magnesium chloride.

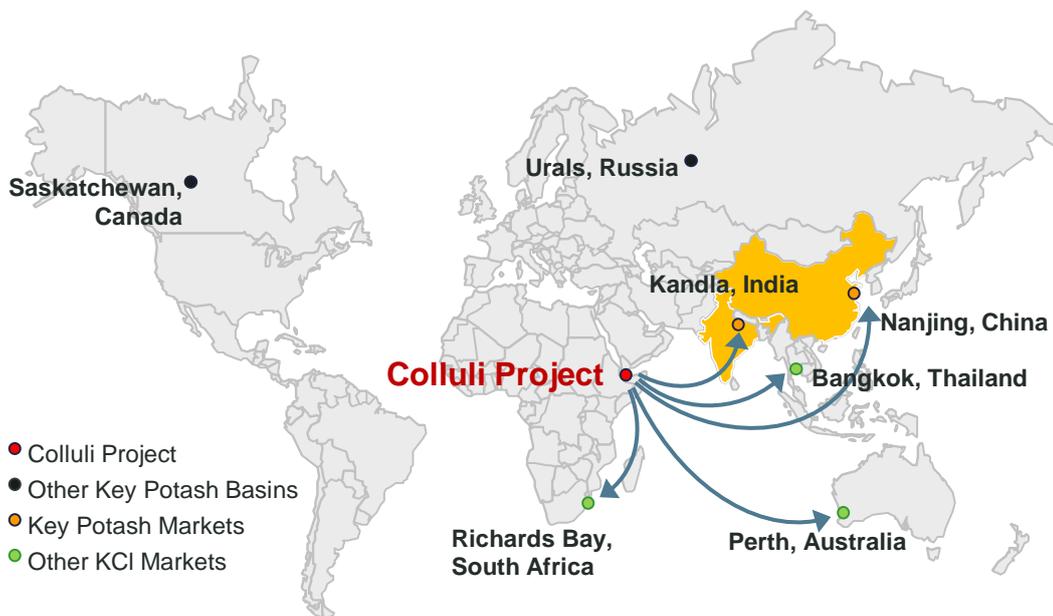


Figure 2: Colluli Project location and port access

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PROJECT UPDATE

Work continued during the Quarter on the Colluli Definitive Feasibility Study (“DFS”) which has expanded to investigate the impact of unlocking all four principal minerals within the resource. These comprise the sylvinite, carnallite and kainite, which are all potassium-bearing salts, and the rock salt. Mining studies completed by AMC Consultants in late 2013 indicated that mining cost reductions of over \$50 per tonne of product are achievable relative to the base case DFS by processing all salts. This is due mainly to the strip ratio (waste to ore) being reduced from 15:1 to 2.5:1.

Desktop studies completed in late 2013 led to the development of a shortlist of processing routes capable of processing all salts simultaneously. These were used as the basis for proposals for ore characterisation and metallurgical testwork programs to support the design and cost estimates of a processing facility. A competitive tendering process to conduct both the testwork and process design was completed, followed by a comprehensive review which took into consideration process design, operating environment, capability, responsiveness and cost.

As part of this, a review of the drilling core inventory was completed to ensure samples can be delivered to the test facility as soon as the program was allocated. Water samples are also being collected from the Red Sea for testing as part of the program.

AMC Consultants (“AMC”) were appointed to calculate the revised mineral resource estimate in preparation for the maiden Ore Reserve. The current Colluli resource estimate of 1.08 billion tonnes was calculated by ERCOSPLAN of Germany.

With additional data now available to calculate a revised resource estimate, this was the logical time to relocate these studies to Perth.



Figure 3: SRC Research Facility

The reserve estimate will form part of the revised definitive feasibility study (DFS) on Colluli. The revised DFS will reflect South Boulder’s new strategy to process the three different types of potassium-bearing salts at Colluli, all of which can be used to make potash products.

The current Colluli resource is detailed below:

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 potash mineral

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

Table 2: Colluli Project Mineral Resource Estimate by classification

As part of its Mineral Resource study, AMC will also estimate the grade and tonnage of the upper rock salt unit at Colluli, which lies above the potash units and report them in accordance with the JORC code.

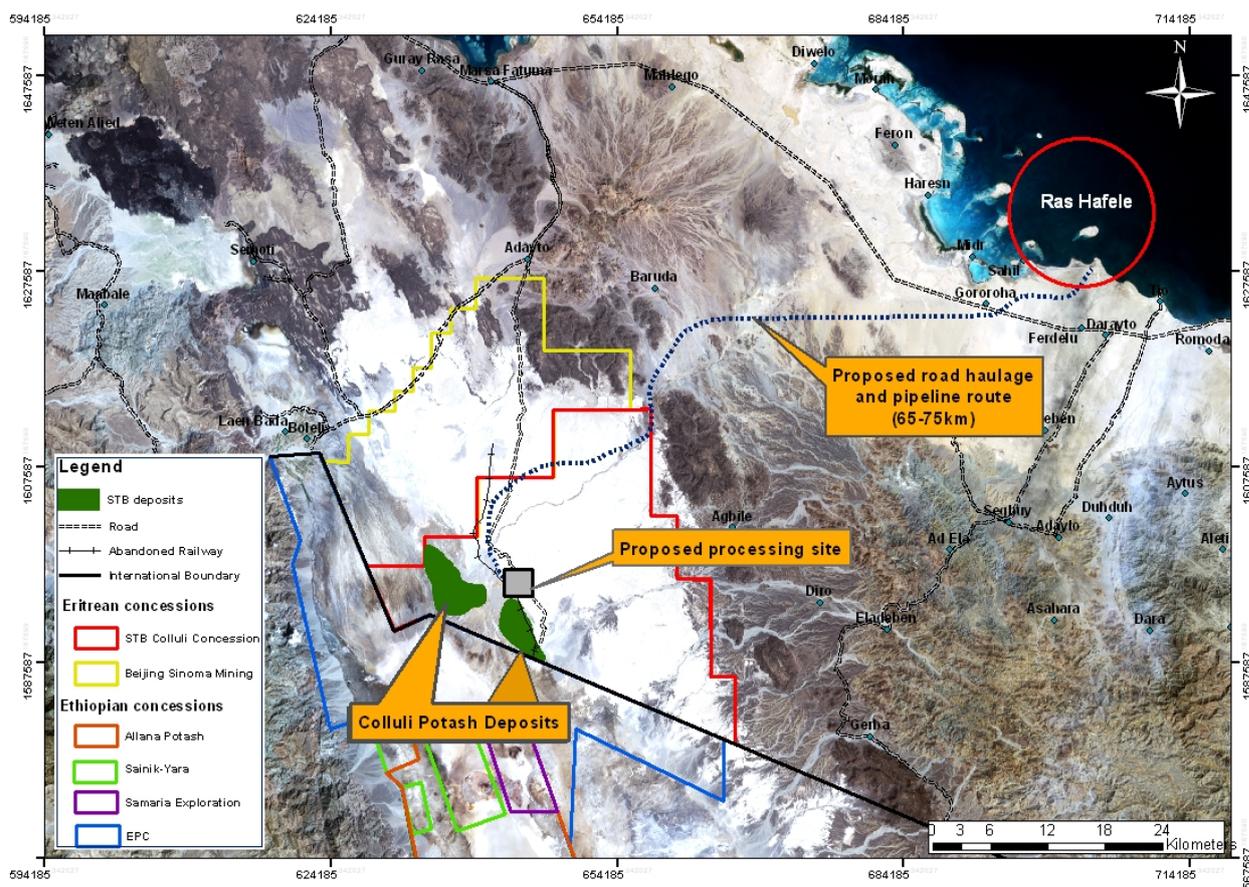


Figure 4: Colluli Project tenement boundary

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Social, environmental impact baseline assessment work is now 70% complete with most baseline reports being completed by in-country consulting firms. Proposals have been received from a number of environmental consultancy firms to:

- Review baseline assessments
- Facilitate submission to the Eritrean Ministry of Environment
- Participate in the completion of the feasibility work
- Complete the social, environment impact assessment (SEIA)

These submissions are under review and work is expected to be allocated during May.

A review of the port and logistics model completed in late 2013 has resulted in a review of the design of the ship loading facility. The initial project development considered a transshipping facility using a self-discharging vessel. A trade-off study to extend the barge loading jetty to deeper water is underway to determine the requirements for the transshipping facility which requires both additional personnel and infrastructure.



Figure 4: Colluli field work

During the Quarter, Colluli Mining Share Company (“CMSC”) was incorporated. South Boulder and the Eritrean National Mining Corporation (“ENAMCO”) each hold a 50 per cent ownership interest in CMSC, which will own and operate the Colluli Potash Project.

The first CMSC Board meeting was completed in Asmara, Eritrea immediately after CMSC's incorporation. The exploration licence and plant and equipment for the Colluli Potash Project will now be transferred into CMSC. As per the shareholders' agreement between South Boulder and ENAMCO, the CMSC Board comprises five members, three from South Boulder and two from ENAMCO.

CORPORATE

CASH

Consolidated cash on hand as at 31 March 2014 was \$10.1 million.

EQUITY

Share Capital

Issued capital increased during the Quarter by 500,000 ordinary fully paid shares following the conversion of 450,000 unlisted options and the issue of 50,000 performance shares. Total issued capital at the end of the Quarter was 128,677,826 ordinary fully paid shares.

Options

During the Quarter, 450,000 unlisted options exercisable at \$0.149 each were exercised raising \$67,050. The balance of unlisted options as at 31 March 2014 is listed below:

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Option Expiry Date	Number of Options	Exercise Price
30 June 2014	1,000,000	\$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.

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
- 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 the Project from participants in the potash and natural resources industry.

INTERESTS IN MINING TENEMENTS

The exploration license covering the Colluli Potash Project covers over 400km² and further details are provided below. There was no change in tenement holding during the quarter.

Tenement:	Colluli, Eritrea
License Type:	Exploration License
Nature of Interest:	Owned
Current Equity:	50%

More information:

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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.

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 March 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,296) - - (246)	(3,942) - - (852)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	111	388
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - research and development grant - sundry income	- -	91 11
Net Operating Cash Flows	(1,431)	(4,304)
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	- - -	- - 3
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	3
1.13 Total operating and investing cash flows (carried forward)	(1,431)	(4,301)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,431)	(4,301)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	90	112
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		90	112
Net increase (decrease) in cash held		(1,341)	(4,189)
1.20	Cash at beginning of quarter/year to date	11,412	14,260
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	10,071	10,071

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	69
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
<div style="border: 1px solid black; padding: 5px;"> Item 1.2 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation. </div>		

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	<div style="border: 1px solid black; padding: 5px;"> Nil </div>
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	<div style="border: 1px solid black; padding: 5px;"> Nil </div>

Financing facilities available

Add notes as necessary for an understanding of the position.

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

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Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	912
4.2	Development	-
4.3	Production	-
4.4	Administration	366
Total		1,278

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	232	316
5.2 Deposits at call	9,839	11,096
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	10,071	11,412

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 (description)				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	128,677,826	128,677,826		
7.4 Changes during quarter				
(a) Increases through issues	450,000	450,000	\$0.149	
	50,000	50,000	Nil	
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities				
(description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	1,000,000		\$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			<i>Exercise price</i>	
7.9 Exercised during quarter	450,000		<i>Exercise price</i>	<i>Expiry date</i>
			\$0.149	30/06/2014
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

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