SOUTH BOULDER MINES LTD

ASX Release

26 February 2015

Company Details

ASX Code:	STB
Share Price	$0.26
Market Cap	$39M
Shares on issue	149M
Company options	28M
Cash at Bank	$8.5M

Contact Details

Managing Director

Paul Donaldson

Address

Ground Floor, 31 Ventnor Avenue
West Perth WA 6000

PO Box 970
West Perth WA 6872

Telephone

+61 8 6315 1444

Facsimile

+61 8 9486 7093

Email & Web Page

info@southbouldermines.com.au

www.southbouldermines.com.au

Review of Financial Model Complete

Highlights

- Independent review conducted on Colluli financial model
- Reconciliation of cash flows conducted against key provisions of the Colluli Mining Company Shareholders' Agreement
- Review of tax and depreciation against operating jurisdiction completed
- Model logic and arithmetic accuracy assessed and verified
- Pre-feasibility study on track for completion in February

South Boulder Mines (ASX: STB) ("South Boulder" or "the Company") is pleased to advise the completion of an independent review of the financial model which will be used to assess the financial viability of the Pre-Feasibility Study (PFS) for the Colluli Project in Eritrea, East Africa.

The review was undertaken by a "Big 4" accounting and audit firm ("The Reviewer"). The scope of the review examined:

1. The logical integrity and arithmetic accuracy;

2. The appropriateness in reference to Eritrean Tax Law; and

3. The agreement with key provisions of the Joint Venture agreement between STB and Eritrean National Mining Company ("ENAMCO").

The overall economic viability of the Colluli Potash Project will be evaluated using simple cash flow techniques through the financial model.

Estimates, received for all the individual elements of cash revenue and cash expenditures, will be combined with initial development and construction of the Project. The model treats estimates as cash flows and provides an economic outcome in the form of Net Present Value ("NPV") and Internal Rate of Return ("IRR").

South Boulder Managing Director, Paul Donaldson, commented:

"Completion of this review is another important step in our PFS. Our process, underpinned by extensive and rigorous work and, where possible, validated by external experts, improves confidence that our plan for the development of Colluli is robust. We are pleased that we have been able to complete this review on time and without material error, well ahead of the PFS completion. This is critical to ensure accurate upcoming reporting of results."

South Boulder expects the Colluli PFS to be completed in February 2015.

More information:

Email: info@southbouldermines.com.au
Website: www.southbouldermines.com.au
South Boulder Mines Limited: Telephone +61 8 6315 1444
ABN: 56 097 904 302

Paul Donaldson
MANAGING DIRECTOR

Amy Just
COMPANY SECRETARY

About South Boulder Mines Ltd

South Boulder is an ASX-listed (ASX:STB) resources company which is currently developing the Colluli Project in partnership with the Eritrean National Mining Company (ENAMCO). The project is located in the Danakil Depression region of Eritrea, East Africa and is ~75km from the Red Sea coast, making it one of the most accessible potash deposits globally. The resource is favourably positioned to supply the world's fastest growing markets.

Since exploration commenced in 2009 over 1 billion tonnes of potassium bearing salts have been identified. The combination of salts within the resource makes it suitable for high yield, low energy input production of potassium sulphate, which is also known as sulphate of potash or SOP. SOP is a specialty fertiliser that carries a substantial price premium relative to the more common potassium chloride, which is the most common potassium salt known as potash.

Mineralisation within the Colluli resource commences at just 16m, making it the world's shallowest potash deposit. The resource is amendable to open pit mining, which allows higher overall resource recovery to be achieved, is generally safer than underground mining and is highly advantageous for modular growth.

The JORC 2012 Compliant Mineral Resource Estimate for the Colluli Potash Project now stands at 1.289 billion tonnes @ 10.76% K_2O for 260Mt of contained SOP. Substantial project upside exists in higher production capacity and market development for other contained products such as potassium magnesium sulphate, potassium chloride, rocksalt and magnesium chloride.

Our vision is to bring the Colluli project into production using the principles of risk management, resource utilisation and modularity, using the starting module as a growth platform to develop the resource to its full potential.

Competent Persons and Responsibility Statement

Colluli has a JORC 2012 Compliant Measured, Indicated and Inferred Mineral Resource Estimate of 1,289Mt @ 10.76% K2O. The resource contains 303Mt @ 10.98% K2O of Measured Resources, 951Mt @ 10.89% K2O of Indicated Resources and 35Mt @ 10.28% K2O of Inferred Resources.

The information in this report relating to the Colluli Mineral Resource was compiled by Mr. John Tyrell, under the supervision of Mr. Stephen Halabura M.Sc. P. Geo. Fellow of Engineers Canada (Hon), Fellow of Geoscientists Canada, and a geologist with over 25 years' experience in the potash mining industry.

Mr. Tyrell is a Member if the Australasian Institute of Mining and Metallurgy and a full time employee of AMC. Mr. Tyrell has more than 25 years' experience in the field of Mineral Resource estimation.

Mr. Halabura is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan, a Recognised Professional Organisation (RPO) under the JORC Code and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

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. 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-UmwelttechnikGmBHSondershausen, 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 AkkreditierungssystemPrüfwesen 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.