SOUTH BOULDER MINES LTD

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2014

Corporate Information

SOUTH BOULDER MINES LTD
ABN 56 097 904 302

Directors
Seamus Ian Cornelius (Non-Executive Chairman)
Anthony William Kiernan (Non-Executive Director)
Liam Raymond Cornelius (Non-Executive Director)
Paul Michael Donaldson (Managing Director)

Executive Management
Paul Michael Donaldson (Managing Director & Chief Executive Officer)

Company Secretary
Amy Just

Registered Office
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WEST PERTH WA 6005
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Facsimile: +61 8 9486 7093

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Bankers
ANZ
1275 Hay Street
WEST PERTH WA 6005

Share Register
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Auditors
Rothsay Chartered Accountants
Level 1, Lincoln House
4 Ventnor Avenue
WEST PERTH WA 6005

Internet Address
www.southbouldermines.com.au

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

Contents

DIRECTORS' REPORT

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 2014.

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 48), appointed 15 July 2013

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, Montezuma Mining Company Ltd since 30 June 2011, and Duketon Mining Ltd since February 2013.

Special Responsibilities

Mr Cornelius is a member of the Audit and Remuneration & Nomination Committees.

Anthony William Kiernan
Non-Executive Director, LLB, (Age 63), appointed 15 October 2012

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, and a Non-Executive Director of Chalice Gold Mines Ltd since 15 February 2007.

In addition, Mr Kiernan was a Non-Executive Director of Liontown Resources Limited from 2 February 2006 until 11 November 2013, and a Non-Executive Director of Uranium Equities Limited from 3 June 2003 until 28 November 2013.

Special Responsibilities

Mr Kiernan is Chairman of the Audit and Remuneration & Nomination Committees.

Liam Raymond Cornelius
Non-Executive Director, BApp.Sc, (Age 46), appointed 21 August 2001

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. Mr Cornelius has not held any former directorships in the last 3 years.

Special Responsibilities

Mr Cornelius is a member of the Audit and Remuneration & Nomination Committees.

DIRECTORS' REPORT (Cont'd)

Paul Michael Donaldson

Managing Director and Chief Executive Officer, MBT, BEng, (Age 46), appointed as Chief Executive Officer 1 February 2013 and Managing Director 29 April 2014

Mr Donaldson was appointed as Chief Executive Officer in February 2013 and joins South Boulder from a series of senior management roles spanning more than 20 years with BHP Billiton ("BHP"). Mr Donaldson holds a Masters Degree in Business and Technology from the University of NSW and a degree in Chemical Engineering from the University of Newcastle. At BHP Mr Donaldson managed large scale, open cut mining operations, headed the BHP Carbon Steel Materials Technical Marketing Team, managed the Port Hedland iron ore facility as well as key roles in product and infrastructure planning across large scale supply chains.

Mr Donaldson also brings extensive experience in high level business improvement and logistics from base metal operations and a high degree of integrated supply chain management, technical operational management and frontline leadership experience in the steel industry. Mr Donaldson has not held any former directorships in the last 3 years.

Ian Christopher Robertson "Chris" Gilchrist

Non-Executive Director, C Eng PhD FIMMM, (Age 55), appointed 14 October 2011 and resigned 15 April 2014

Terrence Ronald "Terry" Grammer

Non-Executive Chairman, BApp.Sc. (Age 64), appointed 16 October 2007 and resigned 15 July 2013

COMPANY SECRETARIES

Amy Dawn Just

B.Bus, CA, AGIA (Age 32), appointed 14 May 2014 to date

Amy is an employee of Grange Consulting Pty Ltd where she specialises in the provision of corporate advisory, company secretarial and financial management services. She has ten years of experience as a Chartered Accountant and is member of the Governance Institute of Australia.

Amy has acted as Financial Controller and Company Secretary of numerous domestic and international oil & gas and mineral exploration companies, and has significant ASX compliance, statutory reporting, and corporate governance experience.

Flavio Lino Garofalo

B.Bus, CPA (Age 46), appointed 4 July 2013 resigned 14 May 2014

Dennis William Wilkins

B.Bus, MAICD, ACIS (Age 51), appointed 14 May 2004 and resigned 12 February 2014

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	5,192,799	2,000,000	-
A W Kiernan	245,000	2,000,000	150,000
L R Cornelius	12,398,806	1,000,000	100,000
P M Donaldson	200,000	4,000,000	-

* None of the performance rights have vested as at 30 June 2014.

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.

DIRECTORS' REPORT (Cont'd)

DIVIDENDS

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

REVIEW OF OPERATIONS

Highlights

- Options study completed for processing all potassium bearing salts for the production of potash fertilisers. The study demonstrated positive results relative to the original feasibility study. Mining strip ratios reduced from 14:1 for processing sylvinite only to 2.3:1 by processing all potassium bearing salts.
- Colluli Mining Share Company (CMSC) fully incorporated in March 2014 with 50:50 ownership between South Boulder and the Eritrean National Mining Company (ENAMCO).
- Pre-feasibility study (PFS) commenced for the production of potassium sulphate from the Colluli resource in April 2014.
- Study Manager appointed to oversee all PFS workstreams.
- Social and environmental baseline work well advanced with first tranche of submissions completed.
- Export facility land and transport corridor allocated to the project.
- Preliminary design of processing facility completed.

Project Overview

The Colluli Potash Project, located in Eritrea, East Africa, is approximately 350km from the country capital, Asmara, and 180km from the country's key import-export facility in Massawa.

South Boulder Mines was granted exploration licenses for Colluli in 2009, and in 2010 exploration drilling commenced. Since that time over 1 billion tonnes of potassium bearing salts has been identified.

The resource is a unique combination of potassium bearing salts suitable for the production of potassium fertilisers commonly known as potash. The JORC compliant Measured, Indicated and Inferred mineral resource estimate comprised of 261.81Mt@17.94%KCl or 11.33% K2O of Measured Resources, 674.48Mt@17.98%KCl or 11.36% K2O of Indicated Resources and 143.50Mt@18.00% KCl or 11.37% K2O of Inferred Resources for a total of 1,080Mt @ 18.0% KCl or 11.35% K2O (total contained potash of 194.09Mt KCl or 122.61Mt K2O).

The resource is only 75km from the Red Sea Coast, making it one of the closest potash deposits to a coast globally. With mineralisation commencing at just 16m, Colluli is the shallowest known potash deposit.

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
Kainite (KCl.$MgSO_4$.H_2O)	597	19.8%	118
Total	**1,080**	**18.0%**	**194**

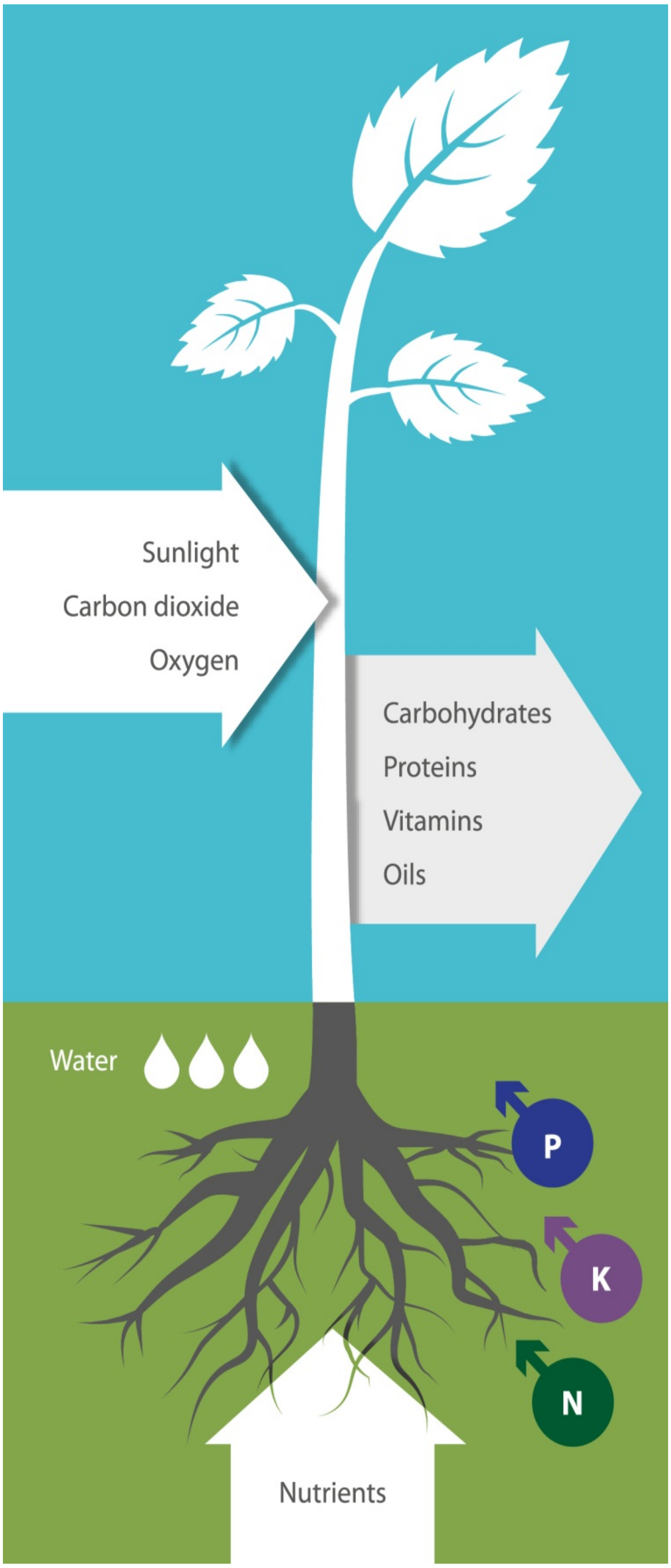
Table 1: Colluli JORC-Compliant Mineral Resource Estimate by potash mineral

Note: The information above was prepared and was 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 on ASX by South Boulder Mines on 16 April 2012.

Potash

Potash is a non-substitutable, consumable commodity that is underpinned by strong demand drivers including growing population, reduction in arable land and changing dietary preferences.

Potash is a generic term applied to a range of potassium bearing minerals and manufactured chemicals used primarily as fertiliser. The global market for potash products, which include potassium chloride (MOP), potassium sulphate (SOP), sulphate of potash magnesia (SOP-M) and potassium nitrate (NOP), is approximately 65 million tonnes per annum.



Potassium is one of three key fertiliser 'macro-nutrients' essential for healthy soil and plant growth. It is generally used in combination with the other two macro-nutrients, nitrogen and phosphorus, to produce a range of fertilisers. The type of fertiliser used depends on the soil, and the crop to which it will be applied.

Potassium is essential to the workings of every living plant cell. It not only plays an important role in the plants' water utilisation, but also helps regulate the rate of photosynthesis. Potassium promotes the growth of strong stalks, protects plants from extreme temperatures and enhances their ability to cope with stress. Importantly there is no substitute for potash.

Large potash bearing deposits occur in many regions of the world, deriving from minerals in ancient seas which dried up millions of years ago. Potassium is the 7th most common element in the earth's crust and the most common potassium bearing fertiliser is potassium chloride (KCl) which is also referred to as Muriate of Potash (MOP). Production of potassium chloride is quite concentrated with the key production areas being Canada and Russia.

Potassium may also be present in sulphate form and used to produce less common potassium sulphate or sulphate of potash (SOP). The key areas for potassium sulphate production are China, United States and South America. These areas typically extract potassium sulphate from brines. Potassium sulphate can also be produced through the combination of potassium chloride and sulphuric acid. Potash is non-substitutable and is consumed in the growing process. Long term demand is underpinned by ongoing population growth, reduced availability of arable land and changing dietary preferences as disposable income improves.

Potassium sulphate is chloride free. This means its application is best suited to crops which have low tolerance to chlorides, however, its application is not limited to these crops. Potassium sulphate can act as a substitute for potassium chloride in a number of applications. Potassium chloride however, cannot substitute potassium sulphate.

There are limited economic resources available for the production of potassium sulphate, and while the market is substantially smaller than the more common potassium chloride, less supply growth has been demonstrated and there are few planned projects identified to come into production in the next five years. Potassium sulphate commands a premium sale price relative to potassium chloride.

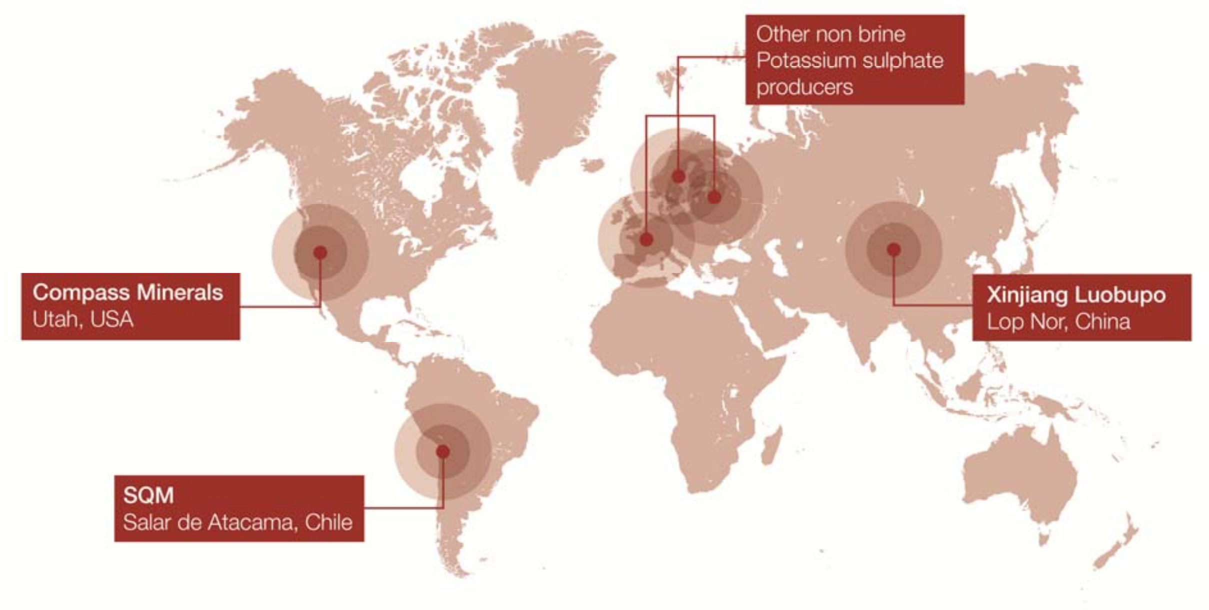


Figure 1: Key Potassium Sulphate Producers

Colluli Project Update

During the 2013/2014 financial year many important and positive steps were taken by both South Boulder Mines (STB) and the Colluli Mining Share Company (CMSC).

1. **Completion of scoping studies to evaluate using all potassium bearing salts in the resource**

   In June 2013, K-Utec, a German salt consulting company was engaged to conduct a comprehensive review of the resource and processing options with the specific objective of using all potassium bearing salts from the resource. The original feasibility study for Colluli contemplated a facility producing one million tonnes per annum of potassium chloride from sylvinite ore. Sylvinite represents only 16% of the resource and processing this raw material only results in a mine waste to ore ratio of 14:1[1].

   Studies were completed in February 2014. Results from the study confirmed three commercially attractive alternatives to the original development path, based on extracting all potassium bearing salts from the resource. Mining costs in all scenarios reduced by over 40% relative to the previous work as a result of a material reduction in strip ratio. Indicative strip ratios of 2.3:1 were achieved from the mine planning work that supported the scoping studies. This represents a potential reduction in mining costs from $122 per tonne (staged development model) to $70 per tonne of product[1].

2. **Initiation of pre-feasibility study for the production of potassium sulphate (SOP or Sulphate of Potash)**

   In April 2014 contracts were awarded to Lycopodium, Knight Piesold, Saskatchewan Research Council and AMC Consultants for the pre-feasibility study to produce potassium sulphate from the Colluli resource. James Durrant was appointed as the Colluli Project Study Manager to coordinate the project workstreams. The majority of the workstreams supporting the pre-feasibility study were brought back to Perth to reduce study time and overall study costs.

   AMC Consultants were also engaged to conduct a comprehensive review of the resource model and take custodianship of the model as a result of the synergies associated with the mine planning work and assigning a maiden ore reserve for the project.

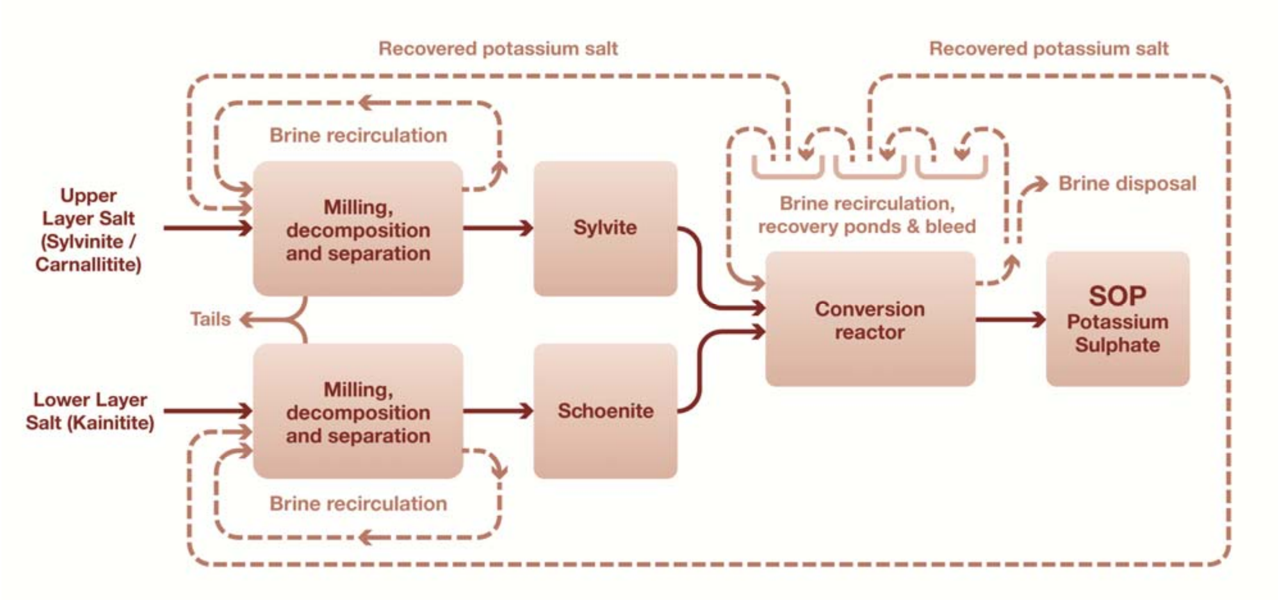
   Mine planning work has progressed well, with preliminary mine designs, waste dump locations and mining fleet projections well advanced for the pre-feasibility work. Finalisation of the mining fleet size is reliant on results from the current drill campaign, which will assist in cycle time calculations and finalisation of the open cut mining method.

[1]*Source: 6th February 2014, South Boulder Mines ASX release, 'Positive Results from Colluli Processing Review'*
21st March, 2013, Colluli Potash Project, Updated Economics

DIRECTORS' REPORT (Cont'd)

3. Metallurgical Testwork and preliminary process design.

Testwork commenced for process design involving the mixing of purified kainite and potassium chloride produced from flotation. This simple combination of salts results in a low energy, high yield reaction to form potassium sulphate. Metallurgical testing demonstrated two potential plant configurations, each having different operating and capital cost structures. The pre-feasibility study delivery was postponed from November 2013 to February 2014 to further explore process design to develop an optimised module.



The process design incorporates simple mineral processing units of crushing and flotation. Overall process recoveries will be maximised by capturing all of the brines discharged from the process and passing them through a series of recovery ponds, where potassium salts precipitate. The ambient conditions at Colluli favour solar evaporation, reducing the overall recovery pond footprint size.

The process is insensitive to water quality. Sea water from the Red Sea Coast will be transported 75km inland to the process production facility, providing unlimited process water of consistent quality.

4. Allocation of Anfile Bay

In June 2014, access to the land area at Anfile Bay and the transport corridor between the Colluli minesite and export location was granted by the Eritrean Ministry of Energy and Mines. This provides the project with certainty with regard to project logistics.

DIRECTORS' REPORT (Cont'd)

5. **Recommencement of Drilling**

   In August 2014, drilling recommenced at the Colluli site to obtain samples for mining and infrastructure geotechnical work. Four holes were selected for 'twinning' as part of AMC Consultant's resource review process and change in custodianship of the resource model. Drilling has been done under the supervision of both AMC Consultants and STB personnel.

6. **First tranche of environmental submissions submitted**

   In consultation with the Eritrean Ministry of Environment, baseline assessments were submitted to the Ministry of Energy and Mines for Landforms and Aesthetics, Vegetation, Terrestrial Wildlife and Habitat, Livestock, Geology and Soils, Socio-Economic, Land Use and Land Cover and Cultural Heritage.

   Oceanography studies also commenced in the Anfile Bay region to support the environmental baseline process.

7. **Incorporation of Colluli Mining Share Company**

   The Colluli Mining Share Company (CMSC) was fully incorporated in March 2014. The board comprises 5 directors, 3 of which are South Boulder and 2 are ENAMCO. The board has held three meetings in Asmara since incorporation, and in addition to overseeing the project development has implemented an approvals framework for managing contracts and expenditure.

Finance Review

The Group recorded a net loss after tax of $5.7m for the financial year ended 30 June 2014 compared to a net loss of $5.3 million in the previous financial year. Included in the loss for the year was exploration expenditure of $4.2m million (2013: $9.0 million). In line with the Group's accounting policies, all exploration expenditure is written off in the year incurred.

Total consolidated cash on hand at the end of the year was $9,275,251 million (2013: $14.3 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 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.

DIRECTORS' REPORT (Cont'd)

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 were:

Directors

S I Cornelius	Non-Executive Chairman (appointed 15 July 2013)
A W Kiernan	Non-Executive Director
L R Cornelius	Non-Executive Director
P M Donaldson	Managing Director (appointed 29 April 2014) and Chief Executive Officer
I C R Gilchrist	Non-Executive Director (resigned 15 April 2014)
T R Grammer	Non-Executive Chairman (resigned 15 July 2013)

Named Executives

A D Just	Company Secretary (appointed 14 May 2014)
F L Garofalo	Chief Financial Officer / Company Secretary (appointed 4 July 2013, resigned 14 May 2014)
D W Wilkins	Company Secretary (resigned 12 February 2014)

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 Mines 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; and
- comply with applicable legal requirements and appropriate standards of governance.

The Company is satisfied that its remuneration framework reflects current business needs, shareholder views and contemporary market practice and is appropriate to attract, motivate, retain and reward employees.

DIRECTORS' REPORT (Cont'd)

A summary of the key elements of the current remuneration incentive scheme is 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 & Nomination 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)	• Shares • Options • 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) Voting and Comments Made at the Last Annual General Meeting
d) Details of Remuneration
e) Service Agreements
f) Details of Share Based Compensation
g) Equity Instruments Held by Key Management Personnel
h) Loans to Key Management Personnel
i) Other Transactions with Key Management Personnel
j) Additional Information

a) Decision Making Authority for Remuneration

The Company's remuneration policy and strategies are overseen by the Remuneration & Nomination Committee on behalf of the Board. The Remuneration & Nomination 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; and
- the appropriate remuneration to be paid to non-executive Directors.

The Remuneration & Nomination 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.

DIRECTORS' REPORT (Cont'd)

Remuneration levels for the Chief Executive Officer and key management personnel are determined by the Board based upon recommendations from the Remuneration & Nomination Committee. Remuneration of non-executive directors is determined by the Board within the maximum levels approved by the shareholders from time to time.

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 conforms with market practice for delivery of reward.

The Remuneration & Nomination 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 & Nomination 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 may receive 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 and 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.

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; and
- ensuring that long term incentives are linked to shareholder value.

To achieve these objectives, the remuneration of key management personnel may 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 may consist of the following areas:

i) Fixed Remuneration – base salary

ii) Variable Short Term Incentives

iii) Variable Long Term Incentives

The combination of these would comprise 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 may provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. No external advice was taken this year. 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.

DIRECTORS' REPORT (Cont'd)

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 provided to directors and employees through the issue of options and performance rights.

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 which promote 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 have been 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

Details of performance rights issued to directors can be found in section f(iii) below.

Further performance rights details can be found in Note 23(c).

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 the vesting conditions have been met, each performance right will be converted into one ordinary share.

c) Voting and Comments Made at the Last Annual General Meeting

The Company received more than 95% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2013 and received no specific feedback on its Remuneration Report at the Annual General Meeting or throughout the year.

d) 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*.

DIRECTORS' REPORT (Cont'd)

Key management personnel and other executives of South Boulder Mines Limited for 2014

2014	Short-Term	Post Employment		LTI (i)			Total
				Share Based Payments			
	Salary & Fees	Superannuation	Termination payments	Shares	Options	Performance Rights	
	$	$	$	$	$	$	$
Non-Executive Directors							
S I Cornelius (a)	69,261	-	-	-	126,583	-	195,844
A W Kiernan	60,000	5,550	-	-	70,000	39,540	175,090
L R Cornelius (b)	84,399	7,807	-	-	63,292	35,811	191,309
I C R Gilchrist (c)	140,706	-	-	-	63,292	-	203,998
T R Grammer (d)	1,970	182	-	-	-	-	2,152
Executive Directors							
P M Donaldson (e)	350,000	26,149	-	10,000	63,292	-	449,441
Other Key Management Personnel							
A D Just (f)	-	-	-	-	-	-	-
F L Garofalo (g)	326,698	25,000	-	-	-	-	351,698
D W Wilkins (h)	4,664	-	-	-	-	-	4,664
TOTAL	**1,037,698**	**64,688**	**-**	**10,000**	**386,459**	**75,351**	**1,574,196**

(a) Mr S I Cornelius was appointed Non-Executive Chairman on 15 July 2013.

(b) Mr L R Cornelius received $45,000 in arms length consultancy fees during the year. Mr Cornelius's remuneration as a Non-Executive Director is $45,000 exclusive of superannuation beginning in the 2015 year.

(c) Mr Gilchrist received $117,322 in arms-length consultancy fees for services performed as part of the Colluli Potash Project Feasibility Study prior to his resignation on 15 April 2014.

(d) Mr Grammer resigned 15 July 2013.

(e) Mr Donaldson was appointed as Managing Director on 29 April 2014 and Chief Executive Officer on 1 February 2013.

(f) Ms Just was appointed 14 May 2014 and provides her services through Grange Consulting Pty Ltd. Fees charged by Grange are on an arms-length basis.

(g) Mr Garofalo resigned 14 May 2014.

(h) Mr Wilkins resigned on 12 February 2014. Services provided by Mr Wilkins were on an arms-length basis through his firm, DW Corporate Pty Ltd.

(i) The recorded values of options will only be realised by the directors in the event the Company's share price exceeds the option exercise price of $0.34.

The recorded values of performance rights will only be realised by the directors in the event the Company achieves its stated objectives, which is expected to create further value for shareholders.

The options and performance rights have been issued to directors to align the interests of directors with the interests of shareholders.

The fair value of shares is calculated based on market value at grant date. 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.

DIRECTORS' REPORT (Cont'd)

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	Termination payments	Share Based Payments	
	$	$	$	$	$	$	$
Non-Executive Directors							
T R Grammer	51,207	-	-	4,648	-	8,304	64,159
I C R Gilchrist (a)	223,656	-	-	-	-	8,304	231,960
L R Cornelius (b)	84,399	-	-	7,661	-	8,304	100,364
A W Kiernan (c)	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.

(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) Services provided by Mr Wilkins were on an arms-length basis through his firm, DW Corporate Pty Ltd.

(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.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

2014			
Name	**Fixed Remuneration**	**At risk – STI**	**At risk - LTI**
Non-Executive Directors			
S I Cornelius	35%	-	65%
A W Kiernan	37%	-	63%
L R Cornelius	48%	-	52%
I C R Gilchrist	69%	-	31%
T R Grammer	100%	-	-
Executive Directors			
P M Donaldson	84%	-	16%
Other Key Management Personnel			
A D Just	-	-	-
F L Garofalo	100%	-	-
D W Wilkins	100%	-	-

DIRECTORS' REPORT (Cont'd)

e) 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, Managing Director and 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 th months of the base salary.
- Notice period required to be given by the Employee for termination of three months.

f) Details of Share Based Compensation

(i) Shares

On 17 March 2014, in his capacity as Chief Executive Officer prior to his appointment as Managing Director, Mr Donaldson was granted 50,000 Shares in the Company as recognition of his key achievements, including:

- The completion of a comprehensive and detailed review of all aspect of the Colluli Potash Project, resulting in a material reduction to the forecast mining strip ratio and mine production costs relative to the original development case;
- The identification of three alternate processing options to the base case. These new options utilise the entire resource and broaden the potential product suite;
- Finalisation of the shareholders' agreement with the Eritrean National Mining Corporation; and
- Conclusion of the first board meeting of CMSC.

The value of these shares has been calculated as $10,000 based upon market value at grant date.

(ii) Options

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Vested %
30 November 2012	30 November 2013	30 November 2015	$1.50	$0.0211	100%
30 November 2012	30 November 2013	30 November 2015	$2.00	$0.0111	100%
3 December 2013	29 November 2014	29 November 2016	$0.34	$0.1085	-

Details of options over ordinary shares in the Company provided as remuneration to key management personnel are shown below. When exercisable, each option is convertible into one ordinary share. The vesting date of the unvested options is 29 November 2014 and there are no vesting conditions. Further information on the options is set out in note 23.

Name	Year of grant	Year in which options vest	Number of options granted	Value of options at grant date	Number of options vested during the year	Vested %	Number of options forfeited during the year
S I Cornelius	2014	2015	2,000,000	$217,000	-	-	-
A W Kiernan	2014	2015	1,000,000	$108,500	-	-	-
A W Kiernan	2013	-	1,000,000	$16,050	1,000,000	100%	-
L R Cornelius	2014	2015	1,000,000	$108,500	-	-	-
I C R Gilchrist	2014	2015	1,000,000	$108,500	-	-	-

No options held by key management were exercised during the year.

DIRECTORS' REPORT (Cont'd)

(iii) Performance Rights

There were no Performance Rights granted during the year.

Mr Kiernan received 75,000 Shares for nil consideration on the conversion of Class 2 Performance Rights during the year. The Shares were issued to Mr Kiernan on 6 December 2013 upon the achievement of the signing of the ENAMCO agreements for the Colluli Potash Project.

The terms and conditions of each grant of Performance Rights affecting remuneration in the current or a future reporting period are as follows:

Name	Year of grant	Number of Performance Rights granted		Number of Performance Rights vested during the year		Vested %
		Class 1	Class 2	Class 1	Class 2	
A W Kiernan	2013	-	225,000	-	75,000	33%
L R Cornelius	2012	100,000	-	-	-	-

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

Details of performance rights forfeited during the year are as follows:

Name	Year of grant	Number of Performance Rights forfeited		Value of forfeited Performance Rights		Forfeited %
		Class 1	Class 2	Class 1	Class 2	
I C R Gilchrist	2012	200,000	-	$71,622	n/a	100%
T R Grammer	2012	100,000	-	$35,811	n/a	100%

DIRECTORS' REPORT (Cont'd)

g) Equity Instruments Held by Key Management Personnel

(i) Shares

Mr Donaldson was granted 50,000 performance Shares in the Company during the year on recognition of his achievements. Mr Kiernan received 75,000 Shares for nil consideration on the conversion of Class 2 Performance Rig during the year. There were no other shares granted during the reporting period as compensation.

The number of shares in the Company held during the financial year by each director of South Boulder Mines Ltd and ot key management personnel of the Group, including their personally related parties, are set out below.

2014 Shares	Balance at start of the year	Granted as compensation	Received on exercise of options	Received on vesting and conversion of performance rights	Other changes (f)	On market purchases/ (sales)	Balance at end of the year
Directors of South Boulder Mines Ltd							
S I Cornelius (a)	-	-	-	-	5,019,239	173,560	5,192,799
A W Kiernan	20,000	-	-	75,000	-	-	95,000
L R Cornelius	13,148,806	-	-	-	-	(750,000)	12,398,806
P M Donaldson (b)	-	50,000	-	-	41,666	60,000	151,666
I C R Gilchrist (c)	30,000	-	-	-	(30,000)	-	-
T R Grammer (d)	1,492,000	-	-	-	(1,492,000)	-	-
Other Key Management Personnel of the Group							
A D Just	-	-	-	-	-	-	-
F L Garofalo (e)	20,000	-	-	-	(20,000)	-	-
D W Wilkins	-	-	-	-	-	-	-
TOTAL	**14,710,806**	**50,000**	-	**75,000**	**3,518,905**	**(516,440)**	**17,838,271**

(a) Appointed 15 July 2013.
(b) Appointed Managing Director on 29 April 2014.
(c) Resigned on 15 April 2014.
(d) Resigned on 15 July 2013.
(e) Resigned 14 May 2014.
(f) Balance at appointment/(resignation) date.

2013 Shares	Balance at start of the year	Granted as compensation	Received on exercise of options	Received on vesting and conversion of performance rights	Other changes	On market purchases/ (sales)	Balance at end of the year
Directors of South Boulder Mines Ltd							
T R Grammer	492,000	-	1,000,000	-	-	-	1,492,000
D L Hughes (a)	1,409,934	-	-	-	(1,409,934)	-	-
L R Cornelius	13,148,806	-	-	-	-	-	13,148,806
I C R Gilchrist	-	-	-	-	30,000	-	30,000
A W Kiernan	-	-	-	-	20,000	-	20,000
Other Key Management Personnel of the Group							
P M Donaldson	-	-	-	-	-	-	-
F L Garofalo	20,000	-	-	-	-	-	20,000
D W Wilkins	165,000	-	-	-	(165,000)	-	-
TOTAL	**15,235,740**	**-**	1,000,000	**-**	**(1,524,934)**	**-**	**14,710,806**

(a) Resigned 1 February 2013.

DIRECTORS' REPORT (Cont'd)

(ii) Options

During the year the Company issued 6,000,000 options for no consideration over unissued ordinary shares in the Company to the 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:

2014 Options	Balance at start of the year	Granted as compensation (d)	Exercised	Other changes (e)	Balance at end of the year	Vested and exercisable	Unvested (f)
Directors of South Boulder Mines Ltd							
S I Cornelius	-	2,000,000	-	-	2,000,000	-	2,000,000
A W Kiernan	1,000,000	1,000,000	-	-	2,000,000	1,000,000	1,000,000
L R Cornelius	-	1,000,000	-	-	1,000,000	-	1,000,000
P M Donaldson (a)	3,000,000	1,000,000	-	-	4,000,000	3,000,000	1,000,000
I C R Gilchrist (b)	-	1,000,000	-	(1,000,000)	-	-	-
T R Grammer (c)	600,000	-	-	(600,000)	-	-	-
Other Key Management Personnel of the Group							
A D Just	-	-	-	-	-	-	-
F L Garofalo	-	-	-	-	-	-	-
D W Wilkins	-	-	-	-	-	-	-
TOTAL	**4,600,000**	**6,000,000**	**-**	**(1,600,000)**	**9,000,000**	**4,000,000**	**5,000,000**

(a) Appointed Managing Director on 29 April 2014.
(b) Resigned on 15 April 2014.
(c) Resigned on 15 July 2013.
(d) Options granted to S I Cornelius, A W Kiernan, L R Cornelius, and I C R Gilchrist were approved at the 2013 Annual General Meeting of the Company. The options granted to P M Donaldson were issued prior to his appointment as Managing Director pursuant to the terms of his engagement as Chief Executive Officer of the Company.
(e) Number of options held at the date of resignation.
(f) The vesting date of these options is 29 November 2014 and there are no vesting conditions.

During the 2013 year the Company issued 4,000,000 options over unissued ordinary shares in the Company for no consideration to the 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 Options	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	1,600,000	-	(1,000,000)	-	600,000	-	-
D L Hughes (a)	2,500,000	-	-	(2,500,000)	-	-	-
L R Cornelius	-	-	-	-	-	-	-
I C R Gilchrist	-	-	-	-	-	-	-
A W Kiernan (b)	-	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	-	-	-	-	-	-	-
TOTAL	**4,100,000**	**4,000,000**	**(1,000,000)**	**(2,500,000)**	**4,600,000**	**4,000,000**	**-**

(a) Resigned on 1 February 2013.
(b) Approved at the 2012 Annual General Meeting of the Company.

DIRECTORS' REPORT (Cont'd)

(iii) Performance Rights held by Key Management Personnel
The Performance Rights Plan was approved by shareholders at the 2011 Annual General Meeting of the Company.

Movements in Performance Rights during the 2014 year are as follows:

2014 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					
S I Cornelius	-	-	-	-	-
A W Kiernan (a)	225,000	-	(75,000)	150,000	-
L R Cornelius	100,000	-	-	100,000	-
P M Donaldson	-	-	-	-	-
I C R Gilchrist (b)	200,000	-	(200,000)	-	-
T R Grammer (c)	100,000	-	(100,000)	-	-
Other Key Management Personnel of the Group					
A D Just	-	-	-	-	-
F L Garofalo	-	-	-	-	-
D W Wilkins	-	-	-	-	-
TOTAL	**625,000**	**-**	**(375,000)**	**250,000**	**-**

(a) 75,000 Performance Rights vested in December 2013 following the signing of the agreement between ENAMCO and South Boulder. Upon vesting, A W Kiernan received 75,000 Ordinary Shares in the Company.
(b) Resigned on 15 April 2014 and Performance Rights and were cancelled upon resignation.
(c) Resigned on 15 July 2013 and Performance Rights and were cancelled upon resignation.

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)	-	-
L R Cornelius	100,000	-	-	100,000	-
I C R Gilchrist	200,000	-	-	200,000	-
A W Kiernan (c)	-	225,000	-	225,000	-
Other Key Management Personnel of the Group					
PM Donaldson	-	-	-	-	-
F L Garofalo	-	-	-	-	-
D W Wilkins	-	-	-	-	-
TOTAL	**700,000**	**225,000**	**(300,000)**	**625,000**	**-**

(a) Resigned on 15 July 2013 and Performance Rights were cancelled subsequent to financial year end.
(b) Resigned on 1 February 2013 and Performance Rights were cancelled upon resignation.
(c) Approved by shareholders at the 2012 Annual General meeting of the Company.

h) Loans to Key Management Personnel

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

DIRECTORS' REPORT (Cont'd)

i) Other Transactions with Key Management Personnel

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

j) 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 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 2014 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 Available	Total Remuneration & Nomination Committee Meetings Attended
S I Cornelius (a)	8	8	2	2	-	-
A W Kiernan	9	9	2	2	-	-
L R Cornelius	9	9	2	2	-	-
P M Donaldson (b)	-	-	-	-	-	-
I C R Gilchrist (c)	8	8	-	-	-	-
T R Grammer (d)	1	1	-	-	-	-

(a) Appointed 15 July 2013.
(b) Appointed 29 April 2014.
(c) Resigned 15 April 2014.
(d) Resigned 15 July 2013.

DIRECTORS' REPORT (Cont'd)

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	**17,100,000**
Movements of share options during the year	
Issued, exercisable at $0.340, on or before 29 November 2016	5,000,000
Issued, exercisable at $0.350 on before that day which is 6 months from the ASX release of the pre-feasibility study results in relation to the Colluli potash Project (subject to vesting conditions)	8,000,000
Exercised at $0.149 (30 June 2014)	(1,350,000)
Expired at $0.149 (30 June 2014)	(250,000)
Expired at $1.449 (17 July 2014)	(5,450,000)
Total number of options outstanding as at the date of this report	**23,050,000**

Expiry date	Exercise price	Number of options
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
29 November 2016	$0.340	6,000,000
6 months from the ASX release of the pre-feasibility study results in relation to the Colluli potash Project	$0.350	8,000,000
Total number of options outstanding at the date of this report		**23,050,000**

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

No options were granted to directors key management personnel of the Company since the end of the financial year.

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	**1,167,000**
Movements of performance rights during the year	
Issued	-
Exercised	(75,000)
Cancelled	(300,000)
Total number of performance rights as at the date of this report	**792,000**

No performance rights holder has any right to participate in any other share issue of the company or any other entity.

DIRECTORS' REPORT (Cont'd)

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 be of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsib 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

On 30 July 2014 the Company announced a strategic placement to Hong Kong based Kam Lung Investment Development Company ("KLID") to raise $1,850,000 through the issue of 10,000,000 shares at 18.5c per share. KLID also received 8,000,000 unlisted options exercisable at $0.35 each on or before that day which is 6 months from the ASX release of the pre-feasibility study results in relation to the Colluli Potash Project. Vesting of the options is subject to KLID successfully securing a binding off-take agreement for potassium sulphate for the Colluli Project on commercial terms acceptable to the CMSC board within 6 months of STB's announcement of the pre-feasibility study results to the ASX.

Several key milestones in respect of the Company's prefeasibility study have been achieved subsequent to the end of the financial year, including the completion of first phase environmental baseline assessments and commencement of the drilling program. The prefeasibility study is expected to be completed in February 2015.

No other 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, 26 September 2014

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
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 2014 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 26th September 2014

Corporate Governance Statement

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 the recommendations set out in the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition ("the ASX Principles") as set out below. 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 OVERSIGHT

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.*

Evaluations of senior executives are conducted as necessary 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.*

For most of 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.

Corporate Governance Statement (Cont'd)

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

The Board has established a Remuneration & 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 & 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 L R Cornelius, being a majority of independent non-executive 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. 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.

Corporate Governance Statement (Cont'd)

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.*

Currently no executive management or board level positions are filled by women. The proportion of women employees in the whole organisation is 10%.

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 L R Cornelius). 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 L R Cornelius. 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 DISCLOSURE

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 regular 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.

Corporate Governance Statement (Cont'd)

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 Shareholder 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 as a whole 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 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 reviewed at Board meetings and a risk management culture is encouraged amongst employees and contractors. The Company's Risk Management Policy can be viewed on the Company's website.

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 & 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 & 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 L R Cornelius. The committee is chaired by A W Kiernan, who is a non-executive director of the Company. Details of attendance at Remuneration & Nomination Committee meetings are set out

Corporate Governance Statement (Cont'd)

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 & Nomination 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 & Nomination 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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014	Notes	Consolidated	
		2014	2013
		$	$
REVENUE			
Interest	4	**443,624**	832,537
Other income		**106,916**	147,016
Fair value movement of financial assets through the profit and loss	5	**-**	1,057,756
Gain on deconsolidation	21	**-**	3,475,034
EXPENSES			
Depreciation expense		**(285,955)**	(206,233)
Administration expenses		**(1,277,288)**	(1,580,283)
Exploration expenditure		**(4,154,934)**	(8,768,823)
Share based payment expense	23	**(580,755)**	(256,563)
LOSS BEFORE INCOME TAX		**(5,748,392)**	(5,299,559)
Income tax expense	7	**-**	-
LOSS FOR THE YEAR		**(5,748,392)**	(5,299,559)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(9,175)**	-
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(9,175)**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(5,757,567)**	(5,299,559)
Loss for the year is attributable to:			
Owners of South Boulder Mines Ltd		**(4,874,581)**	(5,299,559)
Non-controlling interests		**(873,811)**	-
		(5,748,392)	(5,299,559)
Total comprehensive loss for the year is attributable to:			
Owners of South Boulder Mines Ltd		**(4,879,072)**	(5,299,559)
Non-controlling interests		**(878,495)**	-
		(5,757,567)	(5,299,559)
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share)	22	**(3.80)**	(4.2)
Diluted loss per share (cents per share)	2224	**(11.6(3.80)**	(5.9) (3.8)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $
CURRENT ASSETS			
Cash and cash equivalents	8	**9,275,251**	14,259,879
Trade and other receivables	9	**130,971**	132,059
TOTAL CURRENT ASSETS		**9,406,222**	14,391,938
NON-CURRENT ASSETS			
Plant and equipment	10	**93,233**	395,562
TOTAL NON-CURRENT ASSETS		**93,233**	395,562
TOTAL ASSETS		**9,499,455**	14,787,500
CURRENT LIABILITIES			
Trade and other payables	11	**384,455**	664,524
Provisions	12	**47,676**	66,702
TOTAL CURRENT LIABILITIES		**432,131**	731,226
NON-CURRENT LIABILITIES			
Provisions	12	**-**	13,288
TOTAL NON-CURRENT LIABILITES		**432,131**	13,288
TOTAL LIABILITIES		**432,131**	744,514
NET ASSETS		**9,067,324**	14,042,986
EQUITY			
Issued capital	13	**39,176,165**	38,934,640
Reserves	14	**7,700,181**	7,164,292
Accumulated losses		**(36,930,527)**	(32,055,946)
Capital and reserves attributable to owners of South Boulder Mines Ltd		**9,945,819**	14,042,986
Amounts attributable to non-controlling interests	19	**(878,495)**	-
TOTAL EQUITY		**9,067,324**	14,042,986

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	Notes	Contributed Equity $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Sub-Total $	Non-Controlling Interest $	Total Equity $
BALANCE AT 1 JULY 2012		**40,933,675**	**6,907,729**	**-**	**(26,756,387)**	**21,085,017**	**-**	**21,085,017**
Loss for the year		-	-	-	(5,299,559)	(5,299,559)	-	**(5,299,559)**
Other comprehensive loss		-	-	-	-	-	-	**-**
Total comprehensive loss for the year		**-**	**-**	**-**	**(5,299,559)**	**(5,299,559)**	**-**	**(5,299,559)**
Transactions with owners in their capacity as owners:								
Shares issued during the year	13	4,784,500	-	-	-	4,784,500	-	**4,784,500**
Employee and contractor options	14	-	256,563	-	-	256,563	-	**256,563**
In-specie distribution		(6,783,535)	-	-	-	(6,783,535)	-	**(6,783,535)**
BALANCE AT 30 JUNE 2013		**38,934,640**	**7,164,292**	**-**	**(32,055,946)**	**14,042,986**	**-**	**14,042,986**
BALANCE AT 1 JULY 2013		**38,934,640**	**7,164,292**	**-**	**(32,055,946)**	**14,042,986**	**-**	**14,042,986**
Loss for the year		-	-	-	(4,874,581)	(4,874,581)	(873,811)	**(5,748,392)**
Other comprehensive loss		-	-	(4,491)	-	(4,491)	(4,684)	**(9,175)**
Total comprehensive loss for the year		**-**	**-**	**(4,491)**	**(4,874,581)**	**(4,879,072)**	**(878,495)**	**(5,757,567)**
Transactions with owners in their capacity as owners:								
Shares issued during the year	13	211,150	-	-	-	211,150	-	**211,150**
Options issued during the year	14	-	570,755	-	-	570,755	-	**570,755**
Transfer on vesting of performance rights		30,375	(30,375)	-	-	-	-	**-**
BALANCE AT 30 JUNE 2014		**39,176,165**	**7,704,672**	**(4,491)**	**(36,930,527)**	**9,945,819**	**(878,495)**	**9,067,324**

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2014	Notes	Consolidated 2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**479,433**	983,102
Payments to suppliers and employees		**(1,382,863)**	(1,544,653)
Expenditure on mining interests		**(4,393,556)**	(10,115,070)
Sundry income		**102,208**	-
Payments for other financial assets at fair value through profit or loss		**-**	(4,000)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	21	**(5,194,778)**	(10,680,621)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**-**	(181,508)
Proceeds from sale of plant and equipment		**9,000**	49,000
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**9,000**	(132,508)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**201,150**	4,784,500
Payment to Duketon Mining Ltd on in-specie distribution		**-**	(1,000,000)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**201,150**	3,784,500
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(4,984,628)**	(7,028,629)
Cash and cash equivalents at the beginning of the financial year		**14,259,879**	21,288,409
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	**9,275,251**	14,259,879

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

Notes to the Consolidated Financial Statements

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

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the 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 an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are show separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Financial Position.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. The Group has no investments in associates at 30 June 2014.

Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has no interests accounted for in accordance with AASB 11 at 30 June 2014.

(iv) Changes in ownership interests

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. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, 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 joint venture or an 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.

Notes to the Consolidated Financial Statements (Cont'd)

(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

Notes to the Consolidated Financial Statements (Cont'd)

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 Consolidated 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

Notes to the Consolidated Financial Statements (Cont'd)

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 de-recognition

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 profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

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 profit or loss.

(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 de-recognised when replaced. All other repairs and maintenance are charged to profit or loss 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 profit or loss. 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 expensed 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 23.

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 of options 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 or loss 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.

Notes to the Consolidated Financial Statements (Cont'd)

(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 Consolidated 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) Application of new accounting standards

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements*, and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- *AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards Arising from AASB 119 (September 2011)*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*, and
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

The impacts of the adoption of AASB 10, AASB 11, AASB 13, and AASB 119 resulted in changes in accounting policies as explained below. The other standards only affected the disclosures in the notes to the financial statements.

(t) Changes in accounting policies

As explained above, the Group has adopted a number of new or revised accounting standards this year that have resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

(i) Consolidated financial statements and joint arrangements

AASB 10 *Consolidated Financial Statements* was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities.*

The Group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10. Colluli Mining Share Company, which was incorporated in March 2014, has been accounted for in accordance with AASB 10.

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The application of AASB 11 did not have an impact on current historical balances as the Group is not a party to any joint arrangements in current or previous reporting periods.

(ii) Employee benefits

The adoption of the revised AASB 119 *Employee Benefits* has changed the Group's accounting for its annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being

Notes to the Consolidated Financial Statements (Cont'd)

provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This did change the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change was immaterial since the majority of leave is still expected to be taken within a short period after the end of the reporting period.

(iii) Fair value measurement

AASB 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

There were no material changes to the Group's financial statements as a result of the adoption of this standard.

(iv) Impact on financial statements

The impacts of the changes in the Group's accounting policies are detailed above. There were no changes where retrospective application was material.

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 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 2015. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9: • Classification and measurement of financial liabilities; and • De-recognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Annual reporting periods beginning on or after 1 January 2017	Adoption of AASB 9 is only mandatory for the year ending 30 June 2018. The entity has not yet made an assessment of the impact of these amendments.

Notes to the Consolidated Financial Statements (Cont'd)

(v) 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:

Colluli Mining Share Company

The Group has accounted for Colluli Mining Share Company ("CMSC") as a controlled entity in accordance with AASB 10 Consolidated Financial Statements. This represents a significant judgement made by the Group that it has a 50% equity holding in CMSC. The Group has reached the conclusion that CMSC is a controlled entity based upon CMSC's current Board composition and having regard to the governance provisions contained in the CMSC Shareholders Agreement.

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 of options is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 23.

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 ris k 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 Executive 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 Group of $9,275,251 (2013: $14,259,879) 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 3.77% (2013: 4.9%).

Sensitivity analysis

At 30 June 2014, 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 $94,140 lower/higher (2013: $152,031 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 Consolidated Statement of Financial Position and Notes to the Consolidated 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

Notes to the Consolidated Financial Statements (Cont'd)

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 monitors 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 Consolidated 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

HIstorically, the Australia segment was engaged in mineral exploration on the Group's interests in Australia. The Group ceased its operations in Australia in the 2013 financial year with the disposal of Duketon Mining Ltd.

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.

Notes to the Consolidated Financial Statements (Cont'd)

3. SEGMENT INFORMATION (cont'd)

	Australia		Eritrea		Total	
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $
Segment revenue						
Other income	**106,916**	147,016	**-**	-	**106,916**	147,016
Total segment revenue	**106,916**	147,016	**-**	-	**106,916**	147,016
Reconciliation of segment revenue to Group revenue						
Interest revenue					**443,624**	832,537
Fair value gains on financial assets						1,057,756
Gain on deconsolidation					**-**	3,475,034
Total Group revenue					**550,540**	5,512,343
Segment result						
Segment result before income tax	**127,458**	(762,942)	**(4,175,477)**	(7,858,875)	**(4,048,019)**	(8,621,817)
Reconciliation of segment result to Group loss before tax						
Depreciation					**(285,955)**	(206,223)
Interest revenue					**443,624**	832,537
Fair value gains/(losses) on financial assets					**-**	1,057,756
Administration and corporate charges					**(1,277,287)**	(1,580,283)
Share-based payment expenses					**(580,755)**	(256,563)
Gain on deconsolidation					**-**	3,475,034
Loss for the year					**(5,748,392)**	(5,299,559)
Segment assets	**-**	-	**155,037**	314,825	**155,037**	314,825
Reconciliation of segment assets to Group assets						
Corporate assets					**8,912,285**	14,787,500
Total Group assets from continuing operations					**9,067,322**	14,787,500
Segment liabilities	**-**	-	**-**	-	**-**	-
Reconciliation of segment liabilities to Group liabilities						
Corporate liabilities					**432,133**	744,514
Total Group liabilities from continuing operations					**432,133**	744,514

	Consolidated	
	2014 $	2013 $
4. REVENUE		
From continuing operations		
Interest	**443,624**	832,537

Notes to the Consolidated Financial Statements (Cont'd)

	Consolidated 2014 $	Consolidated 2013 $
5. OTHER INCOME		
Fair value gains on financial assets at fair value through profit or loss	**-**	1,057,756
	-	1,057,756
6. EXPENSES		
Profit / (loss) before income tax includes the following specific expenses:		
Foreign exchange losses	**7,125**	54,353
Minimum lease payments relating to operating leases	**136,425**	129,983
Superannuation expenses	**74,178**	117,883
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	**(5,748,393)**	(5,299,559)
Prima facie tax benefit at the Australian tax rate of 30% (2012: 30%)	**(1,724,518)**	(1,589,868)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**174,227**	76,969
Gain on deconsolidation	**-**	(1,042,510)
R&D refund	**(27,288)**	-
Movements in unrecognised temporary differences	**71,129**	(317,327)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**1,506,450**	2,872,736
Income tax expense/(benefit)	**-**	-
(c) Deferred tax liabilities (at 30%)		
Financial assets at fair value through profit or loss	**-**	(105,345)
Deferred tax liabilities offset by deferred tax assets	**-**	105,345
	-	-
(d) Deferred Tax Assets (at 30%)		
On Income Tax Account		
Tax losses	**10,582,596**	9,076,146
Deferred tax assets offset against deferred tax liabilities	**-**	105,345
Deferred tax assets not brought to account	**(10,582,596)**	(9,181,491)
		-

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.

Notes to the Consolidated Financial Statements (Cont'd)

	Consolidated 2014 $	Consolidated 2013 $
8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**160,159**	470,594
Short-term deposits	**9,115,092**	13,789,285
Cash and cash equivalents as shown in the consolidated statement of financial position and the consolidated statement of cash flows	**9,275,251**	14,259,879

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

	2014 $	2013 $
Trade and other receivables	**130,971**	132,059

10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2014 $	2013 $
Plant and equipment		
Cost	**1,074,868**	1,025,545
Accumulated depreciation	**(981,635)**	(629,983)
Net book amount	**93,233**	395,562
Plant and equipment		
Opening net book amount	**347,560**	288,169
Additions	**-**	314,724
Disposals	**-**	(49,100)
Depreciation charge	**(285,955)**	(206,233)
Foreign exchange translation variances	**31,628**	-
Closing net book amount	**93,233**	347,560

11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2014 $	2013 $
Trade payables	**100,855**	614,524
Other payables and accruals	**283,600**	50,000
	384,455	664,524

12. PROVISIONS

	2014 $	2013 $
CURRENT		
Employee entitlements	**47,676**	66,702
NON-CURRENT		
Employee entitlements	**-**	13,288

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.

Notes to the Consolidated Financial Statements (Cont'd)

13. ISSUED CAPITAL

(a) Share capital

	Notes	2014 Number of shares	2014 $	2013 Number of shares	2013 $
Ordinary shares fully paid	14(b)	**129,427,826**	**39,176,165**	127,952,826	38,934,640
Total issued capital		**129,427,826**	**39,176,165**	127,952,826	38,934,640

	2014 Number of shares	2014 $	2013 Number of shares	2013 $
(b) Movements in ordinary share capital				
Beginning of the financial year	**127,952,826**	**38,934,640**	120,969,668	40,933,675
Issued during the year:				
• Issued on vesting of Performance Rights	**75,000**	**30,375**	-	-
• Issued on exercise of $0.149 options	**1,350,000**	**201,150**	-	-
• Issued as performance incentive shares	**50,000**	**10,000**	-	-
• Issued on exercise of $0.20 options	**-**	**-**	1,650,000	330,000
• Issued on exercise of $0.35 options	**-**	**-**	70,000	24,500
• Issued for cash at $0.95 per share (i)	**-**	**-**	5,263,158	4,430,000
• In-specie distribution	**-**	**-**	-	(6,783,535)
End of the financial year	**129,427,826**	**39,176,165**	127,952,826	38,934,640

(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 2014	Number of options 2013
Beginning of the financial year	**19,050,000**	10,320,000
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 $0.340, on or before 29 November 2016	**5,000,000**	1,000,000
Exercised, cancelled or expired during the year:		
• Exercisable at $0.20, on or before 30 November 2012	**-**	(1,000,000)
• Exercisable at $0.299, on or before 31 July 2013	**(1,950,000)**	-
• Exercisable at $0.35, on or before 31 July 2013	**-**	(70,000)
• Exercisable at $0.20, on or before 30 June 2014	**-**	(150,000)
• Exercisable at $0.149, on or before 30 June 2014	**(1,600,000)**	-
• Exercisable at $0.35, on or before 31 July 2015	**-**	(500,000)
End of the financial year	**20,500,000**	19,050,000

Notes to the Consolidated Financial Statements (Cont'd)

13. 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	
	2014	2013
	$	$

(e) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it 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 2014 and 30 June 2013 are as follows:

	2014 $	2013 $
Cash and cash equivalents	**9,275,251**	14,259,879
Trade and other receivables	**130,971**	132,059
Trade and other payables	**(432,133)**	(731,226)
Working capital position	**8,974,089**	13,660,712

14. RESERVES

(a) Reserves

	2014 $	2013 $
Share-based payments reserve		
Balance at beginning of year	**7,164,292**	6,907,729
Employee and contractor share options (note 23)	**570,755**	256,563
Transfer to contributed equity on conversion of performance rights	**(30,375)**	-
Balance at end of year	**7,704,672**	7,164,292
Foreign currency translation reserve		
Balance at beginning of year	**-**	-
Currency translation differences arising during the year	**(4,491)**	-
Balance at end of year	**(4,491)**	-
Total reserves	**7,700,181**	7,164,292

(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.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Notes to the Consolidated Financial Statements (Cont'd)

15. REMUNERATION OF AUDITORS

	Consolidated 2014 $	Consolidated 2013 $
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	**39,500**	44,000

(b) Non-audit services

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

16. CONTINGENCIES

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

	Consolidated 2014 $	Consolidated 2013 $
17. 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
later than one year but not later than five years	**-**	-
	-	3,400,000
(b) Lease commitments: Group as lessee		
Operating leases (non-cancellable):		
Minimum lease payments		
within one year	**109,172**	109,172
later than one year but not later than five years	**218,344**	327,516
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**327,516**	436,688

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

	Consolidated 2014 $	Consolidated 2013 $
(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
later than one year but not later than five years	**-**	-
	-	291,667

Notes to the Consolidated Financial Statements (Cont'd)

18. 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 19.

(c) Key management personnel compensation

	Consolidated 2014 $	Consolidated 2013 $
Short-term benefits	**1,037,698**	1,283,799
Post employment benefits	**64,688**	82,336
Other long-term benefits	**-**	-
Termination benefits	**-**	322,640
Share-based payments	**471,810**	234,643
	1,574,196	1,923,418

19. SUBSIDIARIES

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 2014 %	Equity Holding 2013 %
STB Eritrea Pty Ltd	Australia	Ordinary	**100**	100
Colluli Mining Share Company	Eritrea	Ordinary	**50**	-

The proportion of ownership interest is equal to the proportion of voting power held.

(a) Colluli Mining Share Company

Colluli Mining Share Company was incorporated in March 2014 in accordance with the Shareholders Agreement with the Eritrean National Mining Corporation entered into in November 2013.

The details of net assets transferred from STB Eritrea Pty Ltd to Colluli Mining Share Company upon its incorporation are as follows:

Property, plant, and equipment	188,581
Total assets	**188,581**
Total liabilities	**-**
Net asset position	**188,581**

Notes to the Consolidated Financial Statements (Cont'd)

20. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 30 July 2014 the Company announced a strategic placement to Hong Kong based Kam Lung Investment Development Company ("KLID") to raise $1,850,000 through the issue of 10,000,000 shares at 18.5c per share. KLID also received 8,000,000 unlisted options exercisable at $0.35 each on or before that day which is 6 months from the ASX release of the pre-feasibility study results in relation to the Colluli Potash Project. Vesting of the options is subject to KLID successfully securing a binding off-take agreement for potassium sulphate for the Colluli Project on commercial terms acceptable to the CMSC board within 6 months of STB's announcement of the pre-feasibility study results to the ASX.

Several key milestones in respect of the Company's prefeasibility study have been achieved subsequent to the end of the financial year, including the completion of first phase environmental baseline assessments and commencement of the drilling program. The prefeasibility study expected to be completed in February 2015.

No other 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. No matter or circumstance has arisen since 30 June 2014, 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 2014 $	Consolidated 2013 $
21. STATEMENT OF CASH FLOWS		
(a) Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(5,748,392)**	(5,299,559)
Non-Cash Items		
Depreciation of plant and equipment	**285,955**	206,233
Share-based payment expense	**580,755**	256,563
Fair value gain on financial assets at fair value through profit and loss	**-**	(1,057,756)
(Gain)/loss on sale of plant and equipment	**(4,708)**	22,168
Gain on deconsolidation	**-**	(3,475,034)
Change in operating assets and liabilities		
(Increase) in trade and other receivables	**1,089**	4,580
Increase/(decrease) in trade and other payables	**(277,162)**	(1,291,113)
Increase/(decrease) in provisions	**(32,315)**	(46,703)
Net cash outflow from operating activities	**(5,194,778)**	(10,680,621)

(b) Non-cash investing and financing activities

During the prior 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. Aggregate details of this transaction are:

	2014 $	2013 $
Cash	**-**	378
Property, plant and equipment	**-**	1,432
Payables	**-**	(21,011)
Gain on deconsolidation	**-**	(3,475,034)

Notes to the Consolidated Financial Statements (Cont'd)

22. LOSS PER SHARE

	Consolidated 2014 $	Consolidated 2013 $
(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	**(4,874,581)**	(5,299,559)

(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	**128,360,497**	127,301,704
Weighted average number of ordinary shares used as the denominator in calculating diluted loss per share	**128,360,497**	138,345,348

23. SHARE-BASED PAYMENTS

a) Shares

On 17 March 2014, in his capacity as Chief Executive Officer prior to his appointment as Managing Director, Mr Donaldson was granted 50,000 Shares in the Company as recognition of his key achievements, including:

- The completion of a comprehensive and detailed review of all aspect of the Colluli Potash Project, resulting in a material reduction to the forecast mining strip ratio and mine production costs relative to the original development case;
- The identification of three alternate processing options to the base case. These new options utilise the entire resource and broaden the potential product suite;
- Finalisation of the shareholders' agreement with the Eritrean National Mining Corporation; and
- Conclusion of the first board meeting of CMSC.

The value of these shares has been calculated as $10,000 based upon market value at grant date.

b) 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 $0.340 each to $1.949 each and expiry dates ranging from 17 July 2014 to 29 November 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 2014 Number of options	Consolidated 2014 Weighted average exercise price cents	Consolidated 2013 Number of options	Consolidated 2013 Weighted average exercise price cents
Outstanding at the beginning of the year	**19,050,000**	**$0.953**	10,320,000	$0.604
Granted (i)	**5,000,000**	**$0.340**	10,450,000	$1.171
Forfeited	**-**	**-**	-	-
Exercised	**(1,350,000)**	**$0.149**	(1,720,000)	$0.030
Expired	**(2,200,000)**	**$0.282**	-	-
Outstanding at year-end	**20,500,000**	**$0.928**	19,050,000	$0.953
Exercisable at year-end	**15,500,000**	**$1.118**	19,050,000	$0.953

(i) The 2013 figure includes 5,450,000 options granted to Meridian Capital International Fund as part of an equity raising completed during the year.

Notes to the Consolidated Financial Statements (Cont'd)

23. SHARE-BASED PAYMENTS (cont'd)

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.25 years (2013: 1.5 years), with exercise prices ranging from $0.34 to $1.949.

The weighted average fair value of the options granted during the year was $0.1085 (2013: $0.12). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2014	2013
Weighted average exercise price	$0.34	$1.26
Weighted average life of the option (years)	3	1.7
Weighted average underlying share price	$0.21	$0.69
Expected share price volatility	94%	50%
Risk free interest rate	2.99%	2.54%

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.

c) 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; and
- 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 2014:

2014 Performance Rights

Grant Date	Balance at start of the year	Granted during the year	Vested and converted to shares	Cancelled upon termination	Balance at end of the year	Performance Rights Vested
25 January 2012 (Class 1)	400,000	-	-	(300,000)	100,000	-
15 May 2012 (Class 1)	772,000	-	-	(230,000)	542,000	-
12 December 2012 (Class 2)	225,000	-	(75,000)	-	150,000	-
TOTAL	1,397,000	-	(75,000)	(530,000)	792,000	-

2013 Performance Rights

Grant Date	Balance at start of the year	Granted during the year	Converted to shares	Cancelled upon termination	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	-

Notes to the Consolidated Financial Statements (Cont'd)

23. SHARE-BASED PAYMENTS (cont'd)

c) Expenses arising from share-based payment transactions

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

	Consolidated	
	2014	2013
	$	$
Shares	**10,000**	-
Options and Performance Rights issued to directors, employees and contractors	**570,755**	256,563
	580,755	256,563

24. PARENT ENTITY INFORMATION

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

	2014	2013
	$	$
Current assets	**9,298,348**	14,050,784
Non-current assets	**23,533,372**	19,400,190
Total assets	**32,831,720**	33,450,974
Current liabilities	**432,133**	731,227
Non-current liabilities	**-**	13,288
Total liabilities	**432,133**	744,515
Issued capital	**39,176,165**	38,934,640
Share-based payments reserve	**7,704,672**	7,164,292
Accumulated losses	**(14,481,250)**	(13,392,473)
Total equity	**32,399,587**	32,706,459
Profit/(Loss) for the year	**(1,088,778)**	2,729,699
Total comprehensive profit/(loss) for the year	**(1,088,778)**	2,729,699

25. DIVIDENDS

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

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 4 to 54 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 2014 and of its 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, 26 September 2014

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 2014 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.*

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 2014 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 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Graham R Swan FCA
Partner

Dated 26th September 2014

ASX ADDITIONAL INFORMATION

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.

The information is current as at 17 September 2014.

(a) Distribution of equity securities

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

			Ordinary Shares	%
1	-	1,000	705	23.38%
1,001	-	5,000	1,083	35.92%
5,001	-	10,000	437	14.49%
10,001	-	100,000	658	21.82%
100,001		and over	132	4.39%
TOTAL			3,015	100.00%

The number of shareholders holding less than a marketable parcel was 1209.

(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	17,938,332	12.87%
2	Cornelius, Liam Raymond	11,958,806	8.58%
3	Kam Lung Investment Development Company Ltd	10,000,000	7.17%
4	JP Morgan Nominees Australia Ltd	8,505,264	6.10%
5	National Nominees Ltd	4,849,852	3.48%
6	Alpha Boxer Ltd	4,625,400	3.32%
7	Citicorp Nominees Pty Ltd	3,249,412	2.33%
8	Kongming Investments Ltd	2,889,200	2.07%
9	Zero Nominees Pty Ltd	2,450,000	1.76%
10	Ranguta Ltd	2,250,000	1.61%
11	Maslin Anthony + Norris M	2,130,000	1.53%
12	Grandor Pty Ltd	1,906,077	1.37%
13	Watts, Paul Hartley	1,660,000	1.19%
14	Arotinco Resources Pty Ltd	1,410,000	1.01%
15	Aradia Ventures Pty Ltd	1,360,000	0.98%
16	De Jong, Jacobus Gerardus	1,229,700	0.88%
17	Sino West Assets Ltd	1,216,900	0.87%
18	Inc Atoc	1,100,000	0.79%
19	Watts, Paul Hartley	1,050,000	0.75%
20	Ms Dianne Claire Grammer	1,020,000	0.73%
		82,798,943	59.39%

(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
Kam Lung Investment Development Company Ltd	10,000,000

(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) Unquoted securities

At 17 September 2014 the Company has on issue 23,050,000 unlisted options over ordinary shares and 792,000 performance rights.

The names of security holders holding more than 20% of an unlisted class of security are listed below.

	Unlisted Options $1.949, 30/03/2015	Unlisted Options $0.699, 30/06/2015	Unlisted Options $1.449, 30/11/2015	Unlisted Options $1.949, 30/11/2015	Unlisted Options $0.599, 30/01/2016
Azure Capital Investments	1,250,000	-	-	-	-
Mascots International Limited	-	3,800,000	-	-	-
Mr Anthony Kiernan	-	-	500,000	500,000	-
Mr Paul Donaldson	-	-	-	-	700,000
Holders individually less than 20%	-	-	-	-	-
Total	1,250,000	3,800,000	500,000	500,000	700,000

	Unlisted Options $0.649, 30/01/2016	Unlisted Options $0.949, 30/01/2016	Unlisted Options $0.340, 29/11/2016	Unlisted Options $0.350, on or before that day which is 6 months from the ASX release of the pre-feasibility study results in relation to the Colluli potash Project (vesting conditions apply)
Mr Paul Donaldson	1,000,000	1,300,000	-	-
Mr Seamus Cornelius	-	-	2,000,000	-
Kam Lung Investment Development Company			-	8,000,000
Holders individually less than 20%	-	-	4,000,000	-
Total	1,000,000	1,300,000	6,000,000	8,000,000

	Performance Rights Class 1	Performance Rights Class 2
Mascots International Limited	170,000	-
Mr Zeray Lake	150,000	-
Mr Anthony Kiernan	-	150,000
Holders individually less than 20%	322,000	-
Total	642,000	150,000

(f) Schedule of Interests in Mining Tenements

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

(g) Resource Statement

Resource Table

At 30 June 2013, 30 June 2014 and the date of this report the Colluli JORC-Compliant Mineral Resource Estimate by potash mineral is as follows:

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
Kainite ($KCl.MgSO_4.H_2O$)	597	19.8%	118
Total	**1,080**	**18.0%**	**194**

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.