

ASX Release

30 October 2014

Company Details

ASX Code:	STB
Share Price	\$0.205
Market Cap	\$29M
Shares on issue	139M
Company options	23M
Cash at Bank	\$10M

Contact Details

Managing Director

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Quarterly Report

for the period ending 30 September 2014

HIGHLIGHTS

COLLULI POTASH PROJECT

- Commercial grade potassium sulphate ("SOP") produced from the Colluli salt suite¹
- PFS Flotation testwork demonstrated potassium yields in excess of 80%
- Favourable metallurgical test results resulted in elimination of grinding infrastructure and some thickening infrastructure from the initial process design, reducing capital and operating costs
- PFS process plant design configuration finalised
- PFS drilling campaign completed ahead of schedule and under budget for pit wall and trafficability assessments with testing currently underway in both Canada and Australia
- DFS drilling campaign initiated early to obtain:
 - hydrogeology and dewatering requirements including the placement of dewatering bores in the mining area
 - geotechnical information for plant and recovery pond infrastructure
- DFS level test pits underway to finalise knowledge of:
 - Product haulage road construction requirements
 - Borrow material for site, port and road construction
 - Waste dump and evaporation pond foundations
- Transfer of resource model to AMC consultants well progressed
- Exploration license renewal completed
- First tranche of environmental baseline assessments submitted to the Eritrean Environmental Ministry
- Over 1.5 tonnes of Colluli salt samples shipped to Canada for pilot plant
- Detailed study for product shipping options underway

CORPORATE

- Placement of 10M shares at 18.5c per share to Hong Kong based Kam Lung Investment Development Company to raise \$1,850,000
- Cash position of \$10.2M at 30 September 2014

¹ Using Colluli kainite and synthetic sylvite

COLLULI POTASH PROJECT

OVERVIEW

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

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

The Project is a joint venture between the Eritrean National Mining Company ("ENAMCO") and South Boulder with each company having equal ownership of the joint venture company, the Colluli Mining Share Company ("CMSC"). CMSC is responsible for managing the development of the Project.

The Colluli resource is located 70km from the coast making it one of the most accessible potash deposits globally. It is favourably positioned relative to key growth markets for potassium-bearing fertilisers, commonly known as potash, and is the shallowest known potassium bearing evaporite deposit in the world with mineralisation starting at 16m. This makes the resource amenable to open cut mining methods.

Since exploration commenced in 2009, a JORC/NI43-101 Compliant Mineral Resource Estimate has been estimated at 1.08 billion tonnes at 18% KCl for 194Mt of contained potash as follows:

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

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

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

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

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

PROJECT UPDATE

Significant progress was achieved on pre-feasibility studies to support the Colluli Project during the quarter.

Metallurgical/Processing Test Program

Commercial grade potassium sulphate ("SOP") was produced by combining decomposed, Colluli sourced, kainite with sylvite. This is a simple, ambient temperature conversion process which results in high yield potassium. The combination of salts in the Colluli resource is one of its key strengths. The Danakil basin is one of only three areas globally in which kainite salt exists in solid form in appreciable amounts. Kainite is the most important potassium bearing salt for the production of potassium sulphate and represents over 60% of the Colluli resource. The balance of the potassium bearing salts are suitable for the production of sylvite ("KCl"), which when combined with purified kainite (purified by flotation) results in an ambient temperature (low energy), high potassium yield conversion to potassium sulphate.

Metallurgical tests completed at the Saskatchewan Research Council in Canada have verified the processing conversion process, which is currently used by low cost brine operations producing potassium sulphate throughout the world.

The metallurgical test program also completed flotation tests on decomposed kainite, achieving potassium yields in excess of 80%. Further yield benefits will be achieved from the recovery ponds included in the processing plant design.

A revised metallurgical test program for the production of decomposed kainite for flotation also identified an alternate processing plant configuration which ultimately resulted in the complete elimination of grinding and some thickening infrastructure. This has resulted in a reduction in both capital and operating costs relative to the base case design.

A pilot program has been designed to support the definitive feasibility study and further enhance the pre-feasibility design. Samples are currently being collected with pilot work expected to commence during the next quarter.

Following bench-scale solar evaporation tests completed last quarter to obtain data for the design of the potassium recovery ponds, evaporation equipment has been mobilised to the Colluli site to obtain site data that will support the definitive feasibility study. Evaporation tests will commence in the following quarter.

Pre-feasibility level costing of major components of the processing plant has commenced.

Resource Handover to AMC Consultants

Following a full review of the drilling, geotechnical logging and interpretation, data logging and data management, AMC Consultants completed a visit to the Colluli site and the Asmara core shed. Drilling of the resource recommenced early in the quarter to obtain information for mine planning and site infrastructure. Part of the drilling program included the 'twinning' of selected resource holes as part of the resource model ownership transfer process. The drilling program was completed ahead of schedule. Samples have been deployed to Germany and are undergoing analysis. The resource review is expected to be completed in the next quarter and will be used for the determination of the maiden reserve.



Geotechnical and Mine Planning



The drilling campaign completed during the quarter was used to collect resource data to support final pit designs and assess trafficability of the different materials within the resource to support mining fleet requirements and mine method.

Mine planning work is well advanced and has demonstrated a robust mine plan which can access all salts from various parts of the resource simultaneously. This is an excellent outcome as it reduces working capital requirements for mining in the early stages of the Project. Information obtained

from the drilling campaign is being used to finalise the mining method. Previous mining studies were based on the use of conventional drill and blast practices. Focus has shifted to more detailed analysis of free dig of the clastic layers above the potash salts, and surface mining of the potassium bearing salts. This method will reduce dilution, improve salt separation, eliminate the need for any explosives within the mining operation and potentially eliminate the need for primary crushing of the feed salts, which will further reduce capital and operating costs of the processing plant.

The mining pre-feasibility study is expected to be completed early in the next quarter.



Infrastructure and Process Design



Mapping of the logistics route between the Colluli mine site and Anfile Bay was completed along with key infrastructure locations including recovery ponds, processing plant and feed stockpiles.

Pond seepage rate calculations were completed for evaporation ponds, supporting trade off studies for the installation of pond liners.

The first 3-D model of the processing plant has been developed with process flow diagrams updated to reflect modified process plant design following the

extension of metallurgical testwork.

A pond harvesting solution was identified for pre-feasibility study costings. The current infrastructure solution includes floating pond dredges for extracting salts from the recovery ponds and recycling them back through the processing plant, thus reducing the surface area of recovery ponds and saving on working capital.

The organisational structure and initial headcount were both finalised for pre-feasibility study calculations.

Village room selection was completed and room numbers have been finalised for site village design.

Social and Environmental Impact Assessment

The first series of baseline studies were submitted to the Eritrea Ministry of Environment while the second tranche is expected to be submitted during the next quarter.

Ongoing stakeholder engagement and updates took place with the local communities on the Project.

The haul road between the Colluli mine site and Anfile Bay is designed to by-pass local communities to avoid noise and maximise safety of local people.



CORPORATE

Cash

Consolidated cash on hand as at 30 September 2014 was \$10.2M.

Equity

Share Capital

The Company completed a strategic share placement to Hong Kong based Kam Lung Investment Development Company ("KLID") during the quarter, raising a total of \$1,850,000 through the issue of 10,000,000 shares at 18.5c per share. Shares issued to KLID were at a 13% premium to STB's 30 day Volume Weighted Average Price ("VWAP").

Total issued capital at the end of the quarter was 139,427,826 ordinary fully paid shares.

Options

As part of the strategic placement noted above, KLID were issued 8,000,000 options exercisable at 35 cents, subject to KLID successfully securing a binding offtake agreement for potassium sulphate for the Colluli Project on commercial terms acceptable to the CMSC board. The offtake agreement is to be completed within 6 months of STB's announcement of the pre-feasibility study results to the ASX.

5,450,000 options exercisable at \$1.449 expired 17 July 2014.

The balance of unlisted options as at 30 September 2014 is as follows:

Option Expiry Date	Number of Options	Exercise Price
31 March 2015	1,250,000	\$1.949
30 June 2015	3,800,000	\$0.699
30 November 2015	500,000	\$1.449
30 November 2015	500,000	\$1.949
31 January 2016	700,000	\$0.599
31 January 2016	1,000,000	\$0.649
31 January 2016	1,300,000	\$0.949
29 November 2016	6,000,000	\$0.34
That day which is 6 months from the ASX release of Colluli PFS results	8,000,000	\$0.35

Performance Rights

The South Boulder Mines Ltd Performance Rights Plan (“the Plan”) was approved at the 2011 Annual General Meeting. The purpose of the Plan is to provide recognition to employees of South Boulder and its subsidiaries for their continued and ongoing support of the Company.

A total of 642,000 Class 1 Performance Rights and 150,000 Class 2 Performance Rights were outstanding at the end of the quarter.

Performance Rights are granted subject to the following vesting conditions:

Class 1:

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

Class 2:

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

Finance

Discussions are continuing with potential strategic investors for the Colluli Project and the engagement of potential financial advisors has begun.

Development of the financial model to incorporate the final PFS mining method and processing design has neared completion. The outcomes from this economic model will be released to market upon finalisation of financial inputs at conclusion of the PFS, which is expected in February 2015.

Interests in Mining Tenements

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

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

More information:

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South Boulder Mines Limited: Telephone +61 8 6315 1444

ABN: 56 097 904 302

Paul Donaldson
MANAGING DIRECTOR

Amy Just
COMPANY SECRETARY

About South Boulder Mines Ltd

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

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

Competent Persons and Responsibility Statement

The Colluli Potash Project has a current JORC/NI43-101 Compliant Measured, Indicated and Inferred Mineral Resource Estimate of 1,079.00Mt @ 17.97% KCl or 11.35% K₂O (total contained potash of 194.09Mt KCl or 122.61Mt K₂O). The resource contains 261.81Mt @ 17.94% KCl or 11.33% K₂O of Measured Resources, 674.48Mt @ 17.98% KCl or 11.36% K₂O of Indicated Resources and 143.50Mt @ 18.00% KCl or 11.37% K₂O of Inferred Resources.

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

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Greg Knox using estimates supplied by South Boulder Mines Ltd under supervision by Ercosplan. Dr Henry Rauche and Dr Sebastiaan Van Der Klaauw 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 Klaauw 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 Klaauw 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 Klaauw 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.

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

South Boulder Mines Limited

ABN

57 097 904 302

Quarter ended ("current quarter")

30 September 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(895)	(895)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(442)	(442)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	16	16
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other - research and development grant	385	385
	- sundry income	-	-
Net Operating Cash Flows		(936)	(936)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	-
1.13	Total operating and investing cash flows (carried forward)	(936)	(936)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(936)	(936)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,850	1,850
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	1,850	1,850
	Net increase (decrease) in cash held	914	914
1.20	Cash at beginning of quarter/year to date	9,275	9,275
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	10,189	10,189

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	83
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions Item 1.2 includes aggregate amounts paid to directors including salary, directors' fees, and superannuation.	

Non-cash financing and investing activities

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

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,800
4.2 Development	-
4.3 Production	-
4.4 Administration	450
Total	3,250

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	207	412
5.2 Deposits at call	9,982	8,863
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	10,189	9,275

Changes in interests in mining tenements

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

Appendix 5B

Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	139,427,826	139,427,826		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	10,000,000	10,000,000	\$0.185	
7.5	*Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	1,250,000 3,800,000 500,000 500,000 700,000 1,000,000 1,300,000 6,000,000 8,000,000 642,000 150,000		Exercise price \$1.949 \$0.699 \$1.449 \$1.949 \$0.599 \$0.649 \$0.949 \$0.34 \$0.35 Performance Rights – Class 1 Performance Rights – Class 2	Expiry date 31/03/2015 30/06/2015 30/11/2015 30/11/2015 31/01/2016 31/01/2016 31/01/2016 29/11/2016 That day which is 6 months from the ASX release of Colluli PFS results
7.8	Issued during quarter	8,000,000		Exercise price \$0.35	Expiry date That day which is 6 months from the ASX release of Colluli PFS results
7.9	Exercised during quarter				
7.10	Expired during quarter	5,450,000		Exercise price \$1.449	Expiry date 17/07/2014
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Mining exploration entity quarterly report

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~/does not~~ *(delete one)* give a true and fair view of the matters disclosed.

Chris Rust

Sign here: _____ Date: 30 October 2014
(Company Secretary)

Print name: **Amy Just**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have
been financed for the past quarter and the effect on its cash position. An entity wanting to
disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining
tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in
a joint venture agreement and there are conditions precedent which will change its percentage
interest in a mining tenement, it should disclose the change of percentage interest and
conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1
and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral
Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial
Reporting Standards for foreign entities. If the standards used do not address a topic, the
Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.