

# ASX Release

23 February 2015

## Company Details

ASX Code:	STB
Share Price	\$0.235
Market Cap	\$35M
Shares on issue	149M
Company options	28M
Cash at Bank	\$8.5M

## Contact Details

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# Shareholder Update

Dear Shareholder,

I would like to commence by thanking you for your support as we continue to build on the success of 2014 in the year ahead. This is set to be an important and transformational year for South Boulder Mines Limited ("STB" or the "Company"). We look forward to some important milestones for the Company over the coming 12 months, including the completion of all pre-feasibility study ("PFS") work streams, publication of the PFS economics in Q1 and the completion of a high quality definitive/bankable feasibility study ("DFS") in Q3.

As our Managing Director, Paul Donaldson and his team along with our consultants Lycopodium, Global Potash Solutions, AMC Consultants, PRDW, Knight Piesold, and MBS Environmental are busy completing and compiling the PFS report, I am pleased to provide this brief progress update. Given the imminent completion of our PFS, I must be somewhat circumspect about what can be said in this update. We are pleased with the work to date and expect that the PFS results will be very well received.

South Boulder is focused on developing the Colluli potash project in cooperation with our partners, the Eritrean National Mining Company ("ENAMCO"), through the 50/50 joint venture known as Colluli Mining Share Company ("CMSC").

The Colluli potash deposit has been widely recognised for some time as a world class resource. The extensive work we have done over the past 2 years, and, in particular, since we commenced the PFS/DFS work program in April 2014, has greatly increased our understanding of the deposit and how it should be developed to generate maximum benefit for stakeholders.

Colluli has a unique composition of potassium bearing salts in solid form, suitable for the production of both potassium sulphate ("SOP") and potash of magnesia ("SOPM"). These are premium potassium fertilisers with limited primary production globally due to resource scarcity. Moreover, the considerable size, shallow depth and consistency of the deposit make Colluli highly amenable to economically viable open cut mining. The resource is also in close proximity to the Red Sea coast, allowing easy access to our end markets.

It is our belief, supported by external experts and advisors, that Colluli is one of the best undeveloped potash and agrichemical resources in the world today. That is not to say that developing Colluli to reach its full potential will be easy. There are always challenges in any mining project, no matter the jurisdiction, and developing a very large, multi-commodity project that will produce highly valued products for many decades if not a century or more has never been an easy task.

That said, we are confident that our plan for the development of Colluli, which is underpinned by extensive and rigorous work, both scientific and practical in nature at PFS and DFS level, will be implemented. As we have stated consistently over the past year, the development plan will be based on the

principles of modularity, risk mitigation, simplicity, compatibility with local circumstances and full resource utilisation. I am confident that we have an exceptionally talented and well-balanced team in place to support the work we are undertaking.

As module 1 at Colluli will produce the premium potash products SOP and potentially SOPM, it should not really be compared to any of the more common emerging muriate of potash ("MOP") projects. Naturally in a competitive market for capital, comparisons will be made. We are confident, however, that our plan for Colluli will compare very favourably from any perspective be it capital expenditure, operating costs, mine life, product range, infrastructure requirements or profitability.

Even now as we push to complete the PFS, our DFS level work is well under way and has presented attractive optimisation opportunities that will enhance the final feasibility case.

After the key PFS information is published, we intend to make progress on a number of key commercial and corporate fronts that will support the development of Colluli and clearly demonstrate a significant level of major investor, infrastructure developer and end user interest in Colluli.

I would also like to take this opportunity to remind shareholders that the financial year-end for STB was recently changed from 30 June to 31 December. This aligns the STB year-end with that of CMSC and STB Eritrea. As a result, we are required to hold an AGM before 31 May 2015. At the AGM, in addition to other regular matters, we anticipate asking shareholders to approve a name change for STB<sup>1</sup> to better reflect its activities as an emerging producer of premium potash and agricultural chemicals from the Colluli resource.

Finally, I would like to thank Paul Donaldson and his team, our partners ENAMCO, all of our staff in Asmara and CMSC, along with our external consultants, for their continued hard work.

Yours faithfully,



Seamus Cornelius  
Chairman  
South Boulder Mines Limited

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<sup>1</sup> Further information on the name change will be provided in the notice of meeting

**More information:**

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**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 500km<sup>2</sup>. 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% K<sub>2</sub>O (total contained potash of 194.09Mt KCl or 122.61Mt K<sub>2</sub>O). The resource contains 261.81Mt @ 17.94% KCl or 11.33% K<sub>2</sub>O of Measured Resources, 674.48Mt @ 17.98% KCl or 11.36% K<sub>2</sub>O of Indicated Resources and 143.50Mt @ 18.00% KCl or 11.37% K<sub>2</sub>O 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.

MrKnox, DrRauche 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% K<sub>2</sub>O. 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-UmwelttechnikGmbH 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 AkkreditierungssystemPrüfwesen GmbH (DAR). The laboratory follow standard procedures for the analysis of potash salt rocks chemical analysis (K+, Na+, Mg2+, Ca2+, Cl-, SO42-, H2O) and X-ray diffraction (XRD) analysis of the same samples as for chemical analysis to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.