SOUTH BOULDER
MINES LTD

ABN 56 097 904 302

ANNUAL REPORT

FOR THE TRANSITIONAL FINANCIAL YEAR FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

Corporate Information

Directors

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

Executive Management

Paul Michael Donaldson (Managing Director & Chief Executive Officer)

Company Secretary

Amy Just

Registered Office & Principal Place of Business

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Telephone: +61 (0)8 6315 1444 Facsimile: +61 (0)8 9486 7093

Bank

ANZ
1275 Hay Street, WEST PERTH, WA 6005

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway, APPLECROSS, WA 6153
Telephone: +61 (0)8 9315 2333 Facsimile: +61 (0)8 9315 2233

Auditors

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

Website

www.southbouldermines.com.au

Stock Exchange Listing

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

American Depository Receipts

The Bank of New York Mellon sponsors STB's Level 1 American Depository Receipts Program (ADR) in the United States of America. STB's ADRs are traded on the over-the-counter (OTC) securities market in the US under the symbol SBMSY and CUSIP: 836709105. One ADR represents one ordinary share in STB.

US OTC Market information is available here:
http://www.otcmarkets.com/stock/SBMSY/quote

STB's ADR information can also be viewed here:
http://www.adrbnymellon.com/dr_profile.jsp?cusip=836709105

ADR Holders seeking information on their shareholding should contact:

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Contents

Chairman’s Letter

Dear fellow shareholder,

Thank you once again for your support. South Boulder has been an ASX listed company for approximately 12 years. Over that time we have been fortunate to have many loyal and supportive shareholders. We now have over 3,000 shareholders, some of whom have been shareholders since the company's IPO. In recent times we have received significant support from new shareholders including those who have joined the register in above market placements.

The company is focussed on developing the Colluli potash and agrichemicals project in Eritrea through a 50/50 joint venture with the Eritrean National Mining Company (ENAMCO). The Colluli project is a truly outstanding asset that will produce potash and other agrichemical products for many, many decades if not centuries. The phrase "world class" is over used in the mining exploration business, but in the case of the Colluli project the passing of time is likely to prove that the phrase is both accurate and a little too modest.
Throughout the year the management team progressed and delivered a positive prefeasibility study for a phased development approach to the Colluli development. This study demonstrated the lowest capital intensity of all advanced projects in the world for potassium sulphate, and bottom quartile operating costs. We believe that the project team can further improve the project economics for the definitive feasibility study.

As we have progressed through the development studies for the project, we have also commenced some of the necessary changes to the board composition to ensure that we have the right skills and capability to guide the management team to success. This year we welcome John Fitzgerald, who brings with him a wealth of commercial, financial and project funding experience. These are necessary skills to support the team as they advance to completion of the definitive feasibility study.
Shareholders may be aware that the name "South Boulder" has some historical and personal significance. Nonetheless in view of the company's focus on the Colluli project the board has decided that it is now appropriate to recommend a change of name to a name that more accurately communicates something about the company's future.

Colluli is located in the Danakil basin which is the last known, great, undeveloped potash basin on Earth. The Colluli project is the shallowest part of the basin, the only part suitable for low cost, low risk, open cut mining and has by far the easiest and lowest cost access to the coast.

The board is pleased to recommend that the company change its name to **Danakali Limited**. When the future of the Colluli project is realized we expect that Danakali will become a name as familiar to investors as Anglo, BHP, Rio Tinto and Shell.

I look forward to your ongoing support throughout 2015.

Yours faithfully

Seamus Cornelius

Non-executive Chairman

Letter from the Managing Director

2014 has been a positive and productive year for South Boulder Mines (STB). The company significantly advanced the prefeasibility study for the production of potassium sulphate from the Colluli resource, and successfully completed two above market share placements, which was particularly significant given 2014 market conditions.

The Colluli resource is positively unique. Our confidence in the resource has grown tremendously over the past few years. Located in the Danakil Depression region of Eritrea, East Africa, Colluli is in close proximity to the Red Sea coast, hosts over one billion tonnes of potassium bearing salts, is shallow, amenable to open cut mining, and located in an environment with low precipitation and high evaporation rates. These positive differentiators combine to make Colluli a unique, unrivalled and unsurpassed resource with an exceptionally promising future.

As many of you know, potash is a generic term applied to a variety of potassium salts used primarily as fertiliser. Potash types are differentiated by chemistry, and carry different market prices. Key potash types include potassium chloride (Muriate of potash or MOP), potassium sulphate (Sulphate of potash or SOP), potassium magnesium sulphate (Sulphate of potash magnesia or SOPM), and potassium nitrate (Nitrate of potash or NOP). The abundance of economically extractable resources differs significantly for each potash type.

The combination of salts in the Colluli resource is ideal for the production of SOP. Economically suitable resources for primary production of SOP throughout the world are scarce, and there are few primary producers of significance. Consequently, SOP carries a substantial price premium relative to the more common potash type, potassium chloride. The outlook for SOP remains very positive. Supply growth has been unable to match growth in demand, and there are few advanced projects in the development pipeline. Colluli is one of only three SOP projects in the world with a completed prefeasibility.

The misalignment between supply and demand of SOP has resulted in elevated prices which remained high throughout 2014. US market prices exceeded US$700 per tonne of product for the entire year, and European sales achieved FOB prices in the order of US $US550 per tonne.

Having delivered a highly favourable prefeasibility study, the project team is now focussing on the delivery of a quality definitive feasibility study. Completion is currently scheduled for September of 2015. I look forward to sharing the project developments with you throughout the year as we complete this work, advance funding discussions and prepare to lodge our mining license application.

As we look to the future, the time is right to rename the company to something more meaningful and enduring. **Danakali Limited** is the new company name recommended by the board of directors. The name represents the region and commodity (Danakil Potash) and we believe it is a good fit with our future.

Paul Donaldson

CEO and Managing Director

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 six months ended 31 December 2014.

DIRECTORS

The names and details of the Company's directors in office during the financial period, 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

Independent 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 has a high degree of expertise 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.

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 Master's 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.

Directors’ Report (Cont.)

Anthony William Kiernan

Independent Non-Executive Director, LLB, (Age 64), 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 Chairman 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 47), 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, Mr Cornelius 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.)

John Daniel Fitzgerald

Independent Non-Executive Director, BApp.Sc, (Age 52), appointed 19 February 2015

Mr Fitzgerald joined the board in February 2015, and has previously held positions at NM Rothschild and Sons, Investec Bank Australia, Commonwealth Bank and HSBC Precious Metals. He is the Managing Director of Optimum Capital Pty Ltd, a debt and corporate advisory business focussed on the mining sector. Mr. Fitzgerald is also a Non-Executive Director of Northern Star Resources Limited and Chairman of Mungana Goldmines Limited. Mr Fitzgerald is a Chartered Accountant, a Fellow of FINSIA and a member of the Australian Institute of Company Directors.

COMPANY SECRETARY

Amy Dawn Just

B.Bus, CA, AGIA (Age 33), 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.

Directors’ Report (Cont.)

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	5,592,799	3,500,000	-
P M Donaldson	700,000	5,000,000	2,150,000
A W Kiernan	505,000	3,500,000	150,000
L R Cornelius	12,398,806	2,000,000	100,000
J D Fitzgerald	100,000	-	-

* On 18 March 2015, the company announced that 300,000 Ordinary Shares had been awarded to P M Donaldson for the delivery of an economically favourable prefeasibility study for the Colluli Potash Project by the end of February 2015, in line with the shareholder approved Performance Rights Plan. This award has been reflected in the table above.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period consisted of exploration and evaluation of mineral resources. There was no significant change in the nature of the Group’s activities during the six months to 31 December 2014.

DIVIDENDS

No dividends were paid or declared during the six months to 31 December 2014. No recommendation for payment of dividends has been made.

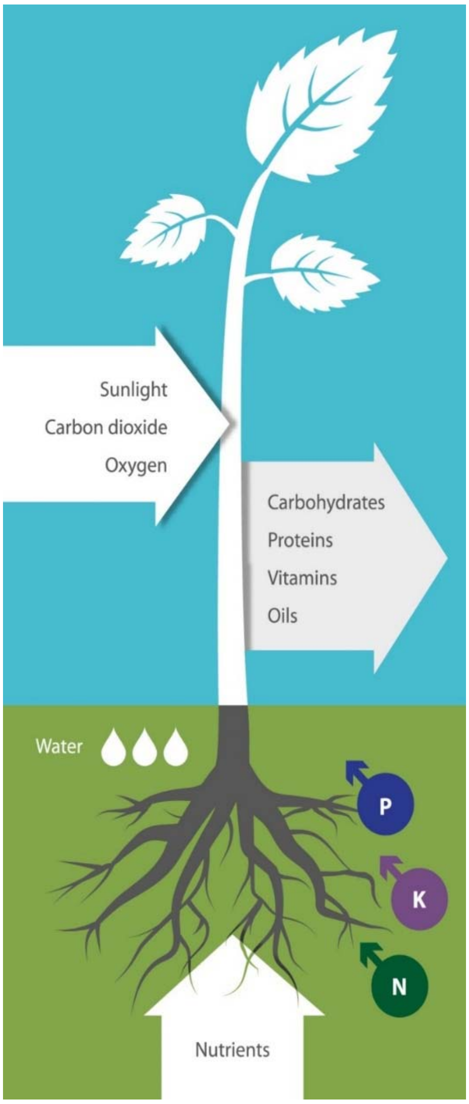
Directors' Report (Cont.)

REVIEW OF OPERATIONS

Potash Overview

Potash is a generic term applied to a range of potassium bearing minerals and manufactured chemicals used primarily as fertiliser. It is an essential, non-substitutable, agricultural commodity that is consumed in the crop growing process. Potash growth is underpinned by strong demand drivers including growing population, reduction in arable land and changing dietary preferences.

The global market for potash products is approximately 65 million tonnes and comprises four key potash types; potassium chloride (MOP), potassium sulphate (SOP), sulphate of potash magnesia (SOP-M), and potassium nitrate (NOP).



The overall equation for ongoing growth in potash demand is simple:

More people = More food = More fertiliser = More potash

Potassium is one of three key fertiliser 'macro-nutrients' essential for healthy soil and plant growth (the others being nitrogen and phosphorus), and 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.

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). The key production centres for potassium chloride are Canada and Russia.

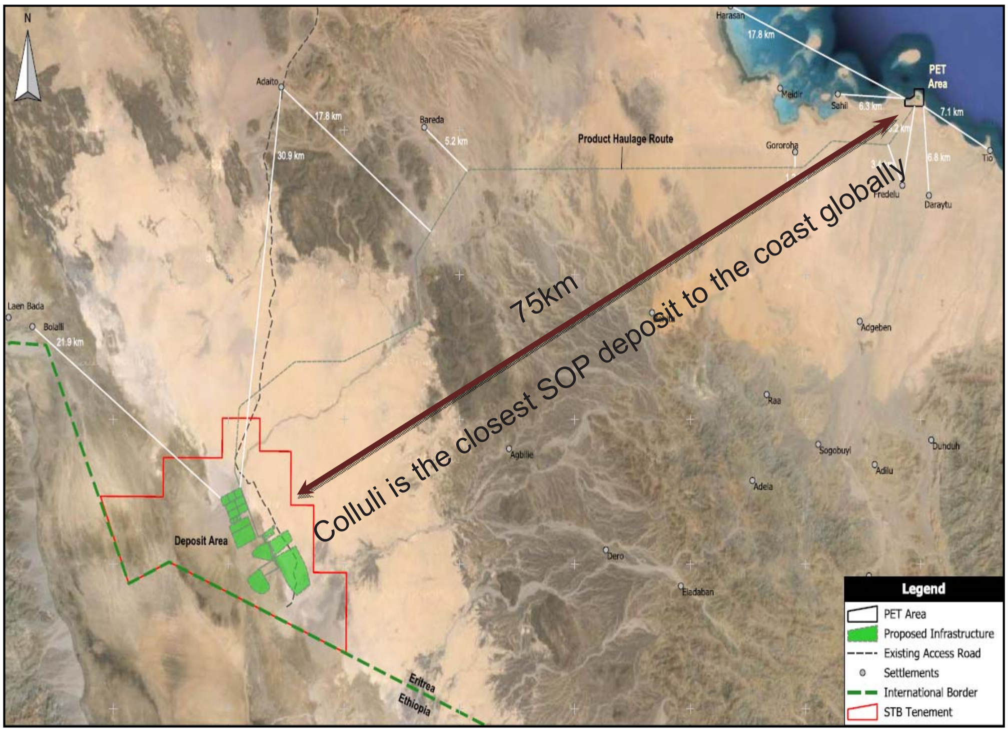
Potassium may also be present in sulphate form and used to produce potassium sulphate (sulphate of potash or SOP). Potassium sulphate is chloride free. This means its application is best suited to crops which have low tolerance to chlorides; however, its application is not limited to these crops. Potassium sulphate can act as a substitute for potassium chloride in a number of applications. Potassium chloride however, cannot substitute potassium sulphate.

The key areas for potassium sulphate production are China, United States and South America. These areas typically extract potassium sulphate from brines (primary production). Potassium sulphate can also be produced through the combination of potassium chloride and sulphuric acid (secondary production).

Directors' Report (Cont.)

Project Overview

The Colluli resource is located in the Danakil region of Eritrea, East Africa, approximately 350km south-east of the capital city, Asmara and 180km from the port of Massawa. The resource contains over 1 billion tonnes of potassium bearing salts suitable for the production of potash fertiliser. At only 75km from the Red Sea coast, and with mineralisation commencing at just 16m, Colluli is one of the most accessible potash deposits globally.



"At only 75km from the Red Sea coast, and with mineralisation commencing at just 16m, Colluli is one of the most accessible potash deposits globally"

The project is located in a basin approximately 140m below sea level, and the region experiences approximately 150mm of rainfall per year, with ambient temperatures similar to those of the Pilbara region of Western Australia. These conditions are highly favourable for solar evaporation which lowers the energy costs associated with potash production. The high salt content throughout the region limits the amount of vegetation and the local population is sparsely scattered throughout the area. There are no communities within the Colluli tenements.

Large potassium bearing resource

The resource comprises three potassium key salts; sylvinite, carnallite and kainite. Kainite is the most important salt for the production of potassium sulphate globally. It typically exists in brines, which have typical potassium levels of approximately 5kg per tonne of water. The water is evaporated to generate a kainite rich harvest salt which is processed to generate SOP. The Danakil depression is one of only three resources in the world that contains kainite in solid form. Other regions of significance for solid kainite are The Ukraine and Sicily where it has been successfully mined and processed. Mining in both of these jurisdictions has since ceased for geotechnical, and economic reasons.

Directors' Report (Cont.)

Following a comprehensive resource review by AMC Consultants, Colluli now has a JORC 2012 compliant resource of 1.289 billion tonnes of potassium bearing salts. 97% of the resource is classified in the measured and indicated categories. Table 1 shows the resource composition and tonnages of the Colluli salts.

Colluli JORC 2012 Resource Estimate and Interpretation

Occurrence	Tonnes (Mt)	K_2O Equiv	Contained K_2O (Mt)	Proportion Measured and Indicated
Sylvinite ($KCl.NaCl$)	265	12%	31.8	94%
Carnallite ($KCl.MgCl_2.H_2O$)	398	8%	31.8	96%
Kainitite ($KCl.MgSO_4.H_2O$)	626	12%	75.1	99%
Total	**1,289**	**10.76% average**	**152.7**	**97%**

Contained K_2SO_4 (Potassium Sulphate) equivalent of **260Mt** on a 100% recovery basis of potassium contained in total resource.

Colluli' s Composition of Potassium Bearing Salts Favours Potassium Sulphate Production

The potassium bearing salts in the Colluli resource combine to produce potassium sulphate (sulphate of potash or SOP) using commercially proven technology. The process, which combines Kainite and potassium chloride, occurs under ambient temperature conditions and results in high potassium yields. Simple, well understood mineral processing units including flotation columns, centrifuges and mixing tanks separate sodium chloride from the potassium bearing salts, which are then mixed together and chemically convert to SOP. Potassium rich process water is recovered from the process, and passed through a series of evaporation ponds to improve the overall process yield. The recovered salts from the evaporation ponds are sent back to the processing plant.

Economic resources for primary production of SOP are geologically scarce. Consequently there are only three primary producers of significance in the world. These producers are located in Chile, United States and North West China, and manufacture SOP from potassium rich brines.

The scarcity of suitable resources for economic extraction of SOP has resulted in primary production representing only 40% of the global supply.

Kainite salts in solid form is one of Colluli's key differentiating factors as it eliminates the need for extensive evaporation prior to processing. Production rates from brines are influenced significantly by natural weather conditions and weather volatility. In some cases it can take up to three years to produce harvest salts from evaporation ponds. The Colluli resource can generate product immediately, significantly improving project cashflows. Evaporation is required only to enhance product yield and does not impact directly on production rates.

Directors' Report (Cont.)

"Economic resources for primary production of SOP are scarce."

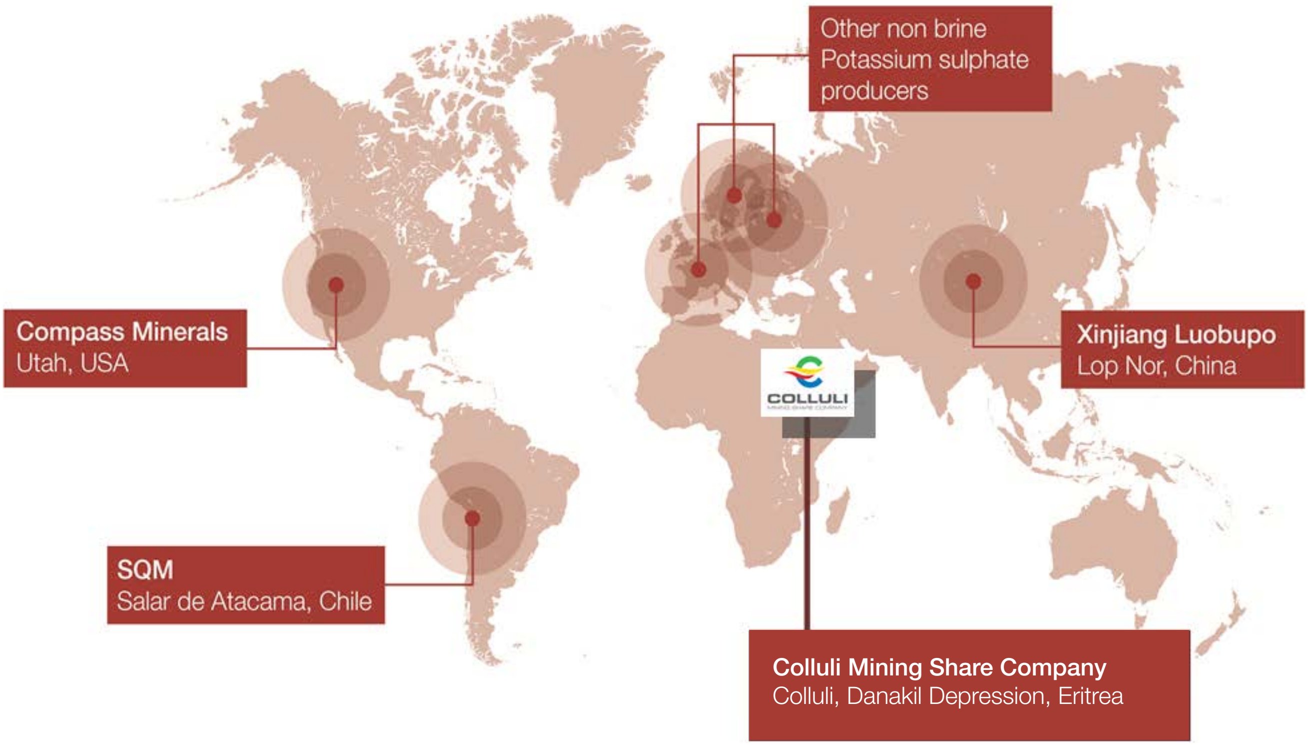
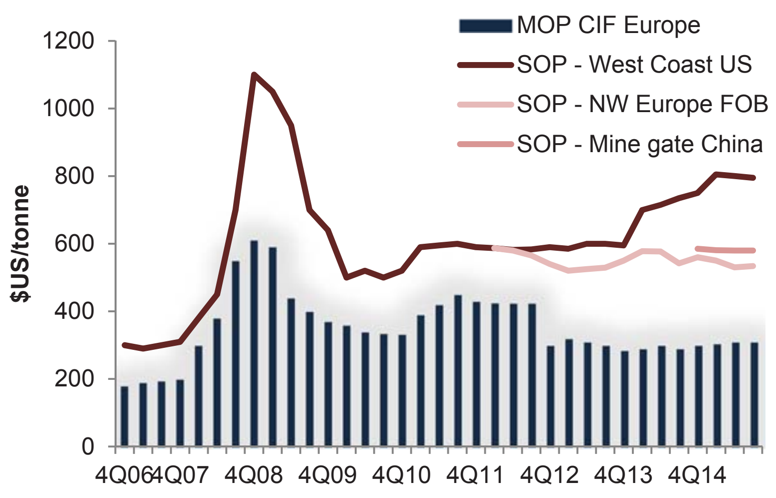


Figure: Key SOP Production Centres of the world

SOP Market Performing Strongly

There are currently only three SOP projects in the world with completed prefeasibility studies and two with completed definitive feasibility studies. SOP prices are at their second highest level on record, and strong demand growth has been met with high cost secondary production. FOB prices from Europe have averaged approximately US$550 per tonne and are relatively stable.



"SOP prices are at their second highest level."

Directors’ Report (Cont.)

SOP is primarily used for high value crops such as fruits, nuts, vegetables and coffee. The lack of chlorine also makes SOP suitable for arid climates.

Colluli - growth potential beyond SOP

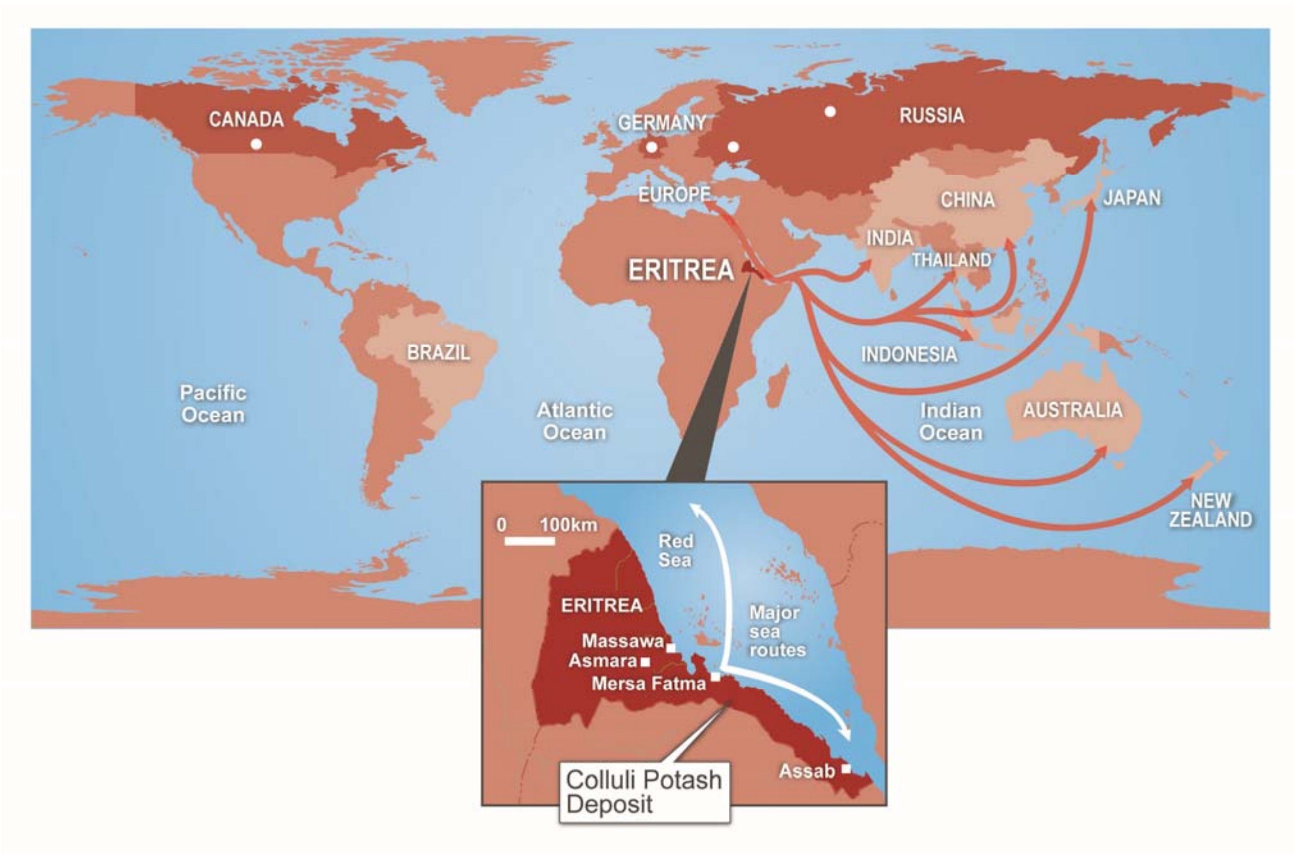
While the composition of the Colluli resource is favourable for the production of SOP, the diversity of potassium salts in the Danakil basin, gives the resource the unique ability to produce a range of potash fertilisers which will underpin the growth of the project well beyond the SOP market in the future. Colluli can also produce potassium chloride (MOP) and potash of magnesia (SOPM) which have well established global markets.

Colluli also contains appreciable amounts of high quality rocksalt, magnesium chloride and gypsum which have future market potential.

Access to the World

The East coast of Africa has excellent accessibility to key growth markets for potassium-bearing fertilisers. Fertiliser growth is primarily driven by population growth, and Eritrea provides geographically favourable proximity to the large population centres of India, China, Indonesia and the Philippines.

The Middle East, North Africa and Southern Europe are also easily accessible.



Directors' Report (Cont.)

Well Established Port Facilities

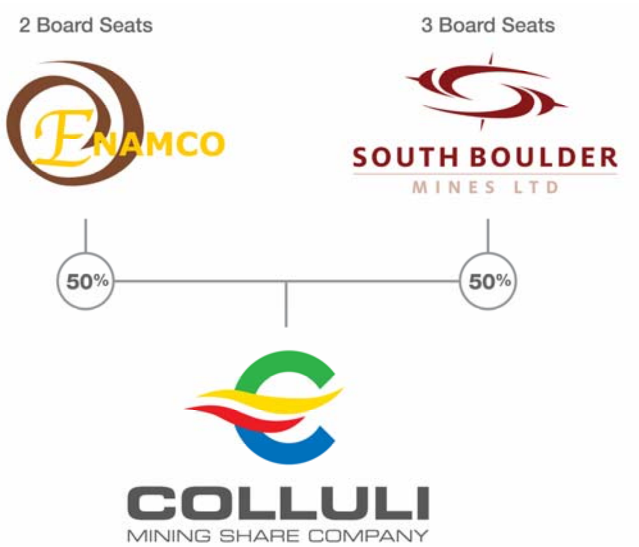
The Port of Massawa is the key import/export facility of Eritrea. The port manages both container and bulk ships, and comprises six berths, the largest being 208m long and 12m deep. The port also has a 204,000m2 storage area with a holding capacity of 150,000 metric tonnes.

A rotainer system was implemented at the Massawa port as part of the Bisha mine development. Currently over 200,000 tonnes of concentrate are exported from the Massawa port.

While the Colluli project does not contemplate the use of the Massawa port for exporting product, Massawa will provide a critical role to the Colluli project for managing mining consumables. All consumables required to support the mining and processing operations will be imported through the Massawa port and transported by road to the Colluli site.

Project Ownership

The Colluli Potash Project is 100% owned by the Colluli Mining Share Company (CMSC). CMSC is a 50/50 joint venture between the Eritrean National Mining Company (ENAMCO) and STB. STB hold three of the five board seats of the Joint Venture Company and ENAMCO the remaining two. CMSC is responsible for the development of the project.



Directors' Report (Cont.)

Under the terms of the CMSC shareholders agreement, the initial project development costs will be funded through a mixture of debt (up to 70%) and equity. Any shortfall in the debt component will be underwritten by STB on market terms with repayment and security consistent with third-party debt. The 30% equity component is STB's obligation and of this 50% is held as an Interest Free Loan and 50% as Shareholder Equity.

After CMSC's third-party debt is serviced, 50% of the available funds for distribution will be preferentially repaid to STB to settle the Interest Free Loan. The remaining 50% of CMSC's available funds will be distributed evenly across the JV ownership. This preferential payment to STB occurs until such time as the Interest Free Loan is repaid. After this, available CMSC funds for distribution are distributed as per the joint venture holding.

Directors’ Report (Cont.)

Positive Prefeasibility Study

The prefeasibility study for the Colluli SOP project was completed in February 2015. The study, which focussed on processing all potassium bearing salts for the production of SOP demonstrates extremely favourable economics.

The study team consisted of Lycopodium, MBS Environmental, AMC Consultants, and Knight Piesold. Process design was undertaken by Global Potash Solutions, with test work programs being conducted by the Saskatchewan Research Council.

The Colluli project is now one of only three SOP projects in the world at PFS stage. The Colluli process is simple, commercially proven, and takes into full consideration the suite of potassium bearing salts within the resource, and the operating environment.

Prefeasibility Study Highlights

- Colluli is expected to become one of the world’s most significant and lowest cost potassium sulphate operations
- World’s shallowest known potassium bearing evaporite deposit
- Operations will initially focus on the production of high quality potassium sulphate (SOP) – a speciality potassium fertiliser with limited primary production centres, limited new developments, and carries a price premium over the more common potassium chloride (MOP)
- Only 75km to proposed Product Export Terminal on the coast
- 1.289Bt resource at 10.76% K_2O for 152.7Mt contained K_2O (97% measured and indicated) supports a 100+ year mine life
- PFS examines a two-module development
- Open pit mining using surface miners and rigid body haul trucks
- Development Capital for Phase I of US$442 million (including US$48 million contingency)
- Phase I development capital includes project owned/built road and 900kt per annum Product Export Terminal (PET)
- Expected production output of 425kt per annum of SOP, increasing to 850kt per annum from Year 5
- Bottom quartile C1 mine gate cash cost of US$141/t of SOP (LOM Average)
- Total cash cost of US$189/t of SOP (LOM Average)
- Assumed real average SOP price of US$588/t FOB Anfile Bay
- Undiscounted after tax cumulative cashflow of US$5.1bn (30 year economic modelling period)
- Significantly leveraged to rising fertiliser prices
- Substantial opportunities to improve project economics remain
- Approval granted from both STB and CMSC boards to progress to definitive feasibility study (DFS)
- Approvals and permitting processes commenced
- DFS to be completed in Q3 2015

Directors' Report (Cont.)

Highly disciplined and experienced study team

While the economically robust nature of Colluli is clear, the execution of the study has been managed with discipline and rigour. Study work streams have been completed by highly credible mining and African experienced consultants and professionals. The results of the study are underpinned by well planned and executed test programs, and a substantial amount of data collected from the mine site, the selected processing site, the haulage road route and the selected location for the product export terminal (PET).

Colluli Study Manager : James Durrant

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AMC CONSULTANTS	Resource Mine planning Mine geotech	Lycopodium	Infrastructure and process design (with Global Potash Solutions)
Knight Piésold CONSULTING	Hydrogeology, ponds and infrastructure geotech	src SASKATCHEWAN RESEARCH COUNCIL	Metallurgical Testing
PRDW Consulting Port and Coastal Engineers	Export logistics	MBS ENVIRONMENTAL	Social and Environmental Impact Assessment

Key activities supporting the PFS included:

- PFS Flotation testwork - which demonstrated potassium yields in excess of 80%
- Transfer of the Colluli resource model to AMC consultants
- Finalisation of mine method and fleet configuration
- PFS drilling campaign – which was used for pit wall and trafficability assessments
- Successfully completing twinning of resource holes, geotechnical drilling and material characterisation for mine planning
- Completion of metallurgical testwork – which resulted in the elimination of grinding infrastructure and some thickening infrastructure from the initial process design, reducing capital and operating costs
- Completion of PFS process flow diagrams, mass balances and plant design configuration
- Production of commercial grade potassium sulphate ("SOP") from the Colluli salt suite
- Completion of detailed product shipping options study

Directors' Report (Cont.)

In addition to the PFS work, the first tranche of environmental baseline assessments were submitted to the Eritrean Environmental Ministry, the exploration license renewal was completed and over 1.5 tonnes of Colluli salt samples were shipped to Canada for piloting of the process design for the definitive feasibility study.

Development Approach

The development approach is to bring the resource into production using the principles of risk management, resource utilisation and modularity, using the starting module as a growth platform to develop the resource to its full potential. The key objective of the PFS has been to ensure that the risks, fundability and economic returns of the starting module of the project are appropriately balanced.

The first 2 phases of the development of Colluli Mine will be:

- Phase I – 425ktpa Sulphate of Potash (SOP)
- Phase II – additional 425ktpa SOP commencing production in year 5

While the PFS examines a two-phase development, the size of the resource can accommodate further expansions.

Key PFS Outcomes

The capital and operating cost information described below has been assessed for economic viability using a Discounted Cashflow Model.

Further key assumptions for the model are:

- A real average SOP price of US$588/t FOB Anfile Bay was determined through a comprehensive marketing study undertaken by South Boulder.
- Debt finance of 70% was provided for economic modelling.
- The fiscal regime assumptions align to the relevant Eritrean tax proclamations. The key assumptions are as follows:
    - Income tax, in accordance with Proclamation 69/1995 is calculated at a rate of 38% of taxable profit
    - A mining royalty of 3.5% on gross revenue
    - Straight line tax depreciation over four consecutive years
    - Tax losses can be carried forward for ten years
    - A real discount rate of 10% was used for the economic evaluation

Directors' Report (Cont.)

Key outcomes from the pre-feasibility study are summarised on the below:

Outcome	Unit	Phase I	Phase II[1]
Annualised SOP Production	Kt	425	850
Development Capital (including 15% contingency)	US$m	442	282[2]
Average SOP Price (FOB Anfile Bay)	US$/t SOP	588	588
Average Mine Gate Cash Costs	US$/t SOP	162	141
Average Total Cash Costs[3]	US$/t SOP	210	189
Post tax NPV (10%) – Project	US$m	462	846
After tax Internal Rate of Return - Project	%	22.3	24.7
Post tax NPV (10%) – STB[4]	US$m	206	397
Post tax Internal Rate of Return - STB	%	22.3	25.9
Undiscounted cash flow (cumulative)	US$m	2,645	5,134

[1] Based on an additional 425ktpa Phase II commencing production in year 5
[2] Additional capital required for second production module
[3] Includes mine gate costs, logistics and royalties
[4] In accordance with the CMSC Shareholders' Agreement

Other notable outcomes

- Production commences in 2018
- Colluli mine gate C1 cash costs at the bottom of the cost curve
- Phase I annual free cash flows of approximately US$100m
- Phase II annual free cash flows of approximately US$210m
- Phase II part funded through project cash flows
- 1.289 billion tonne resource with average grade of 10.76% K2O
- >100 year mine life based on Measured and Indicated resource categories
- Approvals and permitting processes commenced
- Approval by STB and CMSC Boards to progress definitive feasibility study

Project Infrastructure Summary

The proposed Colluli Potash Project will consist of the following elements:

- An open pit potash mine located within the Danakil Depression.
- Ore processing facilities located at the mine site.
- Evaporation ponds located at the mine site.
- A new Product Export Terminal (PET) at Ras Hafele in Anfile Bay on the Red Sea coast.
- A new 75 km product haulage road connecting the mine site and port facility.
- A seawater pipeline from the port site to the mine site.
- An accommodation camp and administration facility at the mine site.

Directors’ Report (Cont.)

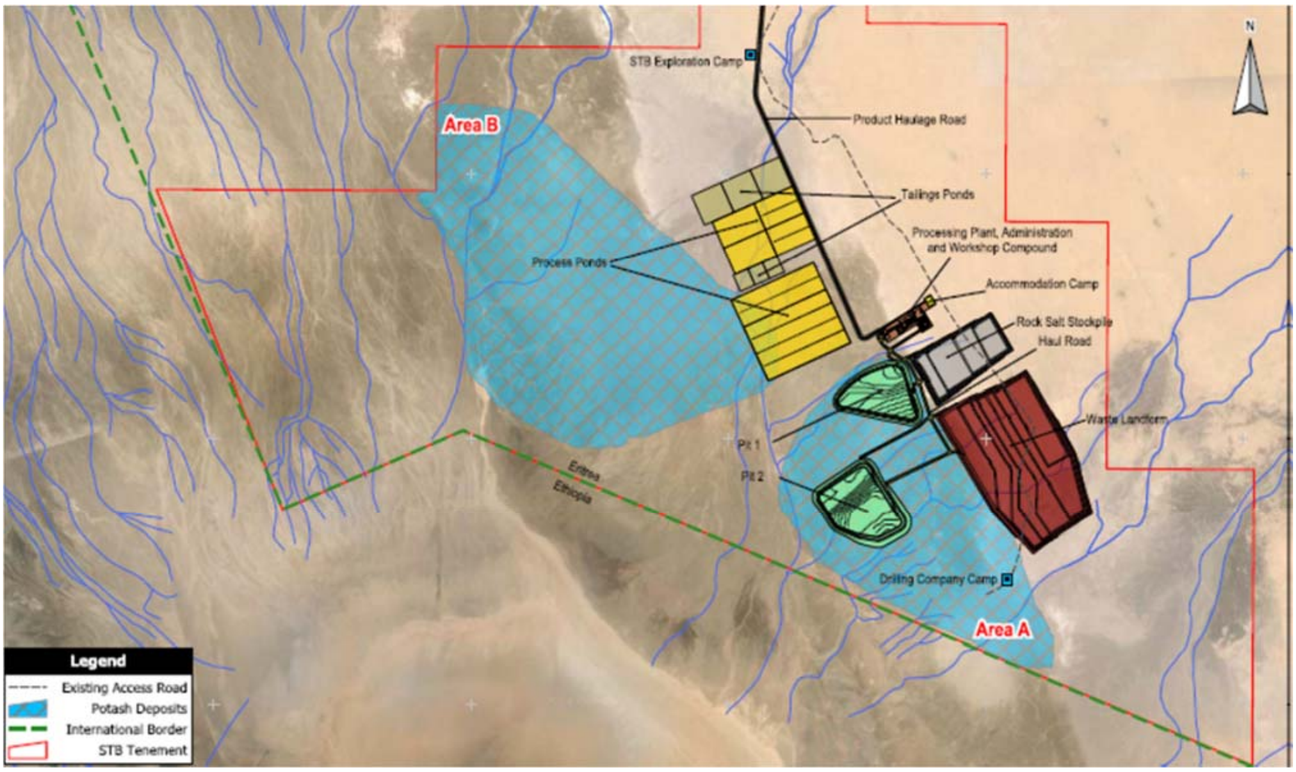

Figure: Colluli Mine Layout

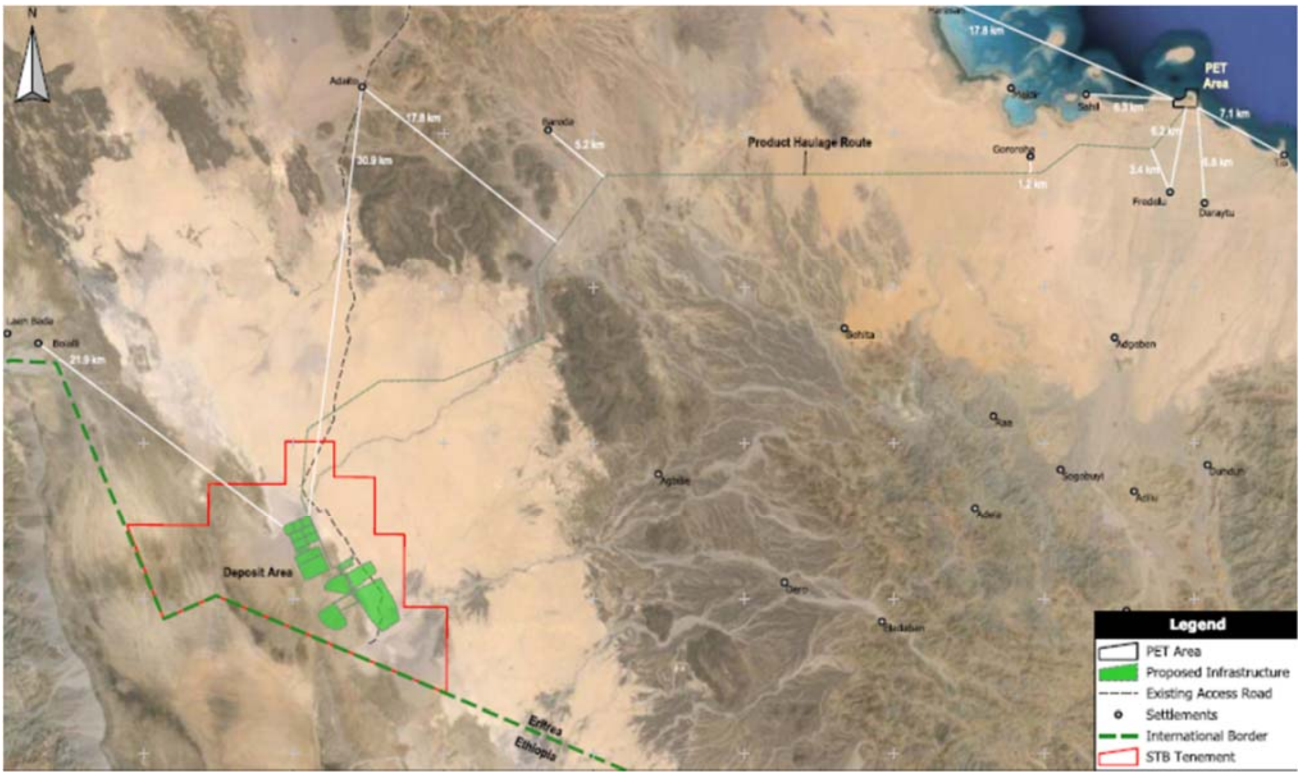

Figure: Colluli mine site and product haul road to PET

Directors' Report (Cont.)

Geology & Resource

The geology is dominated by an evaporate sequence where the potash bearing mineralisation is overlain by, typically, 10-70m of clastic sediments and, typically, 10-20m of Upper Rock Salt. Under this rock salt lies the potassium bearing minerals, capped by Marker Beds below the Upper Rock Salt. These potash bearing minerals begin with the Sylvinite Member hosting the sylvite (KCl) mineral, which is up to 10m thick. Below the Sylvinite lies the Intermediate Member comprising of carnallitites and bischofite which vary from 3 to 25m thick with the Bischofite mineralisation horizons constrained above and below by Upper and Lower Carnallitite Members. Below the Intermediate Member in the sequence is the Kainitite Member composed of kainite approximately 5 to 15m thick and overlying the Lower Rock Salt which marks the lower extend to the mineralisation.

Mining Method

The exploitation of the resource will begin within Deposit A and will be carried out by open pit mining using conventional truck and shovel techniques and continuous miners. Two pits will be developed. There are no blasting activities planned for the construction or operation of the project. Mined ore will be transported by truck to a ROM Pad adjacent to the processing plant.

Mining will be undertaken to allow 425,000 tpa of SOP to be produced. Studies indicate this will necessitate about seven million tonnes of combined ore and waste movement per year. As a standalone module this would give a mine life of over 500 years based on the measured and indicated resource. The project plans to increase SOP production to 850,000 tpa from Year 5, after which further expansions will be made in line with market requirements. Potassium magnesium sulphate and potassium chloride products may be introduced after the second phase of the project to both grow and diversify the project.

Overburden and other waste materials (clastics, rock salt and bischofite) will be removed and stockpiled on site. Clean rock salt will be stockpiled separately in anticipation of future sales. Other mine waste materials will be transported from the pit and placed to form a single waste rock landform. Some mine waste material will also be used during project construction to form embankments and foundations.

Groundwater is present in the unconsolidated clastic layer from surface to the upper rock salt unit. It is anticipated that pit dewatering will be required for the open pit. Groundwater will be extracted from the overburden layer in advance of mining. Potential for use of waste water in ore processing is being investigated.

Life of mine strip ratio is 2.19. There are clear economies of scale within the mining operation, with mining costs (US$/t SOP) decreasing by almost 14% with the introduction of the second production module.

Directors' Report (Cont.)

Processing Method

The proposed processing method is the most commonly used, low cost process for the production of potassium sulphate via the addition of potassium chloride (sylvite) with kainite from the kainitite. Kainitite represents approximately 50% of the Colluli resource with the remaining salts comprising sylvinite and carnallitite which are commonly used for the production of potassium chloride. Using these well understood processing principles, the ore containing sylvite and carnallite can be decomposed, and then recombined with decomposed kainite. The reaction occurs spontaneously under ambient conditions and provides a high potassium yield relative to other potassium sulphate production processes.
Potassium yields are further improved using a series of ponds to collect excess brines exiting the processing plant. With the project being located in an area with highly favourable ambient conditions for solar evaporation, additional potassium salts will precipitate from the collection ponds. These will be collected and recirculated back through the processing plant (Figure below).

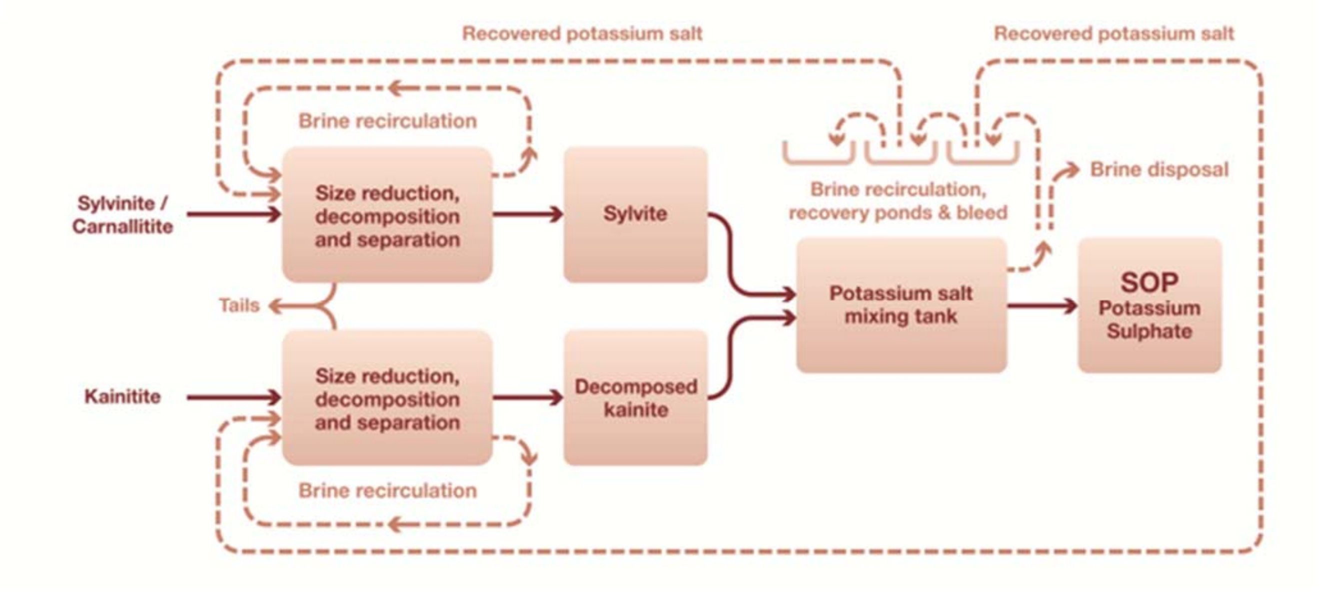

Figure: Process circuit design.

Dried SOP product from the processing plant is proposed to be stored in sea containers at the processing plant before being loaded onto road haulage vehicles for transport to the Product Export Terminal (PET). Loading of product onto road haulage vehicles will take place continuously. The majority of the product storage is proposed to be at the PET site.

Product Transportation and Export

A product haulage road approximately 75 km in length is proposed to be developed to connect the Colluli mine site with a Product Export Terminal (PET) on the coast.
The SOP product will be transported in containers by truck to the PET and stack stored. Four or five trucks will transport approximately 80 tonnes of product making three round trips each per 12hrs (i.e. 12-15 truck movements per day).

The PET will consist of a short jetty, container loading/unloading infrastructure, storage and support facilities. Shuttle trucks will transport containers to a loading quay. Barges will be loaded by a mobile crane at the loading quay. Barges will then transport the containers to a waiting ship in deep water.

Directors' Report (Cont.)

Capital Estimates

The accuracy of the capital estimate ±25% and is summarised below.
In addition to the direct capex, provision has been made for:

- Engineering, Procurement and Construction Management (EPCM)
- Owners Costs (including Owners Labour, First Fills, Insurance & Working Capital)
- Contingency of 15% (applied to the estimate to account for project design uncertainties)

Estimated Capital Expenditure by Type	Phase I (US$m)	Phase II (US$m)
Process Plant including ponds	165	179[1]
Mine Development & Infrastructure	71	7
Water Supply, Product Road & Port	49	14
Support Infrastructure	10	3
Sub-Total Direct Costs	**295**	**203**
EPCM	37	18
Indirect Construction Costs	27	27
Owners Costs	35	3
Sub-Total Indirect Costs	**99**	**48**
Contingency	**48**	**31**
Total Capital Costs	**442**	**282**

[1] Includes plant modifications for processing lower carnallite material

Sustaining capital is provided in consideration for further pond and tailings construction, minor mobile equipment, infrastructure upgrades, closure provisioning and a processing plant upgrade to manage feed changes from the mine and is summarised in the table below:

Estimated Sustaining Capital	Phase I (US$m)	Phase II[2] (US$m)
Spend in first 5 years of production	103[1]	24
Spend to completion of Evaluation period	91	67
Total Sustaining Capital Costs	**194**	**91**

[1] Includes deferred capital and plant modifications for processing lower carnallite material
[2] Incremental over Phase I

Operating Costs

Operating costs have been compiled for the economic period of review (30 years of operation). These costs have been prepared by activity and cost element and further between fixed and variable categories. Estimations are considered to have an accuracy of ±25%. All costs have been prepared on an owner operated basis except for mining and port operations.

Directors' Report (Cont.)

Operating cost unit rates are summarised below:

Estimated Operating Unit Rate by Activity	Phase I (US$/t SOP)	Phase II (US$/t SOP)
Mining Operation	82.71	71.53
Processing Operation	58.34	57.89
General & Administration	20.92	11.37
Sub-Total Mine Gate Costs	**161.97**	**140.79**
Trucking to port	6.49	6.48
Shiploading activities	20.93	20.87
Sub-Total Operating Costs	**189.39**	**168.14**
Royalties	20.61	20.60
Total Cash Costs	**210.00**	**188.74**

PFS Conclusion

The PFS has demonstrated that the Colluli Potash Project is economically robust and can be brought into production with potentially the lowest operating costs by global standards.

Furthermore, the projected initial development capital is low relative to a large proportion of potash projects worldwide, making Colluli highly attractive and competitive relative to many potash operations and deposits. The use of a simple, safe open pit mining technique coupled with a successfully evaluated process design (which applies common technologies) signifies the feasibility of the project.

Consequently the STB and CMSC Boards have agreed to continue the project to the Definitive Feasibility study phase.

Directors’ Report (Cont.)

Definitive Feasibility Work Well Underway

Process design optimisation tests commenced immediately following the completion of the PFS process flow designs. Test results have initiated a number of modifications to improve the overall process design and reduce operating and capital costs relative to the prefeasibility study design.

Figure: Brine Testing

Figure: Supervision of drilling

DFS test pits have been developed to finalise knowledge of:

- Product haulage road construction requirements
- Borrow material for site, port and road construction
- Waste dump and evaporation pond foundations

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
- confirmation of sufficient water to support construction activities

The DFS is due for completion in September 2015.

Directors' Report (Cont.)

FINANCE REVIEW

The Group recorded a net loss after tax of $4.4m for the six months to 31 December 2014 compared to a net loss of $5.7 million in the previous financial year, ending 30 June 2014. Included in the loss for the period was exploration expenditure of $3.3m million (full year to 30 June 2014: $4.2 million). In line with the Group's accounting policies, all exploration expenditure is written off in the period incurred.

Total consolidated cash on hand at the end of the period was $7,525,450 (30 June 2014: $9,275,251).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the Group occurred during the six months to 31 December 2014 other than:

- Allotment of 10,000,000 fully paid ordinary shares at $0.185 per share to raise $1,850,000. In conjunction with this placement, 8,000,000 unlisted options with an exercise price of $0.35 per share and an expiry date to be six months from the ASX release of the pre-feasibility study results in relation to the Colluli potash Project were issued free.
- On 21 November 2014, the Company announced the change of its financial year end, from 30 June to 31 December.

DEVELOPMENTS AND EXPECTED RESULTS

Details of important developments occurring in this financial period 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.

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 six month to 31 December 2014 were:

Directors

S I Cornelius	Non-Executive Chairman
P M Donaldson	Managing Director and Chief Executive Officer
A W Kiernan	Non-Executive Director
L R Cornelius	Non-Executive Director

Named Executives

A D Just	Company Secretary
S Tarrant	Head of Finance

Directors' Report (Cont.)

All of the above persons were key management personnel during the six months to 31 December 2014 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.

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.

Directors’ Report (Cont.)

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.

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.

Directors' Report (Cont.)

<u>Remuneration of Non-Executive Directors</u>

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 period. 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 Company performance.

Fees for the Chairman and non-executive directors are determined within an aggregate directors' fee pool limit of $400,000 as approved by shareholders on 17 November 2014. The Chairman and non-executive directors' fees are inclusive of committee fees.

<u>Remuneration of Key Management Personnel</u>

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 period. 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.)

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

Class 4:

- 300,000 upon completion of a Prefeasibility Study and the release of the study results to market;
- 650,000 upon completion of a Definitive Feasibility Study and release of study results to market;
- 700,000 upon awarding of the Colluli mining licence; and
- 800,000 upon commencement of construction of the production facility.

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

Further performance rights details can be found in Note 22(c).

All performance rights will automatically expire on the earlier of the expiry date or the date the 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 approximately 99% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2014 and received no specific feedback on its Remuneration Report at the Annual General Meeting or throughout the period.

Directors' Report (Cont.)

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*.

Key management personnel and other executives of the Company for the six months to 31 December 2014:

Six Months to 31 December 2014	Short-Term	Post-Employment		LTI (c)			Total
				Share Based Payments			
	Salary & Fees	Superannuation	Termination payments	Shares	Options	Performance Rights	Total
	$	$	$	$	$	$	$
Non-Executive Directors							
S I Cornelius	36,000	-	-	-	212,145	-	248,145
A W Kiernan	30,000	2,850	-	-	166,936	5,536	205,322
L R Cornelius	25,985	2,469	-	-	126,360	17,547	172,361
Executive Directors							
P M Donaldson	175,009	16,626	-	-	126,360	53,659	371,654
Other Key Management Personnel							
A D Just (a)	-	-	-	-	-	-	-
S Tarrant (b)	94,862	-	-	-	-	-	94,862
TOTAL	**361,856**	**21,944**	**-**	**-**	**631,802**	**76,742**	**1,092,344**

(a) Ms Just provides her services through Grange Consulting Pty Ltd. Fees charged by Grange are on an arms-length basis.

(b) Mr Tarrant commenced on 18 August 2014 and provides his services through Mars Consulting Pty Ltd. Fees charged by Mars are on an arms-length basis.

(c) 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.

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.

Directors' Report (Cont.)

Key management personnel and other executives of the Company for the full year to 30 June 2014:

Full Year to 30 June 2014	Short-Term	Post-Employment		LTI (i)			
				Share Based Payments			
	Salary & Fees	Superannuation	Termination payments	Shares	Options	Performance Rights	Total
	$	$	$	$	$	$	$
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.)

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

Six Months to 31 December 2014			
Name	Fixed Remuneration	At risk – STI	At risk - LTI
Non-Executive Directors			
S I Cornelius	15%	-	85%
A W Kiernan	16%	-	84%
L R Cornelius	17%	-	83%
Executive Directors			
P M Donaldson	52%	-	48%
Other Key Management Personnel			
A D Just	-	-	-
S Tarrant	100%	-	-

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 six months ended 31 December 2014 of $175,000 ($350,000 per annum).
- Payment of termination benefit on early termination by the Company, other than for gross misconduct, equal to three months of the base salary.
- Notice period of three months, required to be given by the Employee for termination.

f) Details of Share Based Compensation

(i) 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	100%
17 November 2014	1 January 2015	17 November 2017	$0.278	$0.0814	-

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 1 January 2015 and there are no vesting conditions. Further information on the options is set out in note 22.

Directors' Report (Cont.)

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 period	Vested %	Number of options forfeited during the period
S I Cornelius	2014	2014	2,000,000	$217,000	2,000,000	100%	-
S I Cornelius	2014	2015	1,500,000	$121,728	-	-	-
A W Kiernan	2014	2014	1,000,000	$108,500	1,000,000	100%	-
A W Kiernan	2014	2015	1,500,000	$121,728	-	-	-
L R Cornelius	2014	2014	1,000,000	$108,500	1,000,000	100%	-
L R Cornelius	2014	2015	1,000,000	$81,152	-	-	-
P M Donaldson	2014	2015	1,000,000	$81,152	-	100%	-

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

(ii) Performance Rights

There were 3,000,000 Performance Rights granted during the period. 2,450,000 of the performance rights granted were issued to a key management person.

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	Performance Rights granted		Number of Performance Rights vested during the period		Total Vested %
		Class	Number	Prior Period	Current Period	
A W Kiernan	2013	Class 2	225,000	75,000	-	33%
L R Cornelius	2013	Class 1	100,000	-	-	-
P M Donaldson	2014	Class 4	2,450,000	-	-	-

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

Class 4:

- 300,000 upon completion of a Prefeasibility Study and the release of the study results to market;
- 650,000 upon completion of a Definitive Feasibility Study and release of study results to market;
- 700,000 upon awarding of the Colluli mining licence; and
- 800,000 upon commencement of construction of the production facility.

There were no performance rights, held by key management personnel, forfeited during the six months to 31 December 2014.

Directors' Report (Cont.)

g) Equity Instruments Held by Key Management Personnel

(i) Shares

There were no shares granted to key management personnel during the period ended 31 December 2014.

During the year ended 30 June 2014, Mr Donaldson was granted 50,000 performance Shares in the Company during the year on recognition of his key achievements. Mr Kiernan received 75,000 Shares for nil consideration on the conversion of Class 2 Performance Rights 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 period by each director of South Boulder Mines Ltd and other key management personnel of the Group, including their personally related parties, are set out on the following tables.

Six Months to 31 December 2014 Shares	Balance at start of the period	Granted as compensation	Received on exercise of options	Received on vesting and conversion of performance rights	Other changes (g)	On market purchases/ (sales)	Balance at end of the period
Directors							
S I Cornelius	5,192,799	-	-	-	-	250,000	5,442,799
A W Kiernan	95,000	-	-	-	-	410,000	505,000
L R Cornelius	12,398,806	-	-	-	-	-	12,398,806
P M Donaldson	151,666	-	-	-	-	148,334	300,000
Other Key Management Personnel							
A D Just	-	-	-	-	-	-	-
S Tarrant	-	-	-	-	-	-	-
TOTAL	**17,838,271**	**-**	**-**	**-**	**-**	**808,334**	**18,646,605**

Full Year to 30 June 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 (g)	On market purchases/ (sales)	Balance at end of the year
Directors							
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							
A D Just	-	-	-	-	-	-	-
F L Garofalo (e)	20,000	-	-	-	(20,000)	-	-
D W Wilkins (f)	-	-	-	-	-	-	-
TOTAL	**14,710,806**	**50,000**	**-**	**75,000**	**3,518,905**	**(516,440)**	**17,838,271**

Directors' Report (Cont.)

(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) Resigned on 12 February 2014.
(g) Balance at appointment/(resignation) date.

(ii) Options

During the period the Company issued 5,000,000 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 period by each director of South Boulder Mines Limited and other Key Management Personnel of the Group, including their personally related parties, are set out in the following table.

1 July 2014 to 31 December 2014 Options	**Balance at start of the period**	**Granted as compensation** (a)	**Exercised**	**Other changes**	**Balance at end of the period**	**Vested and exercisable**	**Unvested** (b)
Directors							
S I Cornelius	2,000,000	1,000,000	-	-	3,000,000	2,000,000	1,000,000
A W Kiernan	2,000,000	1,500,000	-	-	3,500,000	2,000,000	1,500,000
L R Cornelius	1,000,000	1,500,000	-	-	2,500,000	2,000,000	1,500,000
P M Donaldson	4,000,000	1,000,000	-	-	5,000,000	4,000,000	1,000,000
Other Key Management Personnel							
A D Just	-	-	-	-	-	-	-
S Tarrant	-	-	-	-	-	-	-
TOTAL	**9,000,000**	**5,000,000**	**-**	**-**	**14,000,000**	**9,000,000**	**5,000,000**

(a) Options granted to S I Cornelius, A W Kiernan, L R Cornelius, and P M Donaldson were approved at the 2014 Annual General Meeting of the Company.
(b) The vesting date of these options is 1 January 2015 and there are no vesting conditions.

During the year to 30 June 2014, the Company issued 6,000,000 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 in the following table.

Directors' Report (Cont.)

1 July 2013 to 30 June 2014 Options	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors							
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							
A D Just	-	-	-	-	-	-	-
F L Garofalo (d)	-	-	-	-	-	-	-
D W Wilkins (e)	-	-	-	-	-	-	-
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) Resigned on 14 May 2014.
(e) Resigned on 12 February 2014.
(f) 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.
(g) Number of options held at the date of resignation.
(h) The vesting date of these options is 29 November 2014 and there are no vesting conditions.

(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 6 Months to 31 December 2014 are as follows:

1 July 2014 to 31 December 2014 Performance Rights	Balance at start of the period	Granted as Remuneration	Other changes during the period	Balance at end of the period	Performance Rights Vested
Directors					
S I Cornelius	-	-	-	-	-
A W Kiernan	150,000	-	-	150,000	-
L R Cornelius	100,000	-	-	100,000	-
P M Donaldson	-	2,450,000	-	2,450,000	-
Other Key Management Personnel					
A D Just	-	-	-	-	-
S Tarrant	-	-	-	-	-
TOTAL	**250,000**	**2,450,000**	**-**	**2,700,000**	**-**

Directors' Report (Cont.)

Movements in Performance Rights during the year to 30 June 2014 are as follows:

1 July 2013 to 30 June 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					
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					
A D Just	-	-	-	-	-
F L Garofalo (d)	-	-	-	-	-
D W Wilkins (e)	-	-	-	-	-
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.
(d) Resigned on 14 May 2014.
(e) Resigned on 12 February 2014.

h) Loans to Key Management Personnel

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

i) Other Transactions with Key Management Personnel

There were no other transactions with key management personnel during the period.

During the year to 30 June 2014 the following transactions took place:

- DW Corporate Pty Ltd, a business of which Mr Wilkins is principal, provided company secretarial and other corporate services to South Boulder Mines Ltd. 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. The amount 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 period, 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 period 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 period.

Directors' Report (Cont.)

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 six months ended 31 December 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	2	2	1	1	-	-
A W Kiernan	2	2	1	1	-	-
L R Cornelius	2	2	1	1	-	-
P M Donaldson	2	2	1	1	-	-

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 period	23,050,000
Movements of share options during the six months to 31 December 2014:	
Issued, exercisable at $0.278, on or before 17 November 2017	5,000,000
Total number of options outstanding as at the date of this report	**28,050,000**

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
4 September 2015	$0.350	8,000,000
17 November 2017	$0.278	5,000,000
Total number of options outstanding at the date of this report		**28,050,000**

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 period.

Directors' Report (Cont.)

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 period	792,000
Movements of performance rights during the six months to 31 December 2014:	
Issued	3,000,000
Exercised	-
Cancelled	(265,000)
Total number of performance rights as at the date of this report	**3,527,000**

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

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 behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility 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 period, 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 period Rothsay Chartered Accountants, the Company's auditors, performed no other services in addition to their statutory duties.

Directors' Report (Cont.)

CORPORATE GOVERNANCE

The Company's corporate governance statement can be found at the following URL: http://www.southbouldermines.com.au/corporate/company-policies/

Corporate governance disclosures not included in the Company's corporate governance statement or elsewhere in this report are as follows:

Diversity

While the company is committed to diversity and recognises the benefits arising from employee and board diversity, there are currently no women in employed by the Company and no women on the Company's Board.

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 Diversity Policy outlines the requirements for the Board to develop objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. To assist in fostering diversity, the Company to takes 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.

Performance Evaluations

Board members regularly provide feedback to one another on the functioning of the Board and its committees. The Board has determined that this informal performance evaluation process is working effectively and achieving the desired outcomes and as such it is not considered necessary to undertake more formal performance evaluations during the period.

Performance feedback is regularly provided to the Managing Director, who is the only executive director, by each of the non-executive directors. The Managing Director's performance was assessed in September 2014 at which point his KPI's were set. Incentives to achieve these KPI's are Performance Rights, which vest concurrently with KPI achievement.

Non-executive directors regularly provide feedback to one another regarding individual performance. The Board has determined that this informal feedback process has been operating effectively and facilitating open and honest communication and as such it was determined that formal non-executive director performance evaluations were not necessary during the period.

The Managing Director meets with senior management monthly to discuss their performance.

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 period under review.

Directors' Report (Cont.)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 16 January 2015 the Company announced a strategic placement to Hong Kong based, Well Efficient Limited ("WEL") to raise $2,050,000 through the issue of 10,000,000 shares at 20.5c per share.

On 19 February 2015, the Company appointment Mr John Fitzgerald as a Non-Executive Director.

On 4 March 2015, the company announced the results of the pre-feasibility study ('PFS') for processing all potassium bearing salts for the production of SOP. The study highlights the economically robust nature of Colluli, which is expected to become one of the world's most significant and lowest cost potassium sulphate operations. Details of this announcement are recorded in the Review of Operation section of the Directors' Report.

No other matters or circumstance has arisen since 31 December 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.

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, 31 March 2015

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 31 December 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 31 March 2015

Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Notes	Consolidated 6 Months to 31 December 2014 $	Consolidated 12 Months to 30 June 2014 $
REVENUE			
Interest	4	**149,863**	443,624
Other income		**385,357**	106,916
EXPENSES			
Depreciation expense		**(58,248)**	(285,955)
Administration expenses		**(835,440)**	(1,277,288)
Exploration and evaluation expenditure		**(3,265,014)**	(4,154,934)
Share based payment expense	22	**(734,050)**	(580,755)
LOSS BEFORE INCOME TAX		**(4,357,532)**	(5,748,392)
Income tax expense	6	**-**	-
LOSS FOR THE PERIOD / YEAR		**(4,357,532)**	(5,748,392)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(48,492)**	(9,175)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/ YEAR, NET OF TAX		**(48,492)**	(9,175)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD/ YEAR		**(4,406,024)**	(5,757,567)
Loss for the year is attributable to:			
Owners of South Boulder Mines Ltd		**(3,620,193)**	(4,874,581)
Non-controlling interests		**(737,339)**	(873,811)
		(4,357,532)	(5,748,392)
Total comprehensive loss for the year is attributable to:			
Owners of South Boulder Mines Ltd		**(3,644,439)**	(4,879,072)
Non-controlling interests		**(761,585)**	(878,495)
		(4,406,024)	(5,757,567)
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share)	21	**(2.71)**	(3.80)
Diluted loss per share (cents per share)	21	**(2.71)**	(3.80)

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 31 DECEMBER 2014

		Consolidated	
		31 December 2014	30 June 2014
	Notes	$	$
CURRENT ASSETS			
Cash and cash equivalents	7	**7,525,450**	9,275,251
Trade and other receivables	8	**200,087**	130,971
TOTAL CURRENT ASSETS		**7,725,537**	9,406,222
NON-CURRENT ASSETS			
Plant and equipment	9	**46,382**	93,233
TOTAL NON-CURRENT ASSETS		**46,382**	93,233
TOTAL ASSETS		**7,771,919**	9,499,455
CURRENT LIABILITIES			
Trade and other payables	10	**462,968**	384,455
Provisions	11	**63,601**	47,676
TOTAL CURRENT LIABILITIES		**526,569**	432,131
NON-CURRENT LIABILITIES			
TOTAL NON-CURRENT LIABILITES		**-**	-
TOTAL LIABILITIES		**526,569**	432,131
NET ASSETS		**7,245,350**	9,067,324
EQUITY			
Issued capital	12	**41,026,165**	39,176,165
Reserves	13	**8,409,985**	7,700,181
Accumulated losses		**(40,550,720)**	(36,930,527)
Capital and reserves attributable to owners of South Boulder Mines Ltd		**8,885,430**	9,945,819
Amounts attributable to non-controlling interests	18	**(1,640,080)**	(878,495)
TOTAL EQUITY		**7,245,350**	9,067,324

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

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

			Reserves					
Consolidated	Notes	Contributed Equity $	Share Based Payments $	Foreign Currency Translation $	Accumulated Losses $	Sub-Total $	Non-Controlling Interest $	Total Equity $
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	12	211,150	-	-	-	211,150	-	**211,150**
Options issued during the year	13	-	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**
BALANCE AT 1 JULY 2014		**39,176,165**	**7,704,672**	**(4,491)**	**(36,930,527)**	**9,945,819**	**(878,495)**	**9,067,324**
Loss for the period		-	-	-	(3,620,193)	(3,620,193)	(737,339)	**(4,357,532)**
Other comprehensive loss		-	-	(24,246)	-	(24,246)	(24,246)	**(48,492)**
Total comprehensive loss for the period		**-**	**-**	**(24,246)**	**(3,620,193)**	**(3,644,439)**	**(761,585)**	**(4,406,024)**
Transactions with owners in their capacity as owners:								
Shares issued during the period	12	1,850,000	-	-	-	1,850,000	-	**1,850,000**
Options issued during the period	13	-	734,050	-	-	734,050	-	**734,050**
BALANCE AT 31 DECEMBER 2014		**41,026,165**	**8,438,722**	**(28,737)**	**(40,550,720)**	**8,885,430**	**(1,640,080)**	**7,245,350**

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

Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Notes	Consolidated 6 Months to 31 December 2014 $	12 Months to 30 June 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**183,193**	479,433
Payments to suppliers and employees		**(848,455)**	(1,382,863)
Expenditure on mining interests		**(3,311,528)**	(4,393,556)
Sundry income		**385,357**	102,208
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	20	**(3,591,433)**	(5,194,778)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(8,790)**	-
Proceeds from sale of plant and equipment		**422**	9,000
NET CASH OUTFLOW/ INFLOW FROM INVESTING ACTIVITIES		**(8,368)**	9,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**1,850,000**	201,150
NET CASH INFLOW FROM FINANCING ACTIVITIES		**1,850,000**	201,150
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,749,801)**	(4,984,628)
Cash and cash equivalents at the beginning of the financial period/ year		**9,275,251**	14,259,879
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD / YEAR	7	**7,525,450**	9,275,251

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

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 periods 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.

Since the previous reporting period, ending on 30 June 2014, the Company has changed its financial year end to 31 December. The change has been made in accordance with section 323D(2A) of the *Corporations Act 2001 (Cth)*. This report is a six month transitional report for the period 1 July 2014 to 31 December 2014. Future reports will revert to a twelve month financial year, commencing on 1 January and ending on 31 December.

(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 31 December 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 31 December 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

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.

(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 period 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

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.

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 period 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 period which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(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 22.

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 period, adjusted for bonus elements in ordinary shares issued during the period.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

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 did not apply any new standards or amendments for the first time for their reporting period commencing 1 July 2014:

The accounting policies and methods of computation adopted in the preparation of the financial report are consistent with those adopted and disclosed in the Group's 2014 annual financial report for the financial year ended 30 June 2014. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 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 31 December 2017. 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 & 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 31 December 2017. The entity has not yet made an assessment of the impact of these amendments.

(u) 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"), in which it has a 50% interest, as a controlled entity in accordance with AASB 10 Consolidated Financial Statements. 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 22.

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 risk 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 $7,525,450 (30 June 2014: $9,275,251) 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 period depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 2.68% (30 June 2014: 3.77%).

Sensitivity analysis

At 31 December 2014, if interest rates had changed by -/+ 80 basis points from the weighted average rate for the period with all other variables held constant, post-tax loss for the Group would have been $67,203 lower/higher (30 June 2014: $94,140 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 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.

2. FINANCIAL RISK MANAGEMENT *(Cont'd)*

(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

(a) 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.

(b) 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.

(c) 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.

3. SEGMENT INFORMATION *(Cont'd)*	Australia		Eritrea		Consolidated	
	6 Months to 31 December 2014	12 Months to 30 June 2014	6 Months to 31 December 2014	12 Months to 30 June 2014	6 Months to 31 December 2014	12 Months to 30 June 2014
	$	$	$	$	$	$
Segment revenue						
Other income	**385,357**	106,916	**-**	-	**385,357**	106,916
Total segment revenue	**385,357**	106,916	**-**	-	**385,357**	106,916
Reconciliation of segment revenue to Group revenue:						
Interest revenue					**149,863**	443,624
Total Group revenue					**535,220**	550,540
Segment result						
Segment result before income tax	**385,357**	127,458	**(3,265,014)**	(4,175,477)	**(2,879,657)**	(4,048,019)
Reconciliation of segment result to Group loss before tax:						
Depreciation					**(58,248)**	(285,955)
Interest revenue					**149,863**	443,624
Administration and corporate charges					**(835,440)**	(1,277,287)
Share-based payment expenses					**(734,050)**	(580,755)
Loss for the period / year					**(4,357,532)**	(5,748,392)
Segment assets	**-**	-	**465,125**	155,037	**465,125**	155,037
Reconciliation of segment assets to Group assets:						
Corporate assets					**6,780,225**	8,912,285
Total Group assets from continuing operations					**7,245,350**	9,067,324
Segment liabilities	**-**	-	**-**	-	**-**	-
Reconciliation of segment liabilities to Group liabilities:						
Corporate liabilities					**526,569**	432,131
Total Group liabilities from continuing operations					**526,569**	432,131

	Consolidated	
	6 Months to 31 December 2014	12 Months to 30 June 2014
4. REVENUE	$	$
From continuing operations		
Interest	**149,863**	443,624

5. EXPENSES

Profit /(loss) before income tax includes the following specific expenses:		
Foreign exchange losses/ (gain)	**(15,207)**	7,125
Minimum lease payments relating to operating leases	**67,981**	136,425
Superannuation expenses	**32,896**	74,178

6. 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	**(4,357,532)**	(5,748,392)
Prima facie tax benefit at the Australian tax rate of 30%	**(1,307,260)**	(1,724,518)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**220,215**	174,227
R&D refund	**(115,607)**	(27,288)
Movements in unrecognised temporary differences	**(38,736)**	71,129
Tax effect of current period / year tax losses for which no deferred tax asset has been recognised	**1,241,388**	1,506,450
Income tax expense/(benefit)	**-**	-
(c) Deferred tax liabilities (at 30%)		
Financial assets at fair value through profit or loss	**-**	-
Deferred tax liabilities offset by deferred tax assets	**-**	-
	-	-
(d) Deferred Tax Assets (at 30%)		
On Income Tax Account:		
Tax losses	**13,119,102**	10,582,596
Deferred tax assets offset against deferred tax liabilities	**-**	-
Deferred tax assets not brought to account	**13,119,102**	(10,582,596)
	-	-

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.

	Consolidated	
	31 December 2014	30 June 2014
	$	$

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	31 December 2014 $	30 June 2014 $
Cash at bank and in hand	**439,364**	160,159
Short-term deposits	**7,086,086**	9,115,092
Cash and cash equivalents as shown in the consolidated statement of financial position and the consolidated statement of cash flows.	**7,525,450**	9,275,251

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.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	31 December 2014 $	30 June 2014 $
Trade and other receivables	**200,087**	130,971

9. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	31 December 2014 $	30 June 2014 $
Plant and equipment		
Cost	**1,236,902**	1,074,868
Accumulated depreciation	**(1,190,520)**	(981,635)
Net book amount	**46,382**	93,233
Plant and equipment		
Opening net book amount	**93,233**	347,560
Additions	**8,790**	-
Disposals	**-**	-
Depreciation charge	**(58,248)**	(285,955)
Foreign exchange translation variances	**2,607**	31,628
Closing net book amount	**46,382**	93,233

10. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	31 December 2014 $	30 June 2014 $
Trade payables	**331,850**	100,855
Other payables and accruals	**131,118**	283,600
	462,968	384,455

11. PROVISIONS

	31 December 2014 $	30 June 2014 $
Current		
Employee entitlements	**63,601**	47,676
Non-Current		
Employee entitlements	**-**	-
	63,601	47,676

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.

12. ISSUED CAPITAL

		6 Months to 31 December 2014		12 Months to 30 June 2014	
	Notes	Number of shares	$	Number of shares	$
(a) Share capital					
Ordinary shares fully paid	12(b)	**139,427,826**	**41,026,165**	129,427,826	39,176,165
Total issued capital		**139,427,826**	**41,026,165**	129,427,826	39,176,165
(b) Movements in ordinary share capital					
Beginning of the period		**129,427,826**	**39,176,165**	127,952,826	38,934,640
Issued during the period:					
• Issued at $0.185 per share		**10,000,000**	**1,850,000**	-	-
• 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
End of the period		**139,427,826**	**41,026,165**	129,427,826	39,176,165

	Number of options	
	6 Months to 31 December 2014	12 Months to 30 June 2014
(c) Movements in options on issue		
Balance at beginning of the period	**20,500,000**	19,050,000
Issued during the period:		
• Exercisable at $0.278, on or before 17 November 2017	**5,000,000**	-
• Exercisable at $0.350, on or before t4 September 2015	**8,000,000**	-
• Exercisable at $0.340, on or before 29 November 2016	**-**	5,000,000
Exercised, cancelled or expired during the period:		
• Exercisable at $1.449, on or before 17 July 2014	**(5,450,000)**	
• Exercisable at $0.299, on or before 31 July 2013	**-**	(1,950,000)
• Exercisable at $0.149, on or before 30 June 2014	**-**	(1,600,000)
Balance at end of the period	**28,050,000**	20,500,000

(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.

(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 31 December 2014 and 30 June 2014 are as follows:

12. ISSUED CAPITAL (Cont'd)

	Consolidated 31 December 2014 $	Consolidated 30 June 2014 $
Cash and cash equivalents	**7,525,450**	9,275,251
Trade and other receivables	**200,087**	130,971
Trade and other payables and provisions	**(526,569)**	(432,131)
Working capital position	**7,198,968**	8,974,091

13. RESERVES

(a) Reserves

	Consolidated 31 December 2014 $	Consolidated 30 June 2014 $
Share-based payments reserve		
Balance at beginning of the period	**7,704,672**	7,164,292
Employee and contractor share options & performance rights (note 22)	**734,050**	570,755
Transfer to contributed equity on conversion of performance rights	**-**	(30,375)
Balance at end of the period	**8,438,722**	7,704,672
Foreign currency translation reserve		
Balance at beginning of the period	**(4,491)**	-
Currency translation differences arising during the period / year	**(24,246)**	(4,491)
Balance at end of the period	**(28,737)**	(4,491)
Total reserves	**8,409,985**	7,700,181

(b) 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.

14. REMUNERATION OF AUDITORS

During the period, 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

	Consolidated 6 Months to 31 December 2014 $	Consolidated 12 Months to 30 June 2014 $
Rothsay Chartered Accountants - audit and review of financial reports	**24,000**	36,500

(b) Non-audit services

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

15. CONTINGENCIES

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

16. COMMITMENTS

	Consolidated 31 December 2014 $	Consolidated 30 June 2014 $
Lease commitments: Group as lessee		
Operating leases (non-cancellable):		
Minimum lease payments		
within one year	**114,922**	109,172
later than one year but not later than five years	**162,807**	218,344
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**277,726**	327,516

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

17. 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 18.

(c) Key management personnel compensation

	6 Months to 31 December 2014 $	12 Months to 30 June 2014 $
Short-term benefits	**266,994**	1,037,698
Post-employment benefits	**21,944**	64,688
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**708,544**	471,810
	997,482	1,574,196

18. SUBSIDIARIES

(a) Interests in 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	Principal Activities	Country of Incorporation	Class of Shares	Equity Holding 31 December 2014 %	Equity Holding 30 June 2014 %
STB Eritrea Pty Ltd	Investment in Potash Exploration	Australia	Ordinary	**100**	100
Colluli Mining Share Company	Potash Exploration	Eritrea	Ordinary	**50**	50

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

(b) Non-controlling interests (NCI)

The following table sets out the summarised financial information for the subsidiary with a non-controlling interest. Amounts disclosed are before intercompany eliminations. A statement of cash flows has not been shown as Colluli Mining Share Company ("CMSC") does not operate any bank accounts. All expenditure is paid for directly by STB Eritrea Ltd and the expenditure is passed to CMSC by way of a shareholder loan and equity investment where 50% is recorded in each. The shareholder loan from STB to CMSC is non-interest bearing.

18. SUBSIDIARIES *(Cont'd)*

Summarised statement of financial position	Colluli Mining Share Company 31 December 2014 $	30 June 2014 $
Current assets	**44,712**	38,636
Non-current assets	**8,357**	47,162
Total assets	**53,069**	85,798
Current liabilities	**-**	-
Non-current liabilities	**(14,610,833)**	(12,893,502)
Total liabilities	**(14,610,833)**	(12,893,502)
Net Assets	**(14,557,764)**	(12,807,704)
Accumulated NCI	**(7,278,882)**	(6,403,852)

Summarised statement of profit or loss and other comprehensive income	Colluli Mining Share Company 31 December 2014 $	30 June 2014 $
Revenue	**-**	-
Loss for the period	**(1,474,678)**	(1,747,622)
Other comprehensive loss	**(48,492)**	(9,368)
Total comprehensive loss	**(1,523,170)**	(1,756,990)
Total comprehensive loss allocated to NCI	**(761,585)**	(878,495)

19. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 16 January 2015 the Company announced a strategic placement to Hong Kong based, Well Efficient Limited ("WEL") to raise $2,050,000 through the issue of 10,000,000 shares at 20.5c per share.

On 19 February 2015, the Company appointment Mr John Fitzgerald as a Non-Executive Director.

On 4 March 2015, the company announced the results of the pre-feasibility study ('PFS') for processing all potassium bearing salts for the production of SOP. The study highlights the economically robust nature of Colluli, which is expected to become one of the world's most significant and lowest cost potassium sulphate operations. Details of this announcement are recorded in the Review of Operation section of the Directors' Report.

No other matters or circumstances have arisen since 31 December 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.

20. STATEMENT OF CASH FLOWS

	Consolidated	
	6 Months to 31 December 2014 $	12 Months to 30 June 2014 $
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the period	**(4,357,532)**	(5,748,392)
Non-Cash Items:		
Depreciation of plant and equipment	**58,248**	285,955
Share-based payment expense	**734,050**	580,755
Foreign currency translation	**(51,521)**	-
Fair value gain on financial assets at fair value through profit and loss:		
(Gain)/loss on sale of plant and equipment	**-**	(4,708)
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	**(47,978)**	1,089
Increase/(decrease) in trade and other payables	**57,374**	(277,162)
Increase/(decrease) in provisions	**15,926**	(32,315)
Net cash outflow from operating activities	**(3,591,433)**	(5,194,778)

21. LOSS PER SHARE

(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	**(3,620,193)**	(4,874,581)

(b) Weighted average number of shares used as the denominator	31 December 2014 No. of Shares	30 June 2014 No. of Shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**133,455,223**	128,360,497

As the Group incurred a loss for the period, the options on issue have an antidilutive effect, therefore the diluted earnings per share is equal to the basic earnings per share.

22. SHARE-BASED PAYMENTS

(a) Shares

No shares were granted as remuneration during the six months to 31 December 2014.

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.

22. SHARE-BASED PAYMENTS *(Cont'd)*

(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 $0.278 each to $1.949 each and expiry dates ranging from 31 March 2015 to 17 November 2017.

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			
	6 Months to 31 December 2014		12 Months to 30 June 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the period	**20,500,000**	**$0.928**	19,050,000	$0.953
Granted (i)	**13,000,000**	**$0.322**	5,000,000	$0.340
Forfeited	**-**	**-**	-	-
Exercised	**-**		(1,350,000)	$0.149
Expired	**(5,450,000)**	**$1.449**	(2,200,000)	$0.282
Outstanding at end of period	**28,050,000**	**$0.546**	20,500,000	$0.928
Exercisable at end of period	**15,500,000**	**$0.740**	15,500,000	$1.118

i. The 31 December 2014 figure includes 8,000,000 options granted to Kam Lung Investment Development Company as part of an equity raising completed during the period.

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.32 years (30 June 2014: 1.25 years), with exercise prices ranging from $0.278 to $1.949.

The weighted average fair value of the options granted during the period was $0.0907 (30 June 2014: $0.1085). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	31 December 2014	30 June 2014
Weighted average exercise price	**$0.32**	$0.34
Weighted average life of the option (years)	**1.7**	3
Weighted average underlying share price	**$0.24**	$0.21
Expected share price volatility	**100%**	94%
Risk free interest rate	**2.55%**	2.99%

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 originally approved at the 2011 annual general meeting of the Company, and re-approved at the annual general meeting of the Company held 17 November 2014. 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

22. SHARE-BASED PAYMENTS (Cont'd

Class 3:

- 100,000 upon completion of the prefeasibility study for the Colluli Project by submission of the written study to the Managing Director;
- 150,000 upon completion of a DFS pilot study for the processing plant by submission of a completed metallurgical report outlining the results to the Managing Director; and
- 300,000 upon completion of the DFS by the submission of the DFS report to the Managing Director.

Class 4:

- 300,000 upon completion of a Prefeasibility Study and the release of the study results to market;
- 650,000 upon completion of a Definitive Feasibility Study and release of study results to market;
- 700,000 upon awarding of the Colluli mining licence; and
- 800,000 upon commencement of construction of the production facility.

Subject to achievement of either one of these performance conditions, one share will be issued for each Performance Right that has vested.

There were 3,000,000 performance rights issued during the six months to 31 December 2014:

1 July 2014 to 31 December 2014 Grant Date	Balance at start of the period	Granted during the period	Vested & converted to shares	Cancelled upon termination	Balance at end of the period	Performance Rights Vested
25 January 2012 (Class 1)	100,000	-	-	-	100,000	-
15 May 2012 (Class 1)	542,000	-	-	(265,000)	277,000	-
12 December 2012 (Class 2)	150,000	-	-	-	150,000	-
13 November 2014 (Class 3)	-	2,450,000	-	-	2,450,000	-
9 December 2014 (Class 4)	-	550,000	-	-	550,000	-
TOTAL	792,000	3,000,000	-	(265,000)	3,527,000	-

1 July 2013 to 30 June 2014 Grant Date	Balance at start of the period	Granted during the period	Vested & Converted to shares	Cancelled upon termination	Balance at end of the period	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	-

(d) Expenses arising from share-based payment transactions

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

	Consolidated 6 Months to 31 December 2014 $	Consolidated 12 Months to 30 June 2014 $
Shares	**-**	10,000
Options & Performance Rights issued to directors, employees and contractors	**734,050**	570,755
	734,050	580,755

23. 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.

Current assets	**7,268,768**	9,298,348
Non-current assets	**27,302,807**	23,533,372
Total assets	**34,571,575**	32,831,720
Current liabilities	**526,569**	432,133
Non-current liabilities	**-**	-
Total liabilities	**526,569**	432,133
Issued capital	**41,026,165**	39,176,165
Share-based payments reserve	**8,438,722**	7,704,672
Accumulated losses	**(15,419,881)**	(14,481,250)
Total equity	**34,045,006**	32,399,587
Profit/(Loss) for the period/ year	**(938,630)**	(1,088,778)
Total comprehensive profit/(loss) for the period/ year	**(938,630)**	(1,088,778)

24. DIVIDENDS

No dividends were paid during the financial period. 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 45 to 68 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 31 December 2014 and of its performance for the financial period 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, 31 March 2015

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 31 December 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 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 period end or from time to time during the period.

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*.

Chartered Accountants

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 31 December 2014 and of their performance for the period 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 period ended 31 December 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 period ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Graham R Swan FCA
Partner

Dated 31 March 2015

Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

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 20 April 2015.

(a) Distribution of equity securities

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

			Holders	Securities	%
1	-	1,000	682	341,414	0.23%
1,001	-	5,000	1,046	2,686,843	1.79%
5,001	-	10,000	420	3,274,218	2.19%
10,001	-	100,000	647	20,361,887	13.59%
100,001		and over	137	123,163,464	82.20%
TOTAL			2,932	149,827,826	100.00%

The number of shareholders holding less than a marketable parcel was 899.

(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	16,320,393	10.89%
2	Cornelius, Liam Raymond	11,958,806	7.98%
3	JP Morgan Nominees Australia Ltd	10,587,488	7.07%
4	Kam Lung Investment Development Company Ltd	10,000,000	6.67%
5	Well Efficient Ltd	10,000,000	6.67%
6	Alpha Boxer Ltd	4,625,400	3.09%
7	Citicorp Nominees Pty Ltd	3,351,312	2.24%
8	Kongming Investments Ltd	3,064,200	2.05%
9	National Nominees Ltd	2,965,029	1.98%
10	Zero Nominees Pty Ltd	2,700,000	1.80%
11	Ranguta Ltd	2,250,000	1.50%
12	Maslin Anthony + Norris M	2,080,000	1.39%
13	Grandor Pty Ltd	1,906,077	1.27%
14	Watts, Paul Hartley	1,700,000	1.13%
15	Inc Atoc	1,480,982	0.99%
16	Aradia Ventures Pty Ltd	1,360,000	0.91%
17	De Jong, Jacobus Gerardus	1,316,800	0.88%
18	Pennock PL	1,250,000	0.83%
19	Sino West Assets Ltd	1,216,900	0.81%
20	Cheung Shun Res Ltd	1,085,000	0.72%
		91,218,387	60.87%

ASX Additional Information

(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)	14,965,829
Kam Lung Investment Development Company Ltd	10,000,000
Well Efficient 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 20 April 2015 the Company has on issue 26,800,000 unlisted options over ordinary shares and 3,127,000 performance rights.

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

	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**	**Unlisted Options $0.649, 30/01/2016**
Azure Capital Investments	-	-	-	-	
Mascots International Limited	3,800,000	-	-	-	
Mr Anthony Kiernan	-	500,000	500,000	-	
Mr Paul Donaldson	-	-	-	700,000	1,000,000
Holders individually less than 20%	-	-	-	-	
Total	3,800,000	500,000	500,000	700,000	1,000,000

	Unlisted Options $0.949, 30/01/2016	**Unlisted Options $0.340, 29/11/2016**	**Unlisted Options $0.350, 4/09/2015[1]**	**Unlisted Options $0.278, 17/11/2017**
Mr Paul Donaldson	1,300,000	-	-	1,000,000
Mr Seamus Cornelius	-	2,000,000	-	1,500,000
Kam Lung Investment Development Company		-	8,000,000	
Mr Anthony Kiernan				1,500,000
Mr Liam Cornelius				1,000,000
Holders individually less than 20%	-	4,000,000	-	-
Total	1,300,000	6,000,000	8,000,000	5,000,000

[1]vesting conditions apply

ASX Additional Information

	Performance Rights Class 1	Performance Rights Class 2	Performance Rights Class 3	Performance Rights Class 4
Mr Zeray Lake	150,000	-	-	-
Mr Liam Cornelius	100,000			
Mr James Durrant	-	-	450,000	-
Mr Paul Donaldson	-	-	-	2,150,000
Mr Anthony Kiernan	-	150,000	-	-
Holders individually less than 20%	127,000	-	-	-
Total	377,000	150,000	450,000	2,150,000

(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

As at the date of this report, the Colluli JORC-Compliant Mineral Resource Estimate by potash mineral is as follows:

		Measured		Indicated		Inferred		Total	
Area	Rock Unit	Mt	K_2O Equiv %	Mt	K_2O Equiv %	Mt	K_2O Equiv %	Mt	K_2O Equiv %
Area A (South)	Sylvinite	66	12	38	11	10	8	115	11
	Carnallitite	55	7	190	9	6	16	251	9
	Kainitite	86	12	199	11	1	10	285	11
Area B (North)	Sylvinite	24	15	122	13	5	12	150	13
	Carnallitite	25	6	114	7	8	7	147	7
	Kainitite	48	13	289	13	4	13	341	13
Total	**Sylvinite**	**90**	**13**	**160**	**13**	**15**	**9**	**265**	**12**
	Carnallitite	**80**	**7**	**303**	**8**	**15**	**11**	**398**	**8**
	Kainitite	**133**	**12**	**488**	**12**	**5**	**12**	**626**	**12**

ASX Additional Information

At 31 December 2014 & 30 June 2014 the Minerals Resource Estimate by potash mineral was 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**

Change in Presentation

A previous Mineral Resource estimate was reported for Colluli in April 2012 which was completed by German potash expert company Ercosplan. This was classified and reported under Canadian National Instrument 43-101 (NI 43-101) Guidelines but would not be reportable under JORC 2012. The estimate used a polygonal-type estimation process, the "Radius of Influence" method, which uses cylinders of equal grade and thickness influence to arrive at a weighted average derived tonnage in each resource and uses a cylindrical classification surrounding each drillhole.

The 2014 Mineral Resource estimate is a completely new block model, using interpreted wireframes to define a volume and grade estimated by kriging based on variographic studies.

Classification takes into account grade and geological continuity between drillholes rather than within a set radius and/or volume surrounding them.

Between the previous and current resource estimates, the bases of potassium content has changed from KCl to K_2O. This is due to the change in development path for Colluli from Muriate of Phophate (MOP) which is represented in KCl to Sulphate of Phosphate (SOP) which is represented by K_2O.

Competent Persons and Responsibility Statement

Colluli has a JORC 2012 Compliant Measured, Indicated and Inferred Mineral Resource Estimate of 1,289Mt @ 10.76% K2O.

The resource contains 303Mt @ 10.98% K2O of Measured Resources, 951Mt @ 10.89% K2O of Indicated Resources and 35Mt @ 10.28% K2O of Inferred Resources.

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

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

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

Quality Control and Quality Assurance

South Boulder Exploration programs follow standard operating and quality assurance procedures to ensure that all sampling techniques and sample results meet international reporting standards. Drill holes are located using GPS coordinates using WGS84 Datum, all mineralisation intervals are downhole and are true width intervals.

The samples are derived from HQ diamond drill core, which in the case of carnallite ores, are sealed in heat sealed plastic tubing immediately as it is drilled to preserve the sample. Significant sample intervals are dry quarter cut using a diamond saw and then resealed and double bagged for transport to the laboratory.

Halite blanks and duplicate samples are submitted with each hole. Chemical analyses were conducted by Kali-

ASX Additional Information

UmwelttechnikGmBHSondershausen, Germany utilising flame emission spectrometry, atomic absorption spectroscopy and ionchromatography. Kali- Umwelttechnik (KUTEC) Sondershausen1 have extensive experience in analysis of salt rock and brine samples and is certified according by DIN EN ISO/IEC 17025 by the Deutsche AkkreditierungssystemPrüfwesen GmbH (DAR). The laboratory follow standard procedures for the analysis of potash salt rocks chemical analysis (K^+, Na^+, Mg^{2+}, Ca^{2+}, Cl^-, SO_4^{2-}, H_2O) and X-ray diffraction (XRD) analysis of the same samples as for chemical analysis to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.

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