

SOUTH BOULDER MINES LIMITED
ABN 56 097 904 302

NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY STATEMENT
AND
PROXY FORM

Date of Meeting
23 November 2011

Time of Meeting
11:00am

Place of Meeting
The Park Business Centre
45 Ventnor Avenue
West Perth WA 6005

The 2011 Annual Report may be viewed on the Company's website at

www.southbouldermines.com.au

SOUTH BOULDER MINES LIMITED
ABN 56 097 904 302
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of South Boulder Mines Limited (**Company**) will be held at The Park Business Centre, 45 Ventnor Avenue, West Perth WA 6005 on 23 November 2011 at 11:00am for the purpose of transacting the following business.

ORDINARY BUSINESS

2011 Financial Statements

To receive the financial statements of the Company for the year ended 30 June 2011, consisting of the Annual Financial Report, the Directors' Report and the Auditor's Report.

Resolution 1 – Re-election of Terry Grammer as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Terry Grammer, having retired as a Director of the Company in accordance with the Company's Constitution and, being eligible, having offered himself for re-election, be re-elected a Director of the Company."

Short Explanation: Pursuant to the Company's Constitution, one-third of the Directors of the Company (other than the Managing Director) must retire at each AGM and, being eligible, may offer themselves for re-election.

Resolution 2 – Election of Chris Gilchrist as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Chris Gilchrist having retired as a Director of the Company in accordance with Listing Rule 14.4 and, being eligible, having offered himself for election, be elected a Director of the Company."

Short Explanation: pursuant to Listing Rule 14.4, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next AGM of the entity.

Resolution 3 – Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following advisory only resolution:

"That, for the purposes of section 250R(2) of the Corporations Act, and for all other purposes, approval is given for the Remuneration Report forming part of the Company's 2011 Annual Report to be adopted."

Short Explanation: section 250R of the Corporations Act requires a listed company to put to Shareholders at each AGM a resolution adopting the report on the remuneration of the Company's Directors, executives and senior managers included in the Company's Annual Report. The above resolution is being proposed to comply with this requirement. The vote on this resolution is advisory and does not bind the Company's Directors.

Resolution 4 – Approval of Termination Benefit under Mr David Hughes' Employment Agreement

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 10.19 and sections 200B, 200E and 208 of the Corporations Act, and for all other purposes, the termination payment described in the Explanatory Statement which may become payable to the Company's Managing Director, Mr David Hughes, under the terms of Mr Hughes' Employment Agreement, be approved."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by an officer of the Company or any of its child entities who is entitled to participate in a termination benefit (including Mr Hughes) and any associate of such an officer. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 – Approval of South Boulder Mines Limited Performance Rights Plan

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 7.2, Exception 9(b), as an exception to Listing Rule 7.1 and for all other purposes, the Shareholders approve the performance rights plan for employees and Directors known as the "South Boulder Mines Limited Performance Rights Plan" and the grant of Performance Rights and the issue of Shares under such plan, the rules of which are set out in Annexure A to the Explanatory Statement accompanying this Notice".

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of a Director. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6 – Approval of the grant of Performance Rights to Mr David Hughes

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, pursuant to and in accordance with Listing Rule 10.14 and section 208 of the Corporations Act and for all other purposes the Directors be and are hereby authorised to grant 300,000 Performance Rights for no consideration under the South Boulder Mines Limited Performance Rights Plan, to Mr David Hughes or his nominee, on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of a Director. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7 – Approval of the grant of Performance Rights to Dr Chris Gilchrist

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, pursuant to and in accordance with Listing Rule 10.14 and section 208 of the Corporations Act and for all other purposes the Directors be and are hereby authorised to grant 200,000 Performance Rights for no consideration under the South Boulder Mines Limited Performance Rights Plan, to Dr Chris Gilchrist or his nominee, on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of a Director. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8 – Approval of the grant of Performance Rights to Mr Liam Cornelius

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, pursuant to and in accordance with Listing Rule 10.14 and section 208 of the Corporations Act and for all other purposes the Directors be and are hereby authorised to grant 100,000 Performance Rights for no consideration under the South Boulder Mines Limited Performance Rights Plan, to Mr Liam Cornelius or his nominee, on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of a Director. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 9 – Approval of the grant of Performance Rights to Mr Terry Grammer

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, pursuant to and in accordance with Listing Rule 10.14 and section 208 of the Corporations Act and for all other purposes the Directors be and are hereby authorised to grant 100,000 Performance Rights for no consideration under the South Boulder Mines Limited Performance Rights Plan, to Mr Terry Grammer or his nominee, on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of a Director. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 10 – Approval of the grant of Performance Rights to Consultants

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That pursuant to and in accordance with Listing Rule 7.1 of the Listing Rules of the ASX and for all other purposes the Directors be and are hereby authorised to grant 300,000 Performance Rights for no consideration under the South Boulder Mines Limited Performance Rights Plan to Consultants of the Company, on the terms and conditions set out in the Explanatory Statement accompanying this Notice”.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person entitled to participate in the issue and any associate. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

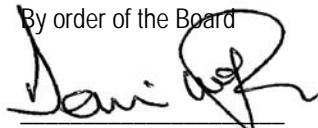
A reasonable opportunity will be provided to Shareholders for discussion of the Remuneration Report at the Annual General Meeting.

A proxy form is attached.

To be valid, properly completed proxy forms must be received by the Company no later than 11:00am (WST) on 21 November 2011:

- by post at PO Box 535 APPLECROSS WA 6953; or
- by facsimile on +61 8 9315 2233.

By order of the Board



Dennis Wilkins
Company Secretary
Date: 12 October 2011

PROXIES

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions provided. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

New sections 250BB and 250BC of the Corporations Act took effect on 1 August 2011 and apply to voting by proxy. Shareholders and their proxies should be aware of these changes to the Corporations Act as they apply to this meeting. Broadly, the changes mean that:

1. if proxy holders vote, they must cast all directed proxies as directed; and
2. any directed proxies which are not voted will automatically default to the chair, who must vote the proxies as directed.

Proxy vote if appointment specifies way to vote

Section 250BB provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

1. the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
2. if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
3. if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll and must vote that way; and
4. if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way.

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC provides that, if:

1. an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
2. the appointed proxy is not the chair of the meeting; and
3. at the meeting, a poll is duly demanded on the resolution; and
4. either of the following applies:
 - a. the proxy is not recorded as attending the meeting;
 - b. the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

ENTITLEMENT TO VOTE

For the purposes of regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding ordinary Shares at 5:00 pm Perth time on 21 November 2011 will be entitled to attend and vote at the General Meeting.

CORPORATIONS

A corporation may elect to appoint a representative in accordance with the Corporations Act, in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to the Company, before the meeting.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the Shareholders of South Boulder Mines Limited ABN 56 097 904 302 (**Company**) in connection with the business to be conducted at the Annual General Meeting of the Company to be held The Park Business Centre, 45 Ventnor Avenue, West Perth WA 6005, on 23 November 2011 commencing at 11:00am.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Statement will, unless the context otherwise requires, have the same meaning given to them in the glossary as contained in this Explanatory Statement.

Financial and Other Reports

As required by section 317 of the Corporations Act, the financial statements for the year ended 30 June 2011 and the accompanying Directors Report, Directors' Declaration and Auditor's Report will be laid before the meeting.

Neither the Corporations Act, nor the Company's Constitution requires a vote on the reports. However, the Shareholders will have an opportunity to ask questions about the report at the AGM.

Resolution 1 – Re-election of Terry Grammer as a Director

1.1 Introduction

Mr Terry Grammer was appointed as a Non-Executive Director on 16 October 2007.

In accordance with ASX Listing Rule 14.4, no director of the Company may hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever period is longer. The Company's Constitution also requires that one third of the Company's directors must retire at each AGM. Accordingly, Mr Terry Grammer retires by rotation and, being eligible, offers himself for re-election.

Resolution 1 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

1.2 Director's Biography

Mr Grammer is a geologist with over 35 years' experience in mining and mineral exploration with extensive experience in Australia, Southern Africa, East Asia & New Zealand and has operated in Western Australia since 1988. Mr has extensive experience in exploring for gold and base metals.

Mr Grammer was awarded The Association of Mining and Exploration Companies (AMEC) Prospector of the Year Award (jointly with Mr Anthony Rovira) in 2000 for the Discovery of Jubilee Mines NL's Cosmos Nickel Deposit.

He was also a founder and promoter in 1999 of the successful nickel explorer Western Areas NL where he was the Exploration Manager from 2000 until retiring in 2004.

1.3 Directors' Recommendation

All the Directors except for Mr Grammer recommend that Shareholders vote in favour of Resolution 1.

Resolution 2 – Election of Chris Gilchrist as a Director

2.1 Introduction

Dr Chris Gilchrist was appointed as a Non-Executive Director by the Board on 14 October 2011.

In accordance with ASX Listing Rule 14.4, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next AGM of the entity. Accordingly, Dr Chris Gilchrist retires from the Board and, being eligible, offers himself for election by Shareholders.

Resolution 2 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

2.2 Director's Biography

Dr. Chris Gilchrist is presently a consultant to the Mining Industry and has a background in managing major projects, managing mining and mineral processing research, new product development and the operation of large mines. He has served on the Boards of several mining companies and his areas of speciality include diamonds, potash, mineral sands and gold. Dr Gilchrist has delivered numerous technical papers to the mining industry over the years in areas including project management, operations management and hydraulic transportation. Dr Gilchrist holds a Bachelor Degree in Mineral Engineering from the University of Birmingham and a Doctorate from the School of Mechanical Engineering, University of the Witwatersrand, Johannesburg. Dr Gilchrist is a UK Chartered Engineer and a Fellow of the IMMM.

2.3 Directors' Recommendation

All the Directors except Dr Gilchrist recommend that Shareholders vote in favour of Resolution 2.

Resolution 3 – Remuneration Report

3.1 Introduction

As required by the Corporations Act, the Board is presenting the Remuneration Report to Shareholders for consideration and adoption by a non-binding vote. The Remuneration Report contains:

- information about the Board's policy for determining the nature and amount of remuneration of the Directors and senior executives of the Company;
- a description of the relationship between the Company's remuneration policy and the Company's performance;
- a summary of performance conditions for each of the Directors and senior executives, including a summary of why they were chosen and how performance is measured against them; and
- remuneration details for each Director and for each of the Company's specified executives.

The Remuneration Report, which is part of the 2011 Annual Report, has been sent to Shareholders who have made an election to receive the Annual Report. Copies of the 2011 Annual Report are available by contacting the Company's share register or visiting the Company's web site www.southbouldermine.com.au.

The results of the Shareholder vote on Resolution 3 are particularly relevant for the Company's next AGM following recent amendments to the Corporations Act, which took effect on 1 July 2011. If 25% or more of the votes cast on Resolution 3 are against the adoption of the Remuneration Report, then at the Company's subsequent AGM a resolution must be put to Shareholders as to whether another meeting should be held within 90 days at which all Directors (other than the Managing Director) who were in office at the date of approval of the relevant Remuneration Report must stand for re-election.

3.2 Proxy Voting by Key Management Personnel / Closely Related Parties

In accordance with section 250 BD of the Corporations Act, a person appointed as a proxy must not vote on the basis of that appointment on a resolution connected directly or indirectly with the remuneration of a member of key management personnel for the Company if:

3.2.1 the person is either:

- i. a member of the key management personnel for the Company; or
- ii. a Closely Related Party of a member of the key management personnel; and

3.2.2 the proxy appointment does not specify the way the proxy is to vote on the resolution.

The above restriction on proxy voting does not apply if the person appointed is the Chair of the meeting at which the resolution is voted on.

Resolution 3 is considered a resolution connected directly or indirectly with the remuneration of a member of the key management personnel for the Company and as a result, the above proxy voting restriction applies.

Resolution 4 – Approval of Termination Benefit under Mr David Hughes' Employment Agreement

4.1 Introduction

The Company proposes to enter into a renewed Employment Agreement with Mr David Hughes (the terms of which are set out below) ("**Mr Hughes' Agreement**").

Mr Hughes is a Director having been employed as the Company's Managing Director since 23 May 2008.

If Mr Hughes' Agreement is terminated, in certain circumstances, the Company is required to pay to Mr Hughes an amount, as liquidated damages and without deduction, equal to 3 years base salary which will include any payments in lieu of the minimum notice period required by law ("**Termination Payment**").

The Termination Payment is subject to any approvals required under the Listing Rules and the Corporations Act. Resolution 4 seeks this approval.

4.2 Mr Hughes' Agreement

The material terms of Mr Hughes' Agreement are as follows.

Remuneration

Mr Hughes' base salary is \$220,000 per annum, plus superannuation. Mr Hughes is also entitled to the provision of a fully maintained Company motor vehicle

Term and Termination

Mr Hughes' Agreement is effective from the date that Shareholders approve the Termination Payment under this Resolution 4 and will continue until it is terminated in accordance with its terms.

The Company may terminate Mr Hughes' employment for any reason upon providing 2 months notice to Mr Hughes in writing. In this case, Mr Hughes is entitled to be paid, as liquidated damages and without deduction, a termination benefit which is set at \$660,000, equal to 3 years base salary as at the date of the meeting, which will include any payments in lieu of the minimum notice period required by law (ie the Termination Payment).

Mr Hughes may terminate his Agreement by giving 1 month's written notice to the Company if he:

- a) is demoted from his position without good cause; or
- b) is requested, without good cause, to assume responsibilities or perform tasks not reasonably consistent with his position.

In these circumstances, Mr Hughes is entitled to be paid the Termination Benefit.

In addition, Mr Hughes' employment may be terminated by the Company in writing effective immediately if Mr Hughes is guilty of gross misconduct, convicted of a criminal offence, becomes bankrupt or insolvent or in a range of other circumstances. However, no termination benefit is due to be made to Mr Hughes in this case.

Mr Hughes may terminate his employment at any time by giving the Company 3 months notice in writing.

4.3 Information Requirements of Listing Rule 10.19

Shareholder approval of the benefits that may become payable to Mr Hughes pursuant to the Termination Payment is sought under Listing Rule 10.19.

Listing Rule 10.19 provides that without the approval of ordinary shareholders, an entity must ensure that no officer of the entity or any of its child entities will be, or may be, entitled to termination benefits if the value of those benefits and the termination benefits that are or may become payable to all officers together exceed 5% of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.

Depending upon the amount of the Termination Payment, and the equity interests of the Company at the time it may become payable, it is uncertain if such payment would exceed this 5% threshold. Accordingly, Shareholder approval is being sought in case such Termination Payment does exceed this 5% threshold.

4.4 Section 200E of the Corporations Act

Shareholder approval of the benefits that may become payable to Mr Hughes pursuant to the Termination Payment is sought under section 200E of the Corporations Act.

Section 200B of the Corporations Act prevents a company from giving a benefit to a director in connection with the director's retirement or removal from office unless the company's shareholders approve that benefit under section 200E or unless the benefit falls within certain exceptions set out in the Corporations Act.

A payment will only fall within the exceptions set out in the Corporations Act if the amount of the payment is less than a prescribed multiple of the director's remuneration or if the nature of the payment falls within one of a number of categories set out in the Corporations Act (for example, a payment by way of damages for breach of contract or a payment for past services).

The amounts of the Termination Payment prescribed in Mr Hughes' Agreement do not fall within any of the categories of exception set out in the Corporations Act and accordingly Shareholder approval is sought (see example below).

Section 200E of the Corporations Act requires that where shareholders are asked to approve a payment or other benefit to a director that would otherwise be prohibited by section 200B, shareholders must be given details of the amount of the payment, or, if the amount cannot be ascertained at the time of the disclosure, the manner in which the amount is to be calculated and any matter, event or circumstance that will, or is likely to affect the calculation of the amount.

The amount of any payment or other benefit that may be made to Mr Hughes in connection with his retirement or removal from office depends on both his remuneration, and the balance of the Term remaining, at the date of termination. However, an example is set out below:

Mr Hughes' salary under his Agreement is \$220,000 per annum. Under Mr Hughes' Agreement, the Termination Benefit payable to Mr Hughes in the applicable circumstances set out above is equal to 3 years base salary which will include any payments in lieu of the minimum notice period required by law. Therefore the Termination Benefit payable to Mr Hughes under his Agreement will be \$660,000.

4.5 Chapter 2E of the Corporations Act – Related Party Benefits

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Mr Hughes is a related party of the Company by virtue of section 228(2) of the Corporations Act and the Termination Payment would constitute the giving of a financial benefit. As none of the exceptions set out in the Corporations Act apply, any payment of the Termination Payment to Mr Hughes requires Shareholder approval.

Information for Shareholders in respect of Chapter 2E

For the purpose of obtaining Shareholder approval, and in accordance with the requirements of Chapter 2E of the Corporations Act, and in particular section 219, the following information is provided to Shareholders to allow them to assess whether or not to approve any proposed Termination Payment to Mr Hughes under Resolution 4

- a) **(Identity of the related party):** The related party of the Company to which a financial benefit may be given under Resolution 4 is Mr David Hughes, the Managing Director.
- b) **(Nature of the financial benefit):** The nature of the financial benefit to be given to Mr Hughes is the payment of the Termination Payment.
- c) **(Reason and basis for giving the financial benefit):** The reasons for proposing the Termination Payment to Mr Hughes is, as specified above, to provide liquidated damages to Mr Hughes where his employment is terminated without cause or where Mr Hughes is demoted from his position without good cause or is requested, without good cause to assume responsibilities or perform tasks not reasonably consistent with his position. The independent Directors determine that the Termination Payment is appropriate in all the circumstances for the reasons set out below.
- d) **(Value of the financial benefit):** \$660,000.
- e) **(Advantages and disadvantages of Shareholders approving Resolution 4):**

The Board considers the advantages for Shareholders of approving Resolution 4 are as follows:

The passing of Resolution 4 will:

- 1) Recognize Mr Hughes' involvement and assistance in identifying the opportunity and negotiating the Company's entry into the Colluli Potash Project.
- 2) be evidence that the Company and its Shareholders will honour, and give effect to, arrangements made in good faith by the Board; and
- 3) indicate that the Company will give due consideration to providing fair and just remuneration and compensation for services, assistance and acts benefiting the Company.

The Board considers the disadvantages for Shareholders of approving Resolution 4 are as follows.

The issue of the Termination Payment would:

- 1) decrease cash resources by \$660,000;
- f) **(Related Party's existing interests):** Details regarding the securities in the Company in which Mr Hughes currently holds an interest and the current voting power of Mr Hughes as at the date of this Notice, are set out below.

	Shares	Options	Voting Power
David Hughes	674,945	Nil	0.73%
Renae Wainwright	500,000	2,500,000	0.54 %

- g) **(Trading history)** The following table gives details of the highest, lowest and latest closing prices of the Company's Shares trading on ASX over the past 12 months ending on 7 October 2011:

Highest Price / Date	Lowest Price / Date	Latest Price / Date
\$6.00 / 1 March 2011	\$0.75 / 12 October 2010	\$2.32 / 7 October 2011

- h) **(Other Information)** Neither the Directors nor the Company are aware of other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by proposed Resolution 4.

4.6 Interests of Directors and Directors' recommendation

Mr Liam Cornelius and Mr Terry Grammer are independent Directors for the purposes of Resolution 4 as they do not have a material personal interest in the outcome of that Resolution. Each of them approve the proposal to put Resolution 4 to Shareholders and recommend that Shareholders vote in favour of Resolution 4 because the Board has formed the view that the circumstances in which the Termination Payment is to be made to Mr Hughes and the amount of the payment is appropriate because it represents liquidated damages payable to Mr Hughes where his employment is terminated without cause prior to the expiry of the Term. The Board is also of the opinion that the Termination Payment is not excessive or unusual for an executive of the calibre of Mr Hughes and his term of service with the Company.

As noted above, Mr Hughes is a Director having been employed as its Managing Director since 23 May 2008.

Mr David Hughes has a material personal interest in the outcome of Resolution 4 and has abstained from any deliberation and voting or making a recommendation in relation to the Resolution 4.

Resolution 5 - Approval of the South Boulder Mines Limited Performance Rights Plan

5.1 Introduction

The Company is seeking Shareholder approval in accordance with Listing Rule 7.2 Exception 9 and for all other purposes to issue performance rights in the manner set out in the South Boulder Mines Limited Performance Rights Plan (**Plan**). The grant of a performance right gives the holder the right to acquire a Share subject to the terms and conditions in the Plan (**Performance Right**). Under the Listing Rules, if Shareholders approve the Plan then any Shares issued under the Plan over the next three years do not reduce the Company's 15% Share placement capacity under Listing Rule 7.1.

5.2 Reasons for the PRP

The purpose of the Plan is to provide recognition to employees of the Company and its subsidiaries for their continued and ongoing support of the Company.

The Plan is intended to:

- (a) increase the range of potential incentives available to Directors and employees and to recognise their contribution to the Company's success; and
- (b) strengthen the links between the Company and its Directors and employees.

5.3 Outline of the PRP

A summary of the principle terms of the Plan are as follows:

- (a) Eligible employees include full or part-time employees (including a Director employed in an executive capacity) of the Company or its subsidiaries who is declared by the Board to be eligible to receive grants of Performance Rights.
- (b) The Board may from time to time, in its absolute discretion, issue invitations in writing to eligible employees inviting applications for the grant of Performance Rights on the terms set out in the Plan and on such additional performance conditions as the Board determines.
- (c) Unless the Board otherwise determines, no amount is payable by an eligible employee in relation to the grant of a Performance Right or on vesting of a Performance Right.
- (d) Once a Performance Right has been granted to an eligible employee, it is not transferable except with the prior written consent of the Board.
- (e) Each Performance Right issued to an eligible employee will vest on the date specified in the invitation issued by the Company.
- (f) Performance Rights will lapse if the employee granted the Performance Right ceases to be an employee of the Company or its subsidiaries (except in the case of total and permanent disability, death and such other cases as the Board may determine).
- (g) The terms and conditions of the Plan must at all times comply with the Corporations Act, the Listing Rules, the Constitution of the Company and any other legislation that applies to the Plan.

A copy of the full terms and conditions of the Incentive Plan will be sent to shareholders of the Company free of charge on request.

As the Plan is a newly established Plan, no Performance Rights have been issued under the Plan to date (and will not be unless and until it is approved by Shareholders).

Shares issued on the vesting of Performance Rights will not be issued to Directors or other related parties without the prior approval of Shareholders in accordance with the Listing Rules.

A voting exclusion statement has been included in the Notice.

Resolutions 6 to 9 – Approval of the grant of Performance Rights to the Directors

6.1 The Performance Rights

Pursuant to the PRP described above, the Company proposes to issue the following Performance Rights to each of the Directors:

- a) 300,000 Performance Rights to Mr David Hughes (or a nominee);
- b) 200,000 Performance Rights to Dr Chris Gilchrist (or nominee);
- c) 100,000 Performance Rights to Mr Liam Cornelius (or a nominee); and
- d) 100,000 Performance Rights to Mr Terry Grammer (or a nominee);

The Directors face considerable ongoing responsibilities and challenges in their roles within the Company. The grant of these Performance Rights will provide a long term incentive for outstanding performance and promote their opportunities for Share ownership in the Company.

The Performance Rights will be granted as soon as possible following the Meeting and will vest as follows:

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

Subject to achievement of either one of these Performance Conditions, one Share will be issued for each Performance Right that has vested.

6.2 Chapter 2E of the Corporations Act – Related Party Transactions

The issue of Performance Rights to the Directors constitutes a grant of a financial benefit to a related party for the purposes of Chapter 2E of the Corporations Act.

Please refer to Resolution 4 for details regarding Chapter 2E of the Corporations Act.

Information for Shareholders in respect of Chapter 2E

For the purpose of obtaining Shareholder approval, and in accordance with the requirements of Chapter 2E of the Corporations Act, and in particular section 219, the following information is provided to Shareholders to allow them to assess whether or not to approve the grant of the Performance Rights to the Directors under Resolutions 6 to 9.

- a) **(Identity of the related party):** The related parties of the Company to which a financial benefit may be given under Resolutions 6 to 9 are:
- 1) Mr David Hughes;
 - 2) Dr Chris Gilchrist;
 - 3) Mr Liam Cornelius; and
 - 4) Mr Terry Grammer.
- each a Director.
- b) **(Nature of the financial benefit):** The financial benefits to be provided to each Director under Resolutions 6 to 9 are Performance Rights. A copy of the rules of the PRP is annexed as Annexure A. None of the Directors will be required to make any payment for the grant of the Performance Rights or on the exercise of a vested Performance Right. The maximum number of Performance Rights that could vest, and hence be exercised by the Directors under Resolutions 6 to 9, are as follows:
- 1) David Hughes – 300,000 Performance Rights;
 - 2) Dr Chris Gilchrist – 200,000 Performance Rights
 - 3) Mr Liam Cornelius – 100,000 Performance Rights;
 - 4) Mr Terry Grammer – 100,000 Performance Rights;
- c) **(Directors recommendations to members and reasons):**
- 1) Resolution 6 – Mr Cornelius, Mr Grammer and Dr Gilchrist (who have no interest in the outcome of Resolution 6) recommend that Shareholders vote in favour of Resolution 6 as they believe the granting of these Performance Rights to Mr David Hughes will align his rewards with the long-term creation of value for Shareholders. M David Hughes has a material personal interest in the outcome of Resolution 6 and has abstained from any deliberation and voting or making a recommendation in relation to Resolution 6.
 - 2) Resolution 7 – Mr Hughes, Mr Cornelius and Mr Grammer (who have no interest in the outcome of Resolution 9) recommend that Shareholders vote in favour of Resolution 7 as they believe the granting of these Performance Rights to Dr Ian Gilchrist will align his rewards with the long-term creation of value for Shareholders. Dr Ian Gilchrist has a material personal interest in the outcome of Resolution 7 and has abstained from any deliberation and voting or making a recommendation in relation to Resolution 7.
 - 3) Resolution 8 – Mr Hughes, Mr Grammer and Dr Gilchrist (who have no interest in the outcome of Resolution 7) recommend that Shareholders vote in favour of Resolution 8 as they believe the granting of these Performance Rights to Mr Liam Cornelius will align his rewards with the long-term creation of value for

SOUTH BOULDER MINES LIMITED

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Shareholders. Mr Liam Cornelius has a material personal interest in the outcome of Resolution 8 and has abstained from any deliberation and voting or making a recommendation in relation to Resolution 8.

- 4) Resolution 9 – Mr Hughes, Mr Cornelius and Dr Gilchrist (who have no interest in the outcome of Resolution 9) recommend that Shareholders vote in favour of Resolution 9 as they believe the granting of these Performance Rights to Mr Terry Grammer will align his rewards with the long-term creation of value for Shareholders. Mr Terry Grammer has a material personal interest in the outcome of Resolution 9 and has abstained from any deliberation and voting or making a recommendation in relation to Resolution 9.

d) **(Directors' interests in the outcome of the Resolutions):**

- 1) If Resolution 6 is passed, Mr David Hughes will become entitled to the Performance Rights as set out above together with the rights and entitlements associated with being a holder of such Performance Rights. None of the other Directors (other than Mr David Hughes) have a relevant interest in the outcome of Resolution 6.
- 2) If Resolution 7 is passed, Dr Chris Gilchrist will become entitled to the Performance Rights as set out above together with the rights and entitlements associated with being a holder of such Performance Rights. None of the other Directors (other than Dr Ian Gilchrist) have a relevant interest in the outcome of Resolution 7.
- 3) If Resolution 8 is passed, Mr Liam Cornelius will become entitled to the Performance Rights as set out above together with the rights and entitlements associated with being a holder of such Performance Rights. None of the other Directors (other than Mr Liam Cornelius) have a relevant interest in the outcome of Resolution 8.
- 4) If Resolution 9 is passed, Mr Terry Grammer will become entitled to the Performance Rights as set out above together with the rights and entitlements associated with being a holder of such Performance Rights. None of the other Directors (other than Mr Terry Grammer) have a relevant interest in the outcome of Resolution 9.

e) **(Value of the financial benefit):**

Details	Input
*Share price	\$2.40
Conversion Price	Nil
Valuation Date	10 October 2011
Expiry Date	23 November 2016
Value per Performance Right	\$2.40

** Based on the current share price at the date of this Notice being 10 October 2011*

Director	Number of Performance Rights	Value
Mr David Hughes	300,000	\$720,000
Dr Chris Gilchrist	200,000	\$480,000
Mr Liam Cornelius	100,000	\$240,000
Mr Terry Grammer	100,000	\$240,000

- f) **(Other remuneration currently provided to the Directors):** The Directors' base salaries per annum are as follows:

Director	Salary and Fees (\$)	Superannuation (\$)	Other (\$)
Mr David Hughes	188,989	17,009	5,658
Dr Chris Gilchrist	40,000	4,000	Nil
Mr Liam Cornelius	80,176	7,216	5,658
Mr Terry Grammer	45,815	4,123	5,658

g) **(Current holdings in the Company's securities):**

Directors	Shares	Options
Mr David Hughes	1,174,945	2,500,000
Dr Chris Gilchrist	Nil	Nil
Mr Liam Cornelius	8,207,338	2,750,000
Mr Terry Grammer	410,000	1,600,000

- h) **(Other Information)** Neither the Directors nor the Company are aware of other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by proposed Resolutions 6 to 9.

6.3 Information Requirements of Listing Rule 10.14

Listing Rule 10.14 broadly requires shareholders' approval by ordinary resolution to any issue by a listed company of securities to a related party under an employee incentive scheme. Accordingly, Listing Rule 10.14 requires Shareholders to approve the issue of Performance Rights under the PRP to Mr David Hughes, Dr Chris Gilchrist, Mr Liam Cornelius and Mr Terry Grammer.

For the purposes of Listing Rule 10.15A, the following information is provided to Shareholders with respect to Resolutions 6 to 9:

- a) the Performance Rights will be granted to each of the Directors, or their nominees, as noted above;
- b) the maximum number of Performance Rights to be granted is 700,000;
- c) the Performance Rights will be granted for no consideration. In addition, once vested, the Performance Rights become immediately exercisable. Following exercise of the Performance Rights, the Company must issue the Shares. The Shares will be for no consideration;
- d) no funds will be raised by the grant of the Performance Rights;
- e) all Directors, Mr David Hughes, Dr Chris Gilchrist, Mr Liam Cornelius and Mr Terry Grammer, or their permitted nominees, are entitled to participate in the PRP;
- f) no securities have been previously issued under the PRP;
- g) no Directors, or their permitted nominees, have received any Performance Rights under the PRP;
- h) details of the Performance Rights issued under the PRP will be published in each annual report of the Company relating to a period in which the Performance Rights have been issued and that approval for the issue of Performance Rights was obtained under Listing Rule 10.14;
- i) no loan will be offered to any of the Directors in relation to the acquisition of the Performance Rights or any Shares resultant from the exercise of the Performance Rights;
- j) any persons who become entitled to participate in the PRP after this Resolution is approved and who are not named in this Notice will not participate until approval is obtained under Listing Rule 10.14; and
- k) the Performance Rights will be issued as soon as practicable after the Meeting, but in any event no later than 3 years after the Meeting.

Resolution 10 – Approval of Grant of Performance Rights to Consultants.

10.1 Introduction

Resolution 10 seeks Shareholder approval, for the purposes of Listing Rule 7.1, for the issue of 300,000 Performance Rights to Consultants of the Company.

10.2 Listing Rule 7.3 Requirements

The following information is provided in accordance with Listing Rule 7.3:

- (a) the maximum number of Performance Rights to be issued pursuant to Resolution 10 is 300,000;
- (b) the Performance Rights will be issued no later than 3 months after the date of the meeting;
- (c) the Performance Rights will be issued for no consideration, and therefore no funds will be raised;
- (d) the Performance Rights will be issued to Consultants who are not related parties of the Company;
- (e) the Performances Rights will be issued on the terms and conditions as outlined in Annexure A; and
- (f) a voting exclusion statement is included in this Notice.

10.3 Directors Recommendation

The Directors' recommend shareholders voting favour of Resolution 10.

GLOSSARY

In this Explanatory Statement and the Notice, the following terms have the following meanings unless the context otherwise requires:

AGM	means an Annual General Meeting
ASX	means ASX Ltd ABN 98 008 624 691 and, where the context requires, the Australian Securities Exchange operated by ASX Ltd.
Board	means the board of Directors of the Company.
Closely Related Party	has the same meaning as defined in Section 9 of the Corporations Act.
Company	Means South Boulder Mines Limited ABN 56 097 904 302.
Corporations Act	means Corporations Act 2001 (Cth).
Director	means a director of the Company.
Explanatory Statement	means this information attached to the Notice, which provides information to Shareholders about the Resolutions contained in the Notice.
Listing Rules	means the listing rules of ASX.
Notice or Notice of Meeting	means the Notice of Annual General Meeting accompanying this Explanatory Statement.
Resolution	means a resolution contained in the Notice.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means the holder of a share.

Annexure A
South Boulder Mines Limited Performance Rights Plan Rules

Performance Rights Plan Rules

South Boulder Mines Limited
ACN 097 904 302

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1. Definitions and Interpretations

1.1 Definitions

In this Plan, unless the context otherwise requires:

Applicable Laws means any one or more or all, as the context requires of:

- (a) the Corporations Act;
- (b) the Listing Rules;
- (c) Taxation Laws;
- (d) any practice note, policy statement, regulatory guide, class order, declaration, guideline, policy, procedure, ruling, judicial interpretation or other guidance note made to clarify, expand or amend (a), (b), and (c) above; and
- (e) any other legal requirement that applies to the Plan.

ASTC means the ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532.

ASX means ASX Limited ACN 008 624 691, and where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the Board of Directors of the Company.

Company means South Boulder Mines Limited ACN 097 904 302 .

Corporations Act means the Corporations Act 2001 (Cth) as amended from time to time.

Director means a director of the Company.

Eligible Employee means a full or part-time employee (including a Director employed in an executive capacity) of a Group Company who is declared by the Board to be eligible to receive grants of Performance Rights under the Plan.

Grant Date, in relation to a Performance Right, means the date of grant of the Performance Right.

Group Company means the Company and its Subsidiaries (if any) from time to time.

Invitation has the meaning in rule 2.1(a).

Listing Rules means the Listing Rules of the ASX as they apply to the Company from time to time.

Participant means a person who has been granted a Performance Right under the Plan.

Performance Condition means one or more conditions which must be satisfied or circumstances which must exist before a Performance Right can vest.

Performance Right means a right to acquire a Share in the manner set out in this Plan.

Plan means the South Boulder Mines Limited Performance Rights Plan as set out in these rules, subject to any amendments or additions made under rule 8.

Restricted Shares has the meaning given to it in rule 6.1.

Restriction Period has the meaning given to it in rule 6.1.

Securities has the meaning given in the Listing Rules.

Settlement Rules means the rules of ASTC.

Share means a fully paid ordinary share in the capital of the Company.

Subsidiary has the meaning given in section 9 of the Corporations Act.

Takeover Bid has the meaning given in section 9 of the Corporations Act.

Taxation Laws means the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth), each as amended from time to time.

1.2 Interpretation

In this Plan, headings are for convenience only and do not affect the interpretation of the Plan and, unless the context otherwise requires:

- (a) any words importing the singular include the plural and vice versa;
- (b) any words importing a gender include any gender;
- (c) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, and a reference to a statute includes all regulations, proclamation, ordinances and by-laws issued under that statute;
- (d) a reference to the Listing Rules includes any variation, consolidation or replacement of those rules and is to be taken to be subject to any waiver or exemption granted to the Company from compliance with those rules;
- (e) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
- (f) any reference to the Board includes the Board, any committee appointed by the Board, or any person or body to which the Board has delegated powers under this Plan; and
- (g) a reference in the Plan to a party to a document includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation.

2. Invitation to Participate

2.1 The Board may issue invitations to Eligible Employees

- (a) The Board may from time to time, in its absolute discretion, issue invitations in writing (in such form as the Board decides) to Eligible Employees inviting applications for the grant of Performance Rights on the terms set out in the Plan and on such additional terms and Performance Conditions as the Board determines (which may include granting the Performance Rights in tranches) for up to the number of Performance Rights specified in the invitation ("**Invitation**").
- (b) Unless the Board otherwise determines, no amount is payable by an Eligible Employee in relation to the grant of a Performance Right or on vesting of a Performance Right.

2.2 Number of Performance Rights

The number of Performance Rights specified in each Invitation will be determined by the Board in its absolute discretion.

2.3 Information in Invitation

The Board will advise each Eligible Employee who is issued an Invitation of the following information relevant to the Performance Rights that may be granted under the Plan pursuant to that Invitation:

- (a) the number of Performance Rights which may be granted (each Performance Right entitling its holder to one Share on that Performance Right vesting);
- (b) the date and time by which the application for Performance Rights must be received by the Company;
- (c) the date on which, subject to these rules, the Performance Rights will vest (in accordance with rule 5);
- (d) any applicable Performance Conditions attaching to the Performance Rights; and
- (e) any other relevant conditions to be attached to the Performance Rights or Shares (including, for example, any restrictions on transfer of the Shares).

3. Applications For Performance Rights

3.1 Eligible Employee may apply for Performance Rights

Following receipt of an Invitation, an application for the Performance Rights specified in the Invitation may be made by the Eligible Employee.

3.2 Application for number of Performance Rights specified in invitation

The Eligible Employee may apply for up to the number of Performance Rights specified in the Invitation by sending to the person nominated by the Company an application (in the form included with the Invitation) duly completed and signed, which must include an agreement by the Eligible Employee to be bound by these rules.

3.3 When Company must receive application

The application must be received by the Company within the period for acceptance specified in the Invitation, unless otherwise determined by the Board.

4. Grant of Performance Rights

4.1 Company to grant or procure grant of Performance Rights

On acceptance of a duly signed and completed application for Performance Rights, the Company may grant Performance Rights to the Eligible Employee, with effect from such dates as the Board determines, on the terms set out in the Plan and additional terms as the Board determines.

4.2 Performance Rights are not transferable

- (a) Subject to rule 4.2(b), a Performance Right granted under the Plan is not capable of being transferred by the Participant, except with prior written consent of the Board.
- (b) Rule 4.2(a) will not apply to the transmission of Performance Rights to a legal personal representative of a Participant following the Participant's death.

5. Lapse of a Performance Right

5.1 Vesting

- (a) Subject to these rules, each Performance Right issued to a Participant will vest on the date specified in the invitation if the Performance Conditions attaching to the Performance Rights have been satisfied by the date set out in the Invitation.
- (b) Notwithstanding rule 5.1(a) and subject to the Listing Rules:
 - (i) the Board may vest some or all of a Participant's Performance Rights even if a Performance Condition has not been satisfied, if the Board considers that to do so would be in the interests of the Company to do so; and
 - (ii) the vesting of a Participant's Performance Rights may be subject to such further conditions as determined by the Board.

5.2 Lapse of a Performance Right

An unvested Performance Right will lapse on the earliest to occur of:

- (a) the Performance Right lapsing in accordance with a provision of this rule 5;
- (b) the Performance Right been transferred other than with the prior written consent of the Board pursuant to rule 4.2(a);
- (c) the applicable Performance Conditions not being achieved by the date specified in the relevant Invitation; or
- (d) any date set out in an Invitation by which it is stated that the Performance Right will automatically lapse.

5.3 Vesting in specific circumstances

Where a Participant ceases to be an employee of a Group Company in any of the circumstances referred to below and at that time the Performance Conditions attaching to the Performance Rights held by the Participant are satisfied, the Board may determine that the Performance Rights vest notwithstanding the date for vesting of the Performance Right as set out in the Invitation has not been reached. If no determination is made by the Board within 6 months of the Participant ceasing to be an employee, all Performance Rights held by a Participant will automatically lapse. The circumstances are:

- (a) total and permanent disability
- (b) death; and
- (c) such other circumstances as the Board may determine from time to time.

5.4 Performance Rights lapse if cease to be an employee

- (a) If a Participant ceases to be an employee of any Group Company in circumstances other than those referred to in rule 5.3, any Performance Rights granted to the Participant under the Plan will automatically lapse on the cessation of the Participant's employment.

5.5 Performance Rights lapse on a winding up

If a resolution is passed to wind up the Company, the Performance Rights lapse automatically on the passing of the resolution.

5.6 Fraudulent or dishonest actions

Where, in the opinion of the Board, a Participant acts fraudulently or dishonestly or is in breach of his or her obligations to any Group Company then the Board may deem any unvested Performance Rights of the Participant to have lapsed.

5.7 Performance Rights may be cancelled if Participant consents

Notwithstanding any other provisions of the Plan, and subject to the Listing Rules, if a Participant and the Board have agreed in writing that some or all of the unvested Performance Rights granted to that Participant may be cancelled on a specified date or on the occurrence of a particular event, then the Board may cancel those Performance Rights on the relevant date or on the occurrence of the particular event (as the case may be).

5.8 Vesting procedure

- (a) Subject to these rules, each Performance Right entitles the Participant to one Share upon vesting.
- (b) Upon the vesting of Performance Rights, the Participant becomes entitled to be issued, transferred or allocated the relevant Shares not later than 21 days after the date of vesting pursuant to the provisions of rule 5.8(c).
- (c) Within 21 days after a Performance Right under the Plan has vested, the Board must issue to, or procure the transfer to, the Participant or his or her nominee (as the case may be), of one Share in respect of each Performance Right of the Participant which has vested.
- (d) Subject to clause 6.1, all shares issued, acquired or allocated on the vesting of Performance Rights (as the case may be) under the Plan will rank equally in all respects with existing Shares
- (e) The Company and any person nominated by the Company from time to time are irrevocably appointed jointly and severally by each Participant as attorney to do all things necessary considered by the Company appropriate to effect a transfer, issue or allocation of Shares upon vesting of a Performance Right, including agreeing to become a member of the Company on the Participant's behalf.
- (f) If the Shares to which a Participant becomes entitled on vesting are to be acquired on a stock market, the Company may make any necessary arrangements to effect the purchases for and on behalf of the participant.

5.9 Shares to be quoted on ASX

The Company will apply for official quotation of Shares issued, acquired or allocated (as the case may be) under the Plan on ASX.

5.10 Takeover

- (a) In the event of a Takeover Bid, any Performance Rights granted will vest where, in the Board's absolute discretion, the Performance Conditions applicable to those Performance Rights have been satisfied on a pro rata basis over the period from the Grant Date to the date the Takeover Bid becomes or is declared to be unconditional.

- (b) Any Performance Right referred to in rule 5.10(a) which the Board determines will not vest will automatically lapse, unless the Board determines otherwise.

5.11 Compromise or arrangement

- (a) The Board may, in its absolute discretion, vest all or a specified number of a Participant's Performance Rights where the Board is satisfied that the Performance Conditions applicable to those Performance Rights have been satisfied on a pro rata basis over the period from the Grant Date to the date where
 - a court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies.
- (b) If no determination is made or if the Board determines that some or all of a Participant's Performance Rights shall not vest, those Performance Rights will automatically lapse, unless the Board determines otherwise.

6. Restriction on disposal of Shares

6.1 Restriction Period

Where the Board issues an Invitation to an Eligible Employee, the Board may, in its discretion, determine that a restriction period will apply to some or all of the Shares issued or transferred to a Participant following vesting of their Performance Rights (**Restricted Shares**), up to a maximum of 7 years from the Grant date (**Restriction Period**).

6.2 Waiver of restriction period

The Board may, in its sole discretion, having regard to the circumstances at the time, waive a Restriction Period determined pursuant to rule 6.1.

6.3 No disposal of Shares while restricted

A Participant must not dispose of or otherwise deal with any Shares issued or transferred to the Participant under the Plan while they are Restricted Shares.

6.4 Enforcement of Restriction Period

The Company may implement any procedure it considers appropriate to restrict a Participant from dealing with any Restricted Shares issued for as long as those Shares are Restricted Shares.

6.5 Lapse of restrictions attaching to Shares

When a Share ceases to be a Restricted Share, all restrictions on disposing of or otherwise dealing or purporting to deal with that Share provided in or under these rules will cease.

7. Bonus issues and reconstruction

7.1 Bonus Issue

- (a) If there is a bonus issue (as that term is defined in the Listing Rules) of Shares to the holders of Shares, a Participant is entitled, in respect of Performance Rights held by him or her on the record date of the bonus issue, upon vesting of the

Performance Rights, to receive in addition to the Shares in respect of which the Performance Rights vests and without the payment of any further consideration, the number of Shares which the Participant would have received if the Performance Rights had vested before the record date for the bonus issue.

7.2 Reorganisation

In the event of any reorganisation (including consolidation, sub-division, reduction, return or cancellation) of the issued capital of the Company, the Board may make such adjustments as it considers appropriate in accordance with the provisions of the Listing Rules.

7.3 No right to participate in new issues

A Performance Right does not confer on a Participant the right to participate in new issues of Shares by the Company, including by way of bonus issue, rights issue or otherwise..

7.4 Fairness in application

In the application of this rule 7, the Board may (as far as possible) make whatever adjustments it deems necessary or desirable to ensure that the consequences of that application are fair as between the Participants and the holders of other Securities in the Company subject to compliance with Applicable Laws.

8. Amendments

8.1 Board may amend

Subject to rule 8.2 and the Listing Rules, the Board may at any time by resolution amend, add to, revoke or substitute (**amend**) all or any of the provisions of the rules (including this rule) of the Plan, or the terms of any Performance Rights granted under it, in any respect, subject to compliance with Applicable Laws.

8.2 Restrictions on amendments

Without the consent of the Participant, no amendment may be made to the terms of any granted Performance Right which, in the opinion of the Board, materially reduces the rights of the Participant in respect of that Performance Right, other than an amendment introduced primarily:

- (a) for the purpose of complying with or conforming to present or future State or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
- (b) to correct any manifest error or mistake;
- (c) to take into consideration possible adverse tax implications in respect of the Plan arising from, amongst others, adverse rulings from the Commissioner of Taxation, changes to Taxation Laws (including an official announcement by the Commonwealth of Australia) and / or changes in the interpretation of Taxation Laws by a Court or competent jurisdiction; or
- (d) to enable any Group Company to comply with the Applicable Laws.

8.3 Notice of amendments

As soon as reasonably practicable after making any amendment under rule 8.1, the Board must give notice in writing of the amendment to any affected Participant.

8.4 Retrospective effect

- (a) The Board may determine that any amendment to these rules of the terms of Performance Rights granted under the Plan be given retrospective effect.
- (b) Amendment of these rules or the terms and conditions upon which Performance Rights are granted under the Plan by the Board shall be of immediate effect unless otherwise determined by the Board.

9. Miscellaneous

9.1 Issue limitations

- (a) The number of Shares to be received on exercise of the Performance Rights the subject of an Invitation when aggregated with:
 - (i) the number of Shares which would be issued were each outstanding invitation or Performance Right, being an invitation made or Performance Right granted pursuant to the Plan or any other employee incentive scheme extended only to employees or directors of the Company, exercised; and
 - (ii) the number of Shares issued during the previous 5 years pursuant to the Plan or any other employee incentive scheme extended only to employees or directors of the Company;

but disregarding any offer made, or Performance Rights acquired or Share issued by way of or as a result of:

- (i) an offer to a person situated at the time of receipt of the offer outside Australia; or
- (ii) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
- (iii) an offer made under a disclosure document,

must not exceed 5% (or such other maximum permitted under any ASIC Class Order providing relief from the disclosure regime of the Corporations Act) of the total number of issued Shares as at the time of the Invitation.

- (b) Where the Performance Right lapses without being exercised, the Shares concerned are ignored when calculating the limits in this clause.

9.2 Terms of employment not affected by Plan

- (a) The rights and obligations of any Participant under the terms of their office or employment with a Group Company are not to be affected by their participation in

the Plan and these rules will not form part of or be incorporated into any contract of engagement or employment of any employee with a Group Company.

- (b) No Participant will have any rights to compensation or damages in consequence of the termination of their office or employment for any reason whatsoever in so far as those rights arise or may arise from their ceasing to have rights under the Plan as a result of such termination.

9.3 Board to administer

- (a) The Plan is administered by the Board which has power to:
 - (i) determine appropriate procedures for administration of the Plan consistent with these rules; and
 - (ii) delegate to any one or more persons for such period and on such conditions as it may determine the exercise of any of its powers or discretions arising under the Plan.
- (b) Except as otherwise expressly provided in the Plan and the Listing Rules, the Board has absolute and unfettered discretion to act or refrain from acting under or in connection with the Plan or any Performance Rights under the Plan and in the exercise of any power or discretion under the Plan.

9.4 Board power to waive

Notwithstanding any other provisions of the Plan, the Board may at any time waive in whole or in part any additional terms or conditions (including any Performance Condition) in relation to any Performance Rights granted to any Participant.

9.5 Board decision is final

In the event of any dispute or disagreement as to the interpretation of the Plan, or as to any question or right arising from or related to the Plan or to any Performance Rights granted under it, the decision of the Board is final and binding.

9.6 Compliance with Applicable Laws

Notwithstanding anything in this Plan, the terms of Performance Rights granted under the Plan and all things done under the Plan must comply with all applicable requirements of Applicable Laws.

9.7 Adjustments to Plan in the case of foreign resident Participants

Where a Performance Right is granted under the Plan to a person who is not a resident of Australia, the provisions of the Plan apply subject to such alterations or additions as the Board determines having regard to any Applicable Laws, matters of convenience or similar factors which may have application to the Participant or to any Group Company in relation to the Performance Right.

9.8 Termination

The future operation of the Plan may be suspended or terminated at any time at the discretion of the Board.

9.9 Notices

- (a) Any notice or other communication under or in connection with the plan may be given by personal delivery or by sending the same by post or facsimile, in the case of a company to its registered office, and in the case of an individual's last

Performance Rights Plan Rules

notified address, or, where a Participant is a director or employee of a Group Company, either to the Participant's last known address or to the place of business at which the Participant performs the whole or substantially the whole of the duties of the Participant's office or employment.

- (b) Where a notice or other communication is given by post, it is deemed to have been received 48 hours after it was put into the post properly addressed and stamped. Where a notice or other communication is given by facsimile, it is deemed to have been received on completion of transmission.

9.10 Governing Law

The Plan and any Performance Rights issued under it are governed by the laws of Western Australia and the Commonwealth of Australia.

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

SOUTH BOULDER MINES LIMITED

ABN:56 097 904 302

REGISTERED OFFICE:
31 Ventnor Avenue
WEST PERTH WA 6005

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code: STB

Holder Number:

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

Input box for Chairperson appointment

OR

Input box for person name appointment

The meeting Chairperson
(mark with an "X")

The name of the person you are appointing
(if this person is someone other than the Chairperson of the meeting).

or failing the person named, or if no person is named, the Chairperson of the Meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 11.00am on Wednesday, 23 November 2011 at The Park Business Centre, 45 Ventnor Avenue, West Perth WA and at any adjournment of that meeting.

SECTION B: Voting Directions to your Proxy

Please mark "X" in the box to indicate your voting directions to your Proxy.

Table with 3 columns: Resolution, For, Against, Abstain*. Contains 10 resolutions for voting.

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

* If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If you wish to appoint the Chairperson as your proxy and you do not wish to direct the Chairperson how to vote, please mark "X" in the box. By marking this box, you are directing the Chairperson to vote in favour of Resolutions 3, 4, and 6 - 10. You expressly authorise the Chairperson to exercise your proxy for Resolutions 3, 4 and 6 - 10 even though these resolutions are connected directly or indirectly with the remuneration of key management personnel of the Company and votes cast by him/her other than as a proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on resolutions 3, 4 and 6 - 10 and your votes will not be counted in calculating the required majority if a poll is called on the resolutions.

SECTION C: Please Sign Below

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Signature lines for Individual or Security Holder, Security Holder 2, and Security Holder 3.

2571432644 Reference Number:

1

STB 1

My/Our contact details in case of enquiries are:

NAME

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TELEPHONE NUMBER

()										
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NOTES

1. Name and Address

This is the name and address on the Share Register of South Boulder Mines Limited. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. Appointment of a Proxy

If you wish to appoint the Chairperson of the Meeting as your Proxy please mark "X" in the box in Section A. Please also refer to Section B of this proxy form and ensure you mark the box in that section if you wish to appoint the Chairperson as your Proxy.

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a Shareholder of South Boulder Mines Limited.

3. Directing your Proxy how to vote

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. Appointment of a Second Proxy

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by telephoning the Company's share registry +61 8 9315 2333 or you may photocopy this form.

To appoint a second Proxy you must:

- On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- Return both forms in the same envelope.

5. Signing Instructions

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. Lodgement of Proxy

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than 11.00am on Monday, 21 November 2011, being 48 hours before the time for holding the meeting. Any Proxy form received after that time will not be valid for the scheduled meeting.

Security Transfer Registrars Pty Ltd
PO BOX 535
Applecross, Western Australia 6953

Street Address:
Alexandra House, Suite 1
770 Canning Highway
Applecross, Western Australia 6153

Telephone +61 8 9315 2333

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.