

ASX Release

28 July 2014

Company Details

ASX Code:	STB
Share Price	\$0.16
Market Cap	\$21M
Shares on issue	129M
Company options	21M
Cash at Bank	\$9M

Contact Details

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Quarterly Report

for the period ending 30 June 2014

HIGHLIGHTS

COLLULI POTASH PROJECT

- Access to the Anfile Bay land area and transport corridor formally granted by the Ministry of Energy and Mines
- The following appointments were made:
 - MBS Environmental for social and environmental impact assessment work and completion of first review of environmental baselines
 - AMC for mine planning, geotechnical and resource workstreams
 - Global potash solutions to finalise process design and metallurgical test program
 - Knight Piesold for solar pond design and hydrogeology workstream
- Saskatchewan Research Council commenced metallurgical testwork for the revised production process to produce potassium sulphate from all potassium bearing salts
- Kainitite liberation tests completed and flotation tests commenced
- Solar evaporation tests of synthetic brines underway
- Lycopodium completed first draft process flow diagrams
- Laboratory solar tests for solar pond design completed
- Hydrogeology review completed and first draft of pit dewatering requirements completed
- Drilling program requirements for geotechnical work and materials characterisation completed and bids shortlisted for commencement of further drilling in next quarter
- Completion of the transfer of assets and exploration license into joint venture company Colluli Mining Share Company (CMSC)

CORPORATE

- Exercise of 750,000 unlisted options during the quarter
- Cash position of \$9.3M at 30 June 2014
- James Durrant appointed as Collui Project Coordinator
- Dr. Chris Gilchrist resigned from the board
- Ms. Amy Just appointed as Company Secretary

COLLULI POTASH PROJECT

OVERVIEW

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

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

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

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

The resource itself is very large at 1 billion tonnes of potassium salts and has a current JORC Compliant Measured, Indicated and Inferred Mineral Resource Estimate comprised of 261.81Mt @ 17.94% KCl of Measured Resources, 674.48Mt @ 17.98% KCl of Indicated Resources and 143.50Mt @ 18.00% KCl of Inferred Resources for a total of 1,080 Mt @ 18.0% KCl. Total contained potash of 194.09Mt KCl. ^[1]

^[1] ASX Announcement, 21st March, 2013 'Colluli Potash Project, Updated Economics'



Figure 1: The Colluli Site



Figure 2: The Colluli Exploration Camp Resource

The current Colluli resource is detailed below:

Occurrence	Tonnes (Mt)	Equivalent KCl	Contained KCl (Mt)	% of Total Resource
Sylvinite (KCl.NaCl)	110	28.4%	31	16%
Polysulphate ($K_2SO_4.NaCl.MgSO_4.H_2O$)	65	10.8%	7	4%
Carnallite (KCl.MgCl ₂ .H ₂ O)	309	12.3%	38	19%
Kainitite (KCl.MgSO ₄ .H ₂ O)	596	19.8%	118	61%
Total	1,080	18.0%	194	100%

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

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

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

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

PROJECT UPDATE

Significant progress was made on the Colluli pre-feasibility study throughout the quarter.



Metallurgical/Processing Test Program

Core samples from the Asmara core shed were labelled, double bagged and shipped to the Saskatchewan Research Council (SRC) to commence mineralisation, liberation and ore characterisation testing. In addition to the core samples, 20 litres of Red Sea water was bottled and shipped to SRC for composition testing. Liberation tests were completed on the Kainite ore. Results have been combined with previous liberation and flotation tests conducted at SRC on Sylvinite from the Colluli resource for the processing plant design.



Solar evaporation tests are underway in the SRC facility to monitor brine chemistry and precipitates in kainite and carnallite ponds. Results will validate phase diagram responses and provide input into equipment sizing calculations.

Evaporation tests were also conducted with synthetic brines to determine relative rates of evaporation with changing brine chemistry.

Kainite flotation testing has commenced.

Resource Handover to AMC Consultants

As part of the process of handing responsibility of the resource model and assigning AMC as the competent person for the Colluli resource, a full review of the drilling, geotechnical logging and interpretation, data logging and data management was completed.



Mine Planning and Geotechnical

The first series of algorithms to be used in the mine planning process have been defined and aligned to the revised process design. Mine scheduling work is expected to commence in the next quarter.

Geotechnical drilling requirements were defined and used to develop work scopes for in country drilling requirements to complete pit designs to PFS and DFS requirements. Drill results will also provide input to the trafficability requirements for the mine equipment selection process. Proposals to complete the drilling have been received and are currently being reviewed with an objective of initiating the work in August.

An initial hydrogeological report was completed from previous drilling and bore monitoring tests. Pit dewatering rates and associated infrastructure for PFS will be determined from this work with follow up drill plans currently being developed to improve accuracy to DFS level.

Infrastructure and Process Design

A first draft of process flow diagrams was completed during the quarter and is under review. Three export options have been shortlisted for further evaluation in the next quarter, following a comprehensive review of previous studies and consideration of a modular development which potentially has an increasing suite of products. A preliminary organisational structure and headcount has been completed to support camp design and costings.

Social and Environmental Impact Assessment

The first series of baseline assessments has been reviewed, with final modifications being completed prior to submission to the Eritrea Ministry of Environment. Data collection for the second set of baselines is underway and STB is in the final stages of selecting a service provider to complete oceanography work at Anfile Bay.



CORPORATE

Cash

Consolidated cash on hand as at 30 June 2014 was \$9.3M.

Equity

Share Capital

Issued capital increased during the quarter by 750,000 fully paid ordinary shares following the conversion of 750,000 unlisted options.

Total issued capital at the end of the quarter was 129,427,826 ordinary fully paid shares.

Options

During the quarter 750,000 unlisted options exercisable at \$0.149 each were exercised raising \$111,750.

250,000 options exercisable at \$0.149 expired on 30 June 2014.

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

Option Expiry Date	Number of Options	Exercise Price
17 July 2014	5,450,000	\$1.449
31 March 2015	1,250,000	\$1.949
30 June 2015	3,800,000	\$0.699
30 November 2015	500,000	\$1.449
30 November 2015	500,000	\$1.949
31 January 2016	700,000	\$0.599
31 January 2016	1,000,000	\$0.649
31 January 2016	1,300,000	\$0.949
29 November 2016	6,000,000	\$0.34

Performance Rights

The South Boulder Mines Ltd Performance Rights Plan was approved at the 2011 Annual General Meeting. 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.

200,000 Class 1 Performance Rights were cancelled during the quarter upon the resignation of Dr. Chris Gilchrist.

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

Performance Rights are granted subject to the following vesting conditions:

Class 1:

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

Class 2:

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

Finance

Discussions are continuing with potential strategic investors for the Colluli Project.

Interests in Mining Tenements

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

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

More information:

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ABN: 56 097 904 302

Paul Donaldson
MANAGING DIRECTOR

Amy Just
COMPANY SECRETARY

About South Boulder Mines Ltd

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

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

Competent Persons and Responsibility Statement

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

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

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Greg Knox using estimates supplied by South Boulder Mines Ltd under supervision by Ercosplan. Dr Henry Rauche and Dr Sebastiaan Van Der Klauw are co-authors of the JORC and NI43-101 compliant resource report. Greg Knox is a member in good standing of the Australian Institute of Mining and Metallurgy and Dr.s' Rauche and Van Der Klauw are members in good standing of the European Federation of Geologists (EurGeol) which is a "Recognised Overseas Professional Organisation" (ROPO). A ROPO is an accredited organisation to which Competent Persons must belong for the purpose of preparing reports on Exploration Results, Mineral Resources and Ore Reserves for submission to the ASX.

Mr Knox, Dr Rauche and Dr Van Der Klauw are geologists and they have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Knox, Dr Rauche and Dr Van Der Klauw consent to the inclusion in the report of the matters based on information in the form and context in which it appears.

Quality Control and Quality Assurance

South Boulder Exploration programs follow standard operating and quality assurance procedures to ensure that all sampling techniques and sample results meet international reporting standards. Drill holes are located using GPS coordinates using WGS84 Datum, all mineralisation intervals are downhole and are true width intervals. Assay values are shown above a cut-off of 6% K₂O. The samples are derived from HQ diamond drill core, which in the case of carnallite ores, are sealed in heat sealed plastic tubing immediately as it is drilled to preserve the sample. Significant sample intervals are dry quarter cut using a diamond saw and then resealed and double bagged for transport to the laboratory. Halite blanks and duplicate samples are submitted with each hole. Chemical analyses were conducted by Kali-Umwelttechnik GmbH Sondershausen, Germany utilising flame emission spectrometry, atomic absorption spectroscopy and ionchromatography. Kali- Umwelttechnik (KUTEC) Sondershausen1 have extensive experience in analysis of salt rock and brine samples and is certified according by DIN EN ISO/IEC 17025 by the Deutsche Akkreditierungssystem Prüfwesen GmbH (DAR). The laboratory follow standard procedures for the analysis of potash salt rocks chemical analysis (K⁺, Na⁺, Mg²⁺, Ca²⁺, Cl⁻, SO₄²⁻, H₂O) and X-ray diffraction (XRD) analysis of the same samples as for chemical analysis to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

South Boulder Mines Limited

ABN

57 097 904 302

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(591)	(4,534)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(391)	(1,243)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	92	480
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other - research and development grant	-	91
	- sundry income	-	11
Net Operating Cash Flows		(890)	(5,195)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	5	9
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		5	9
1.13	Total operating and investing cash flows (carried forward)	(885)	(5,186)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(885)	(5,186)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	89	201
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) – payment to Duketon Mining Ltd per in-specie distribution	-	-
	Net financing cash flows	89	201
	Net increase (decrease) in cash held	(796)	(4,985)
1.20	Cash at beginning of quarter/year to date	10,071	14,260
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	9,275	9,275

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	147
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions Item 1.2 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,000
4.2 Development	-
4.3 Production	-
4.4 Administration	350
Total	1,350

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	412	232
5.2 Deposits at call	8,863	9,839
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	9,275	10,071

Changes in interests in mining tenements

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

Appendix 5B

Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference				
*securities				
(description)				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	129,427,826	129,427,826		
7.4 Changes during quarter				
(a) Increases through issues	750,000	750,000	\$0.149	
(b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities				
(description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	5,450,000		\$1.449	17/07/2014
	1,250,000		\$1.949	31/03/2015
	3,800,000		\$0.699	30/06/2015
	500,000		\$1.449	30/11/2015
	500,000		\$1.949	30/11/2015
	700,000		\$0.599	31/01/2016
	1,000,000		\$0.649	31/01/2016
	1,300,000		\$0.949	31/01/2016
	6,000,000		\$0.34	29/11/2016
	642,000		Performance Rights – Class 1	
	150,000		Performance Rights – Class 2	
7.8 Issued during quarter				
7.9 Exercised during quarter	750,000		<i>Exercise price</i>	<i>Expiry date</i>
			\$0.149	30/06/2014
7.10 Expired during quarter	250,000		<i>Exercise price</i>	<i>Expiry date</i>
			\$0.149	30/06/2014
Cancelled during quarter	200,000		Performance Rights – Class 1	
7.11 Debentures				
(totals only)				
7.12 Unsecured notes				
(totals only)				

+ See chapter 19 for defined terms.

Mining exploration entity quarterly report

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

Chris Just

Sign here: _____ Date: 28 July 2014
(Company Secretary)

Print name: **Amy Just**

Notes

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

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