

ASX Release

30 July 2014

Company Details

ASX Code:	STB
Share Price	\$0.19
Market Cap	\$25M
Shares on issue	129M
Company options	21M
Cash at Bank	\$9M

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South Boulder agrees to strategic share placement

Highlights

- Agreement to issue 10M shares at 18.5c per share to Hong Kong based investor Kam Lung Investment Development Company to raise A\$1,850,000
- Issue at 13% premium to 30 day volume weighted average price (VWAP)
- Attaching 8M unlisted options exercisable at 35c per share upon successfully delivering a binding offtake contract for potassium sulphate on commercial terms agreeable by the Colluli Mining Share Company (CMSC) board
- Funds will be used for completion of pre-feasibility and feasibility work for the Colluli Potash Project

Terms of Placement

South Boulder Mines (ASX:STB) is pleased to announce it has agreed to issue 10M shares at 18.5c per share to Hong Kong based Kam Lung Investment Development Company (KLID) to raise A\$1,850,000. The shares are to be issued at a 13% premium to STB's 30 day VWAP.

STB has also agreed to issue 8M options to KLID exercisable at 35 cents subject to KLID successfully securing a binding offtake agreement for potassium sulphate for the Colluli Project on commercial terms acceptable to the CMSC board. The offtake agreement is to be completed within 6 months of STB's announcement of the pre-feasibility study results to the ASX.

STB anticipates the placement will be completed within 7 days. An Appendix 3B and Cleansing Notice will be lodged with the ASX upon the issue and allotment of the placement shares. Upon issue, the placement shares will rank equally alongside existing fully paid ordinary shares on issue. South Boulder Mines will have approximately 140 million shares on issue following the completion of the placement.

Use of Funds

The funds will be used:

- To support the completion of the pre-feasibility study; and
- For pilot laboratory tests on the process design for potassium sulphate production from all salts in the Colluli resource.

Strategic Investor

KLID are a Hong Kong Based Chinese Investment group specialising in construction, energy and mining investments.

South Boulder Mines Managing Director, Paul Donaldson said “we are pleased to have Kam Lung Investment Development Company as part of our register as a significant shareholder. They have expressed a strong desire to support the success of the project and as part of that commitment are now helping the Colluli Mining Share Company (CMSC) secure offtake arrangements for potassium sulphate produced from the resource.

Our joint venture partner, the Eritrean National Mining Company (ENAMCO) has been supportive of this arrangement and we continue to work together to ensure the success of the project.

The pre-feasibility study work has been progressing well since the variations made to the development strategy to consider the process of all potassium bearing salts in the resource. STB considers that the unique composition of the resource, its close proximity to the coast, and shallow mineralisation (which commences at only 16m) are key strategic advantages for the economics of the project.”

More information:

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Paul Donaldson
MANAGING DIRECTOR

Amy Just
COMPANY SECRETARY

About South Boulder Mines Ltd

South Boulder is an ASX-listed (ASX: STB) resources company currently developing the emerging, world-class Colluli Potash Project located in Eritrea, Africa. The Colluli Potash Project is located in the Danakil Depression region of Eritrea ~65km from the coast comprising approximately 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.