

ASX Release

27 April 2015

Company Details

ASX Code:	STB
Share Price	\$0.315
Market Cap	\$47.2M
Shares on issue	150M
Company options	27M
Cash at Bank	\$5.1M

Contact Details

Managing Director

Paul Donaldson

Address

Ground Floor, 31 Ventnor Avenue
West Perth WA 6000

PO Box 970
West Perth WA 6872

Telephone

+61 8 6315 1444

Facsimile

+61 8 9486 7093

Email & Web Page

info@southbouldermines.com.au

www.southbouldermines.com.au

Quarterly Report

for the period ending 31 March 2015

HIGHLIGHTS

COLLULI POTASH PROJECT

- Pre-feasibility study completed demonstrating highly favourable economic outcomes for the Colluli Potash Project
- Delivery of Mineral Resource Estimate of 1.289Bt
- Appointment of Highly Experienced Colluli Technical Review Committee
- Completion of technical review of the pre-feasibility study ("PFS") process design, process design criteria, metallurgical testwork, plant configuration, and process equipment list
- DFS is now fully underway and on target for completion in Q3 2015
- Second Tranche of Baseline Assessments submitted
- Completion of hydrogeology drilling campaign to provide ground water model data and provide bores for dewatering ahead of pre-stripping

CORPORATE

- Cash position of \$6.1M at quarter-end
- \$2.05m raised early in January 2015 with the placement of 10 million shares at a 6% premium to market
- Appointment of John Fitzgerald as Non-Executive Director

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 350km 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 STB 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 Danakil region is an emerging potash province. To date over 4 billion tonnes of potassium bearing salts have been identified in region. The Danakil is one of the largest unexploited potash basins in the world and has attracted a number of major international potash producers including both Yara International and ICL, who are advancing projects in close proximity to Colluli.

The Colluli resource is located approximately 75km 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. Mineralisation starts at just 16m, making the resource amenable to open cut mining methods.

The resource comprises three potassium bearing salts; sylvinite, carnallite and kainitite. These salts are suitable for high yield, low energy input, production of potassium sulphate (SOP) which is a high quality potash fertiliser carrying a price premium over the more common potassium chloride (MOP).

A previous resource estimate was completed by Ercosplan Ingenieurgesellschaft Geotechnik und Bergbau mbH (Ercosplan) in April 2012, and was reported by STB as compliant with Canadian National Instrument 43-101 (NI 43-101) and the JORC Code 2004. AMC consultants have updated the model in accordance with the 2012 JORC Code. Table 1 provides a summary of the resource.

Table 1: JORC 2012 Colluli Resource Estimate and Interpretation

Occurrence	Tonnes (Mt)	K ₂ O Equiv	Contained K ₂ O (Mt)	Proportion Measured and Indicated
Sylvinite (KCl.NaCl)	265	12%	31.8	94%
Carnallite (KCl.MgCl ₂ .H ₂ O)	398	8%	31.8	96%
Kainitite (KCl.MgSO ₄ .H ₂ O)	626	12%	75.1	99%
Total	1289	10.76% average	152.7	97%

Contained K₂SO₄ (Potassium Sulphate) equivalent of **260Mt** (100% recovery basis of potassium contained in total resource)

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

PROJECT UPDATE

The pre-feasibility study (PFS) was completed at the end of February 2015 and announced to the market in early March. The results of the PFS demonstrated highly favourable economic outcomes for Phase I as a standalone development (425ktpa of SOP) with improved outcomes through the development of Phase II 5 years after Phase I (a further 425ktpa). A two phase approach became the case taken forward to the definitive feasibility study (DFS)¹.

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

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

¹ Based on an additional 425ktpa Phase II commencing production in year 5

² Additional capital required for second production module

³ Includes mine gate costs, logistics and royalties

⁴ In accordance with the CMSC Shareholders' Agreement

The DFS is now fully underway. Select sections of the DFS began in late 2015 and have progressed in the quarter ended March 2015 including:

- Infrastructure geotechnical assessments for the port, plant, ponds and road
- Metallurgical optimisation and piloting

Specialist consultants Ausenco have been allocated the offsite infrastructure including the pipeline, road and port with Lycopodium concentrating on the plant and site infrastructure with expert assistance on specific areas by Knight Piesold.

AMC consultants will continue with the mining study and MBS Environmental with the social and environmental impact assessment.

¹ DFS accuracy: +/- 15%

Metallurgical Testwork



In February 2015, a technical review committee (TRC) was established to provide expert technical feedback on the process design. With over 100 years of relevant collective experience, the team validated and confirmed the commercially proven process design for the production of potassium sulphate, and assisted in directing the optimisation testwork.

Process plant optimisation work is now complete and included tests to verify stability of process at and above Colluli temperatures and variability tests to confirm the robustness of the process to changes in feed characteristics.

Over 3 tonnes of Colluli material has been used in piloting to date demonstrating a repeatable, high yield process consistently delivering ultra-high purity potassium sulphate (SOP).

A further 2.5 tonnes of Colluli material is now being collected for two final pilots to further confirm the repeatable, stable process and the underpinning mass balance modelling.

Resource and Reserve



In January 2015, AMC Consultants completed the resource model delivering a Mineral Resource Estimate of nearly 1.3 billion tonnes and 10.76% K_2O equivalent (260Mt K_2SO_4). 97% of the resource is classified as Measured and Indicated.

With the completion of the PFS report AMC Consultants are now focussing on the Maiden Ore Reserve, due for release in Q2 2015.

Mine Planning and Geotechnical Engineering



AMC Consultants have been re-engaged for DFS mine planning and geotechnical assessments focussing on the 2 phase approach with Phase I at 425 ktpa followed by Phase II in year 5 adding an additional 425 ktpa of product.

DFS is progressing with the surface mining approach in the potash salts and free digging shovels in the overburden as recommended in the PFS. Optimisation of the mine plan is underway and exploring mining cost reduction strategies including progressive backfilling of pits to reduce haulage lengths.

Some additional geotechnical test work is underway to increase confidence in pit designs using samples already drilled as part of the PFS drilling campaign.

No further geotechnical drilling is required on site.

On Site Infrastructure

A hydrogeology drilling campaign has been completed installing 12 dewatering bores in the area of the 30 year pit shells. Pumping tests have been completed with water samples analysed by Intertek laboratories in Australia. The results are being used to develop the detailed ground water model as well as provide data for construction water and supplementary plant water requirements. These bores will be used to dewater the mining area prior to pre-stripping.

Analysis of samples for the infrastructure drilling campaign and test pit programme are underway to firm up foundation designs.

Off Site Infrastructure



In February 2015, Ausenco consultants were awarded the contract for the DFS for all post mine gate activities including the seawater pipeline, road and port.

Ausenco's speciality in logistics modelling and full in-house capability makes them a natural fit to this section of the Project.

All geotechnical site investigations for port and road have been completed which included multiple test pits along the road and pipeline corridor from the coast to the mine site and a campaign of on shore drilling at the port.

Ausenco have ratified the PFS port and road design and are progressing with firming up the design detail focussing on cost and constructability. Quarrying locations have been identified and tests are underway for material for use in the port causeway structure as well as concrete aggregate and contractor engagement discussions are underway.

Social and Environmental Impact Assessment



MBS Environmental have been continuing to support STB with the social and environmental impact assessment (SEIA) and have overseen a flurry of data collection campaign as well as the first and second tranches of baseline submissions. The third and final submission of baselines is due shortly.

BMTWBM have assisted with a 4 week physical and chemical oceanography field data collection campaign including water, currents and ocean bed field tests and sample collection at the location of the proposed port facility.

Oceanography, coupled with Hydrogeology, Hydrology and Climate, Marine Wildlife form the final tranche of baselines.

CORPORATE

Cash

Consolidated cash on hand as at 31 March 2015 was \$6.1M.

Board Appointment

On 17 February 2015, the Company announced the appointment of Mr John Fitzgerald as a Non-Executive Director.

Mr Fitzgerald has previously held positions at NM Rothschild and Sons, Investec Bank Australia, Commonwealth Bank and HSBC Precious Metals. He is the Managing Director of Optimum Capital Pty Ltd, a debt and corporate advisory business focused on the mining sector.

Mr. Fitzgerald is also a Non-Executive Director of Northern Star Resources Limited and Chairman of Mungana Goldmines Limited. Mr Fitzgerald is a Chartered Accountant, a Fellow of FINSIA and a member of the Australian Institute of Company Directors.

Equity

Share Capital

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

Total issued capital at the end of the quarter was 149,827,826 ordinary fully paid shares.

Options

No options were issued during the quarter to 31 March 2015.

The balance of unlisted options as at 31 March 2015 is as follows:

Option Expiry Date	Number of Options	Exercise Price
31 March 2015	1,250,000	\$1.949
30 June 2015	3,800,000	\$0.699
4 September 2015	8,000,000	\$0.350
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	\$0.340
17 November 2017	5,000,000	\$0.278

Performance Rights

No issues of performance rights occurred during the quarter to 31 March 2015.

On 18 March 2015, the Company announced the vesting of 300,000 Class 4 performance rights and the issue of 300,000 Ordinary Shares to Mr Paul Donaldson upon delivery of an economically favourable prefeasibility study for the Colluli Potash Project by the end of February 2015, in line with the shareholder approved Performance Rights Plan.

A further 100,000 Ordinary Shares were awarded on the vesting of Class 3 performance rights during the quarter to 31 March 2015.

The balance of Performance Rights as at 31 March 2015 is as follows:

Class	Number of Performance Rights
1	377,000
2	150,000
3	450,000
4	2,150,000

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

Class 3:

- 18% upon completion of the pre-feasibility study for the Colluli Potash Project; and
- 27% upon completion of a DFS pilot study for the Colluli Potash Project processing plant; and
- 55% upon completion of a DFS for the Colluli Potash Project.

Class 4:

- 12% upon completion of a Prefeasibility Study and the release of the study results to market;
- 27% upon completion of a Definitive Feasibility Study and release of study results to market;
- 28% upon awarding of the Colluli mining licence; and
- 33% upon commencement of construction of the production facility for the Colluli Potash Project.

Finance

Discussions continue with potential strategic investors for the Colluli Potash Project and the appointment of a financial advisor is in progress.

Interests in Mining Tenements

The exploration license covering the Colluli Potash Project covers over 200km² 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:

Email: info@southbouldermines.com.au

Website: www.southbouldermines.com.au

South Boulder Mines Limited: Telephone +61 8 6315 1444

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 which is currently developing the Colluli Project in partnership with the Eritrean National Mining Company (ENAMCO). The project is located in the Danakil Depression region of Eritrea, East Africa, and is ~75km from the Red Sea coast, making it one of the most accessible potash deposits globally.

Since exploration commenced in 2009 over 1 billion tonnes of potassium bearing salts have been identified. The combination of salts within the resource makes it suitable for high yield, low energy input production of potassium sulphate, which is also known as sulphate of potash or SOP. SOP is a specialty fertiliser that carries a substantial price premium relative to the more common potassium chloride, which is the most common potassium salt known as potash.

Mineralisation within the Colluli resource commences at just 16m, making it the world's shallowest potash deposit. The resource is amenable to open pit mining, which allows higher overall resource recovery to be achieved, is generally safer than underground mining and is highly advantageous for modular growth.

The resource is favourably positioned to supply the world's fastest growing markets.

The JORC 2012 Compliant Mineral Resource Estimate for the Colluli Potash Project now stands at 1.289 billion tonnes @ 10.76% K₂O for 260Mt of contained SOP. Substantial project upside exists in higher production capacity and market development for other contained products such as potassium magnesium sulphate, potassium chloride, rocksalt and magnesium chloride.

Our vision is to bring the Colluli project into production using the principles of risk management, resource utilisation and modularity, using the starting module as a growth platform to develop the resource to its full potential.

Competent Persons and Responsibility Statement

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

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

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

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

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

Quality Control and Quality Assurance

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

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

Halite blanks and duplicate samples are submitted with each hole. Chemical analyses were conducted by Kali-UmwelttechnikGmbH Sondershausen, Germany utilising flame emission spectrometry, atomic absorption spectroscopy and ionchromatography. Kali-Umwelttechnik (KUTEC) Sondershausen1 have extensive experience in analysis of salt rock and brine samples and is certified according by DIN EN ISO/IEC 17025 by the Deutsche AkkreditierungssystemPrüfwesen GmbH (DAR). The laboratory follow standard procedures for the analysis of potash salt rocks chemical analysis (K⁺, Na⁺, Mg²⁺, Ca²⁺, Cl⁻, SO₄²⁻, H₂O) and X-ray diffraction (XRD) analysis of the same samples as for chemical analysis to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.

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")

31 March 2015

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 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	(2,839)	(2,839)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(622)	(622)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	56	56
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other - research and development grant	-	-
	- sundry income	-	-
Net Operating Cash Flows		(3,405)	(3,405)
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	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	-
1.13	Total operating and investing cash flows (carried forward)	(3,405)	(3,405)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,405)	(3,405)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	2,050	2,050
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 – Equity raising costs paid	-	-
Net financing cash flows		2,050	2,050
Net increase (decrease) in cash held		(1,355)	(1,355)
1.20	Cash at beginning of quarter/year to date	7,525	7,525
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	6,170	6,170

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	117
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, 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	4,076
4.2 Development	-
4.3 Production	-
4.4 Administration	630
Total	4,706

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	3,270	3,275
5.2 Deposits at call	2,900	4,250
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	6,170	7,525

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	149,827,826	149,827,826		
7.4 Changes during quarter				
(a) Increases through issues				
(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>
	1,250,000		\$1.949	31/03/2015
	3,800,000		\$0.699	30/06/2015
	8,000,000		\$0.35	04/09/2015
	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
	5,000,000		\$0.278	17/11/2017
	377,000		Performance Rights – Class 1	
	150,000		Performance Rights – Class 2	
	450,000		Performance Rights – Class 3	
	2,150,000		Performance Rights – Class 4	
7.8 Issued during quarter				
7.9 Exercised/vested during quarter	100,000		Performance Rights – Class 3	
	300,000		Performance Rights – Class 4	
7.10 Expired/ Cancelled during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

- 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 ~~/does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(Company Secretary)

Date: 27 April 2015

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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