

# DECEMBER 2012 QUARTER ACTIVITIES REPORT

## South Boulder Progresses Colluli Definitive Feasibility Study

*Definitive Feasibility Study on 1Mtpa from Sylvinite mineralisation set for completion in 2013; first production planned for 2016*

### HIGHLIGHTS

#### COLLULI POTASH PROJECT (Eritrea)

- Definitive Feasibility Study based on a 1Mtpa operation continued during the Quarter.
- An updated Engineering Scoping Study (ESS-2) on the viability of mining and processing Carnallite and Kainite mineralisation was completed in November 2012. This study highlighted the potential to expand the initial 1 Mtpa operation in 2021 to 2 Mtpa by augmenting the Sylvinite processing operation with Carnallitic ore.
- Large-diameter, close spaced resource definition and extension diamond drilling programs completed in the September Quarter were logged and sampled. These samples were subsequently dispatched to laboratories with assay results expected in the first Quarter of 2013. Initial results have highlighted the potential to grow the resource further and improve project economics. Assay results from 35 holes containing shallow Sylvinite mineralisation are due to be returned.
- Negotiations with the Eritrean National Mining Company (“ENAMCO”) are continuing regarding the Company’s participation interest in the Colluli Potash Project. South Boulder has submitted a proposal for ENAMCO to participate in the Colluli Potash Project by way of a 50/50 profit share, where South Boulder would pay 100% of the development costs.

#### DUKETON GREENSTONE BELT PROJECTS (Western Australia)

- November 2012 updated Mineral Resource Estimate totals 1.94Mt @ 1.7% Ni (32,700t contained nickel), 0.4% Cu and 1.9g/t Pt + Pd.
- High-conductance plate identified down-dip from the intersection in TBDD140 by down-hole electromagnetic (DHEM) surveys remains to be drill-tested.

### CORPORATE

- Experienced mining and corporate executive Paul Donaldson appointed as Chief Operating Officer.
- Cash on hand of \$18.5M plus listed investments of \$2.4M at Quarter-end.
- Shareholder approval granted at AGM for a demerger of the Company’s non-potash assets. The demerger will be via an in-specie distribution of 100% of the shares in Duketon Mining Limited to shareholders of South Boulder on a one-for-four basis.
- South Boulder received a draft Class Ruling from the Australian Tax Office indicating demerger relief will likely be available to South Boulder shareholders for the proposed distribution.

## THE COLLULI POTASH PROJECT (ERITREA)

During the Quarter, South Boulder Mines Ltd (“South Boulder” or “The Company” ASX: STB) continued to progress key technical studies required to complete a Definitive Feasibility Study (DFS) on the Colluli Potash Project in Eritrea. In addition, ESS-2 was completed in November which examined the potential to incorporate potash minerals other than Sylvinite into the mining and processing plan at any early stage.

The results of the study (*see ASX announcement dated 27 November 2012*) have provided the Company with significant encouragement to further assess the economic viability of open pit mining and processing of the Carnallite mineralisation (which is located below the Sylvinite mineralisation) to produce muriate of potash (“MOP”).

While the study results are encouraging and highlight potential future expansion options for the Project, the scope of the current DFS will remain focused on mining and processing Sylvinite at a production rate of 1Mtpa of MOP. This option involves lower capital intensity and therefore has a greater prospect of attracting finance.

### DEFINITIVE FEASIBILITY STUDY UPDATE

South Boulder commenced a DFS for the open pit mining of potash at the Colluli Project in early 2012. This study is scheduled for completion in 2013.

The DFS team is led by South Boulder Non-Executive Director Dr Chris Gilchrist who has extensive experience in potash operations and has already brought mines into operation in remote locations. South Boulder has recently strengthened its management team with the appointment of experienced mining executive Paul Donaldson as Chief Operating Officer (*see ASX announcement dated 29 November 2012*).

Other key team members include Lead Consultant ERCOSPLAN (responsible for overall coordination, geology, resource, mineral processing and tailings), AMC and Dayle Kenny (mining), Knight Piesold (environmental, social and hydrogeology), CRU Strategies (marketing), SENET (Pty) Ltd (infrastructure) and Ashmead Maritime (port logistics and shipping).

The team has extensive experience in all aspects of potash production as well as specific in-country experience. For example, SENET (Pty) Ltd was responsible for the design and construction of the world-class Bisha Mine in Eritrea.

The scope of the DFS is solely for Phase 1 of the Colluli Project, which is the construction and commissioning of a 1Mtpa operation by 2016. The second phase, which has been determined in ESS-2, will require further definition once Phase 1 is in operation.

#### JORC-Compliant Mineral Resource Estimate

Improvements in evaluation of the Resource are continuing in preparation for completion of the DFS. A series of resource infill and metallurgical holes (*Col-063B – Col-076, see ASX Announcement dated 18 July 2012*) and a series of close spaced holes (*Col-077 – Col-092*) were recently completed as part of a variability assessment for mining (*Figure 1 & Table 4*).

In addition, another 5 resource extension holes (*Col-093 – Col-097*) were completed in the high priority area between the Area A and B Resources. All holes have been geologically logged and samples have been dispatched to laboratories in Europe. Assays from 35 holes containing shallow Sylvinite mineralisation between ~26 – 62m depth are due to be returned.

The current JORC-Compliant Mineral Resource is tabled below:

	<b>Tonnes (Mt)</b>	<b>Grade (% KCl)</b>	<b>Total KCl (Mt)</b>	<b>Grade (% K<sub>2</sub>O)</b>	<b>Total K<sub>2</sub>O (Mt)</b>
Measured	261.91	17.94	46.98	11.33	29.68
Indicated	675.00	17.98	121.36	11.36	76.67
Inferred	143.50	18.00	25.78	11.37	16.29
<b>Total Resource</b>	<b>1,080.41</b>	<b>17.98</b>	<b>194.12</b>	<b>11.35</b>	<b>122.64</b>

**Table 1: Colluli JORC/NI43-101 Compliant Mineral Resource Estimate by Resource Category**  
*(KCl is often expressed as K<sub>2</sub>O according to the formula  $(KCl * 0.6317 = K_2O)$ . The recent contract price for Muriate of Potash (60% K<sub>2</sub>O) is estimated at around US\$ 400/t.)*

Further resource extension and definition drilling is ongoing with emphasis placed on areas continuous with and adjacent to the Area A deposit as well as better definition of High Grade Sylvinite zones.

### Mining Studies

Detailed geotechnical data collection is in progress under the direction of AMC Consultants. This will form the basis of geotechnical inputs into mine design, equipment selection and blast design. Knight Piesold is directing further ground water studies in the proposed mining area, focussing on the clastic overburden that is water-bearing, to develop a mine water management plan for the DFS.

### Processing

Potash from Colluli can be produced from Sylvinite ore during Stage 1 using conventional froth flotation. Recent laboratory tests conducted in Canada under ERCOSPLAN's supervision have confirmed that the Sylvinite floats readily at a coarse particle size. Comminution of the feed will be to approximately 1mm. Metallurgical recovery values of up to 90% have also been achieved in laboratory simulations. Gangue particles, comprising mostly Halite (NaCl), will sink and report to the tailings stream. Evaporative test trials under ambient conditions are currently being scoped in conjunction with impact of ambient temperature on collector performance.

### Infrastructure

The principal infrastructural elements of the project are a 75km dedicated haul road, a power station, desalination plant, seawater intake and pipeline, 100,000 tonne product storage warehouse, product export jetty, trans-shipment vessel, accommodation village and administration and operation offices, stores and workshops.

The design and costing of the infrastructural elements are all at an advanced stage and preliminary layouts of the proposed facilities at the product export terminal (PET) to be based at Ras Anfile have been completed. Trade-off studies are underway to determine the best layout and configuration of the power station. Discussions have been held with desalination specialists and plans are at an advanced stage to drill test-wells close to the sea shore as an efficient means of extracting pre-filtered seawater for process use. The proposed desalination plant will be small because the metallurgical process can use seawater.

A specialist jetty-design, sub-contractor has been appointed and a sophisticated wave buoy has been installed offshore at the proposed jetty site in order to capture detailed design data.

### Sustainability

The Environmental & Social Impact Assessment (ESIA) team (South Boulder, Knight Piesold, Sustainability and their Eritrean field agents), have been completing field programs as part of the DFS. Work has included assessment of the local and regional study areas and collecting socio-economic,

livelihood & land use, landforms & aesthetics, livestock, vegetation, wildlife, marine wildlife & habitat and cultural heritage data required for biophysical baseline and impact assessments.

Final confirmation and Eritrean Government approval of a preferred product export terminal and worker village sites, and completion of an engineering ground survey of a proposed service road will complete the data set required for the first review of all social, environmental and socio-economic documentation required for the DFS program.

### Mining Approvals

Negotiations with the Eritrean Government (ENAMCO) for its purchase of its interest in the Colluli Project under its Mining Proclamation are progressing. These commenced in March 2012 (see ASX *announcements dated 26 March 2012 & 5 November 2012*). The finalisation of ENAMCO's interest will lead to the formation of a jointly owned Eritrean Share Company (Joint Venture Company) This Joint Venture Company will complete a mining agreement with the Government and apply for a mining licence.

During the course of the negotiations and the ongoing development of the Colluli Potash Project, it became apparent to both the Eritrean Ministry of Energy and Mines ("MOEM") and South Boulder that Colluli is a strategic and significant asset.

In November 2012 South Boulder submitted an alternative proposal for ENAMCO to participate in the Colluli Potash Project by way of a 50/50 profit share, under which South Boulder would pay 100% of the development costs. Negotiations are progressing on this basis. In the discussions, ENAMCO has made it clear that it fully supports the development of the Colluli Potash Project by South Boulder and is keen to conclude negotiations to enable licensing and development to proceed in a timely and expeditious manner. South Boulder is looking forward to negotiating a commercial structure for the mutual benefit of South Boulder shareholders and the Eritrean people.

### Engineering Scoping Study

The November 2012 ESS-2 has identified a number of positive technical aspects that could allow economic mining and processing of Carnallite to produce MOP as part of a potential future expansion of the Colluli Project. These include:

- Carnallite can be processed utilising solar decomposition and froth flotation to produce standard MOP;
- KCl recovery rates of up to 90 percent can be achieved;
- If both Carnallite and Sylvinite are mined and processed together, the overall waste-to-ore strip ratio can be significantly reduced;
- Access to Carnallite could allow a significant increase in MOP production above the planned 1Mtpa; and
- Port and transport infrastructure can be expanded to allow increased capacity.

ESS-2 has been completed to a scoping level of detail in order to assess future development and potential expansion scenarios above the initial targeted production capacity of 1Mtpa of MOP from the overlying Sylvinite mineralisation. Further work on these options is planned after completion of the DFS.

In addition to the Sylvinite and Carnallite mineralisation, Kainitite mineralisation of 597Mt at 19.8% KCl (*Table 2*) also occurs in Areas A and B.

The Kainitite resource is subject to ongoing study to determine the most effective method of processing and marketing to produce either a K-Mg-SO<sub>4</sub> fertilizer or potassium sulphate ("SOP"). Production of SOP from Kainitite remains a longer term prospect, requiring a technical solution to enable processing of the ore into a saleable product.

Occurrence	Tonnes (Mt)	Equivalent KCl	Contained KCl (Mt)
Sylvinite KCl.NaCl	110	28.4%	31
Polysulphate K <sub>2</sub> SO <sub>4</sub> .NaCl.MgSO <sub>4</sub> .H <sub>2</sub> O	65	10.8%	7
Carnallite KCl.MgCl <sub>2</sub> .H <sub>2</sub> O	309	12.3%	38
Kainitite KCl.MgSO <sub>4</sub> .H <sub>2</sub> O	597	19.8%	118
<b>Total</b>	<b>1,080</b>	<b>18.0%</b>	<b>194</b>

**Table 2: Colluli JORC-Compliant Mineral Resource Estimate by potash mineral**

(KCl is often expressed as K<sub>2</sub>O according to the formula  $(KCl * 0.6317 = K_2O)$ . The recent contract price for Muriate of Potash (60% K<sub>2</sub>O) is estimated at around US\$ 400/t.)

Note: Please see Competent Persons and Responsibility Statement at the end of the report.

Independent potash consultants ERCOSPLAN assisted in completing ESS-2 and are lead consultants for the current DFS. ESS-2 has been completed to a +/- 40% level of accuracy. A summary of the results of ESS-2 are detailed below. The November 2011 ESS-1 results have been provided as a comparison to ESS-2 and it should be noted that ongoing DFS activities continue to refine and update all ESS-1 estimates. Opportunities have been identified to significantly improve operating cost estimates in relation to mining selectivity, processing recoveries and estimated mine life.

Item	ESS-1 November 2011 Sylvinite Only	ESS-2 November 2012 Sylvinite & Carnallite
Annual Steady State MOP production (Mt)	1.00	2.00
Mining Method	Open Pit	Open Pit
Processing Method	Flotation	Solar decomposition & flotation
Mine Life	17 Years	26 Years
Recovery (%)	80	90
Pre-production Capital USD (includes 15% Contingency)	0.74 Bn	1.52 Bn
Average LOM Strip Ratio (Waste : Ore)	13.7 : 1.0	6.4 : 1.0
Average LOM C1 Operating Cost USD/t	263 <sup>1</sup>	187 <sup>1</sup>

**Table 3: Colluli ESS-2 and ESS-1 comparison results.**

Note: (KCl is often expressed as K<sub>2</sub>O according to the formula  $(KCl * 0.6317 = K_2O)$ . The recent contract price for Muriate of Potash (60% K<sub>2</sub>O) is estimated at around US\$ 400/t.)

1. Operating costs exclude contingency. Note operational costs in ESS-1 in early years are significantly lower than average LOM costs largely due to lower initial strip ratios

### Strategic Investors

Engagement with potential strategic investors for the Colluli Project is ongoing and has been conducted in various forms since project inception in 2009. Comprehensive site visits to Colluli from participants in the potash and natural resources industry have been undertaken under confidentiality agreements and they are expected to continue up to and including the construction and pre-production phases. There has been a high level of interest from potential strategic investors – both in South Boulder and the Project – particularly from global private equity groups, and from across Asia and the Middle East. South Boulder management is focussed on partnering with complementary investors that have a strong understanding both of the potash industry and the Eritrean geopolitical region. Perth based corporate advisory firm Azure Capital are advising South Boulder in this regard.



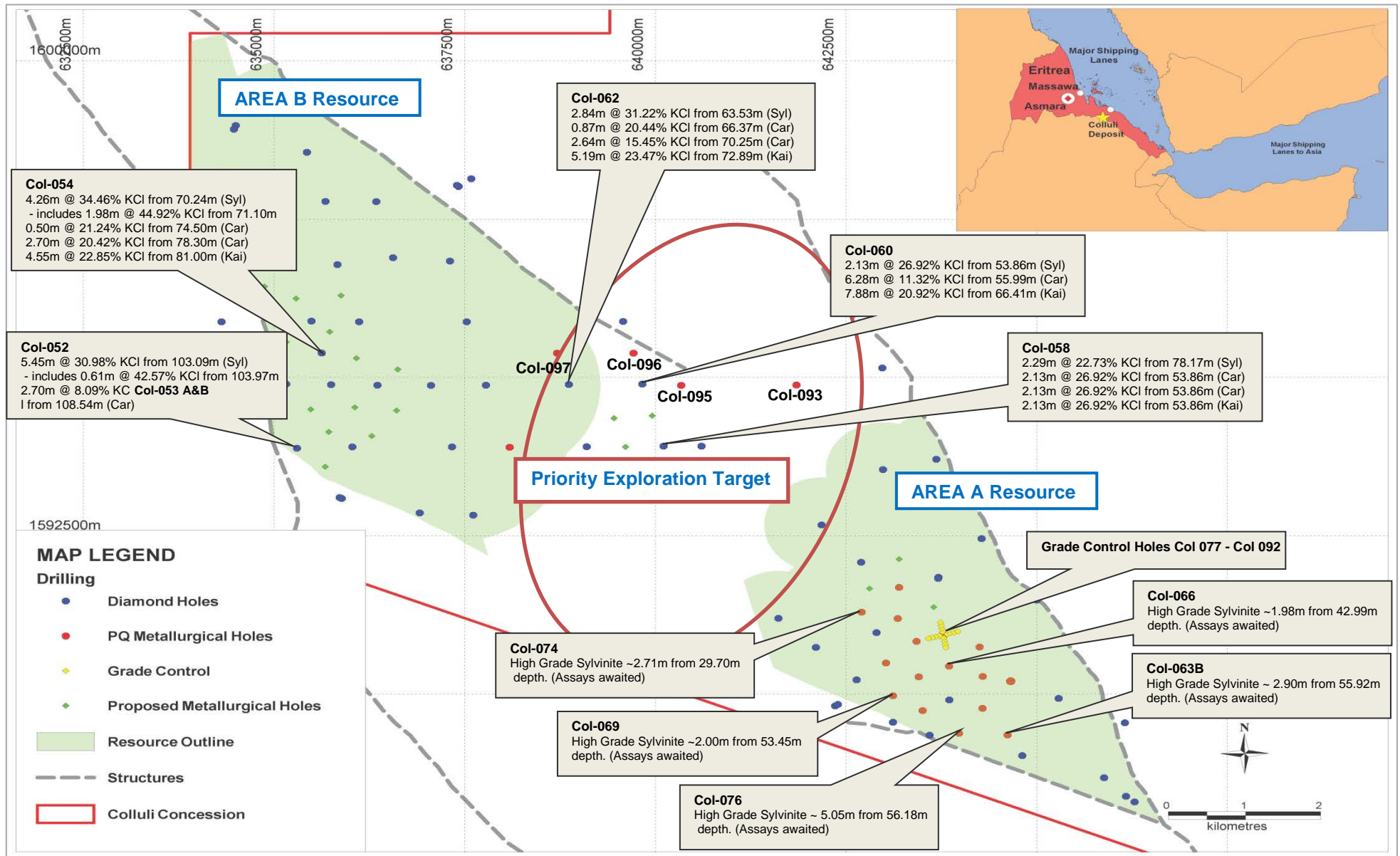


Figure 1: Colluli Project JORC/NI43-101 Compliant Mineral Resource Estimate and Resource Drilling Plan with recent highlights.

Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.	From	To	Interval (m)	KCl (%)	Comment
Col-063B	644625	1589363	-121.3	000	-90	42	Sylvinite from 51.84 – 58.82m				Area A – Sylvinite, Carnallite (Resource hole)
Col-064	644288	1589782	-121.9	000	-90	42	Sylvinite from 45.23 – 53.02m				Area A – Sylvinite, Carnallite (Resource hole)
Col-065	644292	1590288	-121.5	000	-90	42	Sylvinite from 32.23 – 40.45m				Area A – Sylvinite, Carnallite (Resource hole)
Col-066	643849	1590448	-121.5	000	-90	42	Sylvinite from 37.28 – 44.97m				Area A – Sylvinite, Carnallite (Resource hole)
Col-067	643457	1590279	-122.8	000	-90	42	Sylvinite from 41.07 – 47.63m				Area A – Sylvinite, Carnallite (Resource hole)
Col-068B	643023	1590494	-120.5	000	-90	42	Sylvinite from 39.11 – 45.00m				Area A – Sylvinite, Carnallite (Resource hole)
Col-069	643505	1589752	-122.3	000	-90	42	Sylvinite from 50.37 – 55.45m				Area A – Sylvinite, Carnallite (Resource hole)
Col-070	643119	1589987	-123.0	000	-90	42	Sylvinite from 46.42 – 51.41m				Area A – Sylvinite, Carnallite (Resource hole)
Col-071	643422	1590843	-121.4	000	-90	42	Sylvinite from 31.28 – 39.19m				Area A – Sylvinite, Carnallite (Resource hole)
Col-072	643172	1591200	-119.6	000	-90	42	Sylvinite from 26.46 – 35.10m				Area A – Sylvinite, Carnallite (Resource hole)
Col-073	643194	1591693	-121.1	000	-90	42	Sylvinite from 25.90 – 27.15m				Area A – Sylvinite, Carnallite (Resource hole)
Col-074	642698	1591301	-121.9	000	-90	42	Sylvinite from 29.70 – 32.41m				Area A – Sylvinite, Carnallite (Resource hole)
Col-075	644250	1590750	-121.2	000	-90	42	Sylvinite from 29.63 – 37.55m				Area A – Sylvinite, Carnallite (Resource hole)
Col-076	643986	1589385	-122.0	000	-90	42	Sylvinite from 56.18 – 62.39m				Area A – Sylvinite, Carnallite (Resource hole)
Col-077	643821	1590929	-120.1	000	-90	42	Sylvinite from 30.00 – 38.32m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-078	643764	1590992	-120.1	000	-90	39	Sylvinite from 29.62 – 37.56m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-079	643818	1590957	-119.8	000	-90	39	Sylvinite from 30.03 – 37.68m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-080	643780	1590895	-119.6	000	-90	42	Sylvinite from 32.55 – 39.10m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-081	643787	1590844	-119.2	000	-90	42	Sylvinite from 32.28 – 40.65m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-082	643798	1590796	-119.4	000	-90	42	Sylvinite from 32.33 – 41.73m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-083	643808	1590744	-119.7	000	-90	45	Sylvinite from 35.43 – 42.44m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-084	643676	1590913	-120.3	000	-90	42	Sylvinite from 31.97 – 39.19m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-085	643625	1590900	-120.4	000	-90	42	Sylvinite from 36.85 – 39.35m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-086	643577	1590884	-120.8	000	-90	42	Sylvinite from 35.42 – 39.43m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-087	643751	1591042	-120.1	000	-90	39	Sylvinite from 33.73 – 36.94m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-088	643745	1591086	-119.6	000	-90	39	Sylvinite from 28.66 – 36.65m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-089	643736	1591141	-120.6	000	-90	39	Sylvinite from 25.78 – 34.95m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-090	643866	1590971	-119.8	000	-90	39	Sylvinite from 28.92 – 37.61m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-091	643916	1590986	-119.8	000	-90	39	Sylvinite from 28.93 – 37.44m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-092	643965	1590996	-119.9	000	-90	39	Sylvinite from 28.63 – 37.61m				Area A – Sylvinite, Carnallite (Grade control hole)
Col-093	641751	1594879	-117.6	000	-90	72	Sylvinite from 17.36 – 17.40m				Area A – Sylvinite (Metallurgical hole)
Col-094	638091	1593898	-121.7	000	-90	119	Assays awaited				Area A – Carnallite, Kainite (Metallurgical hole)
Col-095	640338	1594873	-118.0	000	-90	66	Sylvinite from 41.88 – 49.41m				Area A – Sylvinite, Carnallite (Metallurgical hole)
Col-096	639713	1595382	-117.2	000	-90	45	Sylvinite from 37.24 – 37.47m				Area A – Sylvinite, Kainite (Metallurgical hole)
Col-097	638713	1595382	-118.4	000	-90	63	Sylvinite from 48.25 – 50.84m				Area A – Sylvinite, Carnallite (Metallurgical hole)

Table 4: Table of recent potash assay results (All intervals are true-width intervals and assays are to be returned).

## DUKETON PROJECT (WA)

The Duketon Project covers a total area of ~1,500km<sup>2</sup> of the Achaean Duketon Greenstone Belt and is located ~40-120km north of Laverton in Western Australia. The projects are considered highly under-explored for gold and base metals. The Company owns 100% of all gold rights as well as 100% of all nickel rights with the exception of the Rosie and C2 Projects, where by Independence Group NL (ASX: IGO) can earn 70% on the completion of a Bankable Feasibility Study (see Figure 2).

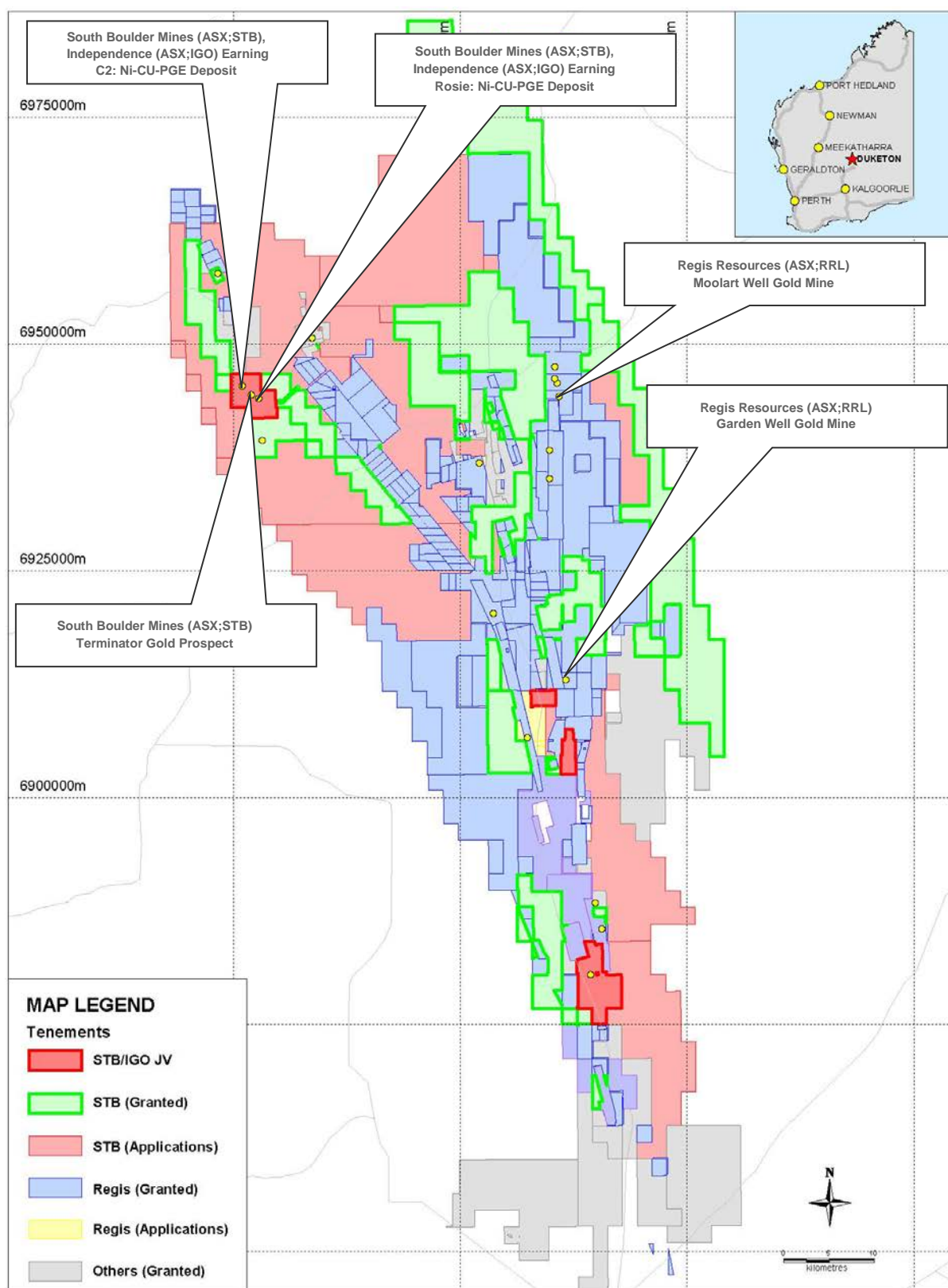


Figure 2: Duketon Gold and Duketon Nickel JV tenements and applications



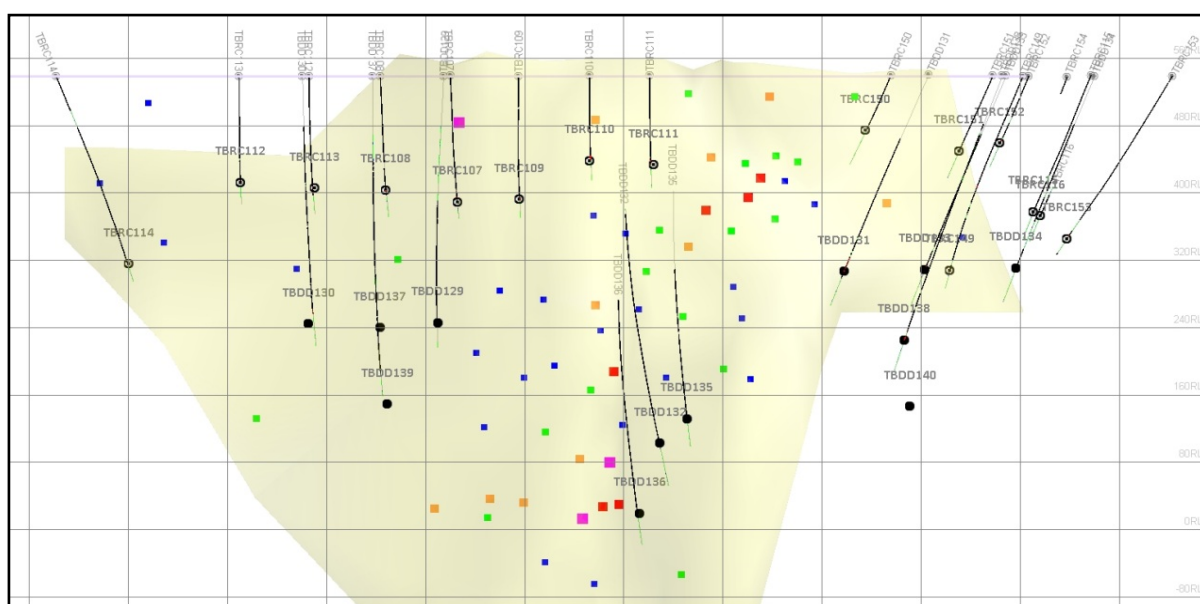
## THE DUKETON NICKEL JOINT VENTURE

Under the terms of the Duketon Nickel Joint Venture agreement (DNJV), Independence Group NL will farm-in to earn 70% of the nickel metal rights on tenements held by South Boulder within the Duketon Project by delivery of a Bankable Feasibility Study within 5 years from the grant of the relevant tenement. Tenements currently within the DNJV are E38/1522, E38/1535, M38/1252 and L38/174.

The DNJV covers some of the ultramafic rich stratigraphy in the Duketon Greenstone Belt which is considered highly prospective for Ni-Cu-PGE (Platinum Group Elements) disseminated and massive sulphide mineralisation. Two key prospects have been defined to date: Rosie and C2. Other than these prospects, much of the highly prospective ultramafic units have yet to be effectively tested for nickel-copper-PGE sulphide mineralisation at depth.

## ROSIE PROSPECT

As reported in the September Quarterly report, all final results have been received for all holes drilled during 2012 at Rosie (*TBDD129-136*) and an updated Mineral Resource Estimate was compiled, Figure 3 below. Significantly, the best result was achieved in the last hole of the 2012 program, TBDD140 which is located around 350m east of high grade mineralisation previously intersected at Rosie (*Figure 3 & Tables 5 & 6*).



**Figure 3: Rosie Prospect long section current program RC (hollow black pierce points) and DD drilling (black solid pierce points), over contact mineralisation solid with Ni%<sub>m</sub> pierce points from historic drilling**

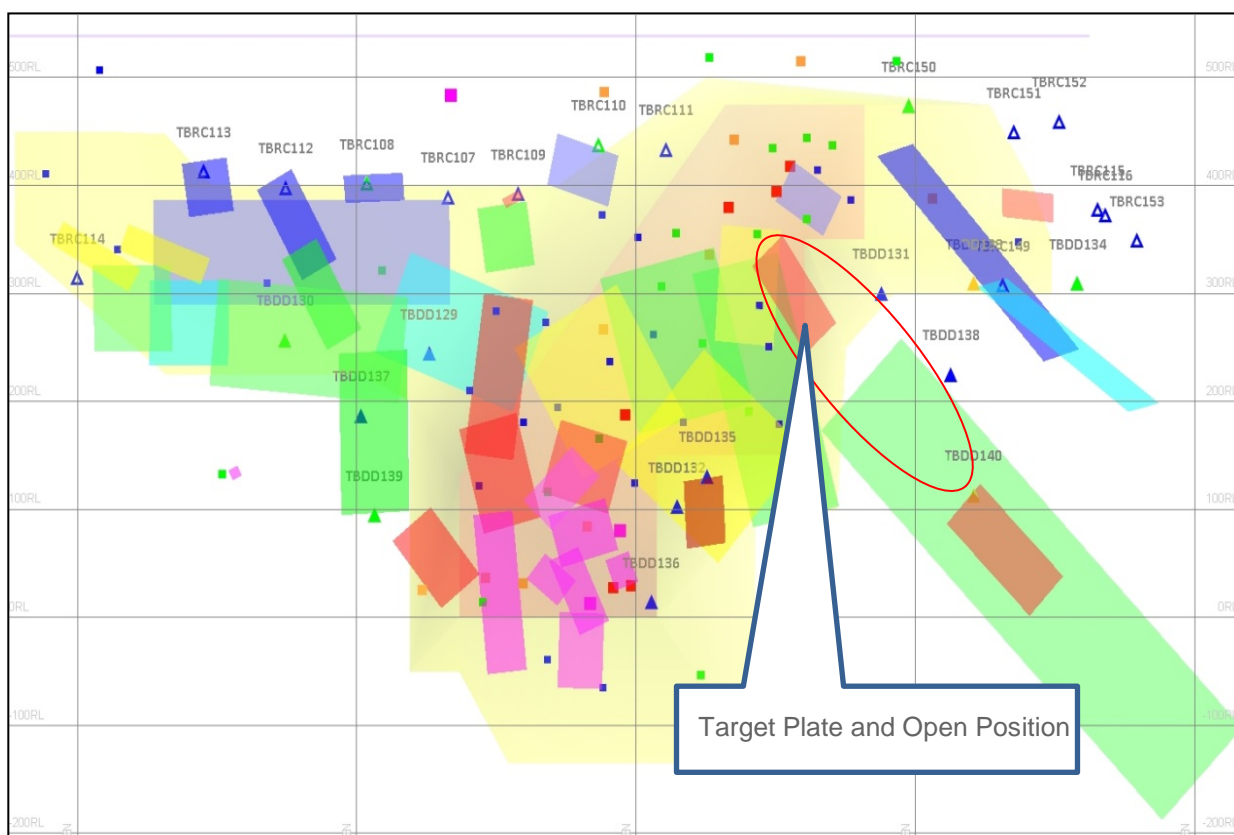
Prospect	Hole	East	North	From (m)	To (m)	Width	Ni (%)	Cu (%)	Pt+Pd (ppb)
Rosie	TBDD137	402153	6944158	395.12	395.33	0.21	2.80	0.67	2350
Rosie	TBDD138	402706	6943694	342.75	343.11	0.36	4.74	0.80	4000
Rosie	TBDD139	402113	6944121	504.34	507.94	3.60	1.45	0.37	1647
Rosie	TBDD140	402679	6943590	480.40	483.57	3.17	3.01	0.57	3292

Table 5: Rosie diamond drill hole results July 2012 (1.0% Ni cut-off), S.G. Weighted

Prospect	Hole	East	North	From (m)	To (m)	Width	Ni (%)	Cu (%)	Pt+Pd (ppb)
Rosie	TBDD137	402153	6944158	393.28	395.74	2.46	0.84	0.22	1050
Rosie	TBDD138	402706	6943694	330.00	334.00	4.00	0.43	0.06	336
Rosie	TBDD138	402706	6943694	352.88	356.00	3.12	0.43	0.05	323
Rosie	TBDD139	402113	6944121	503.78	507.94	4.16	1.38	0.35	1551
Rosie	TBDD140	402679	6943590	404.00	423.00	19.00	0.46	0.06	384
Rosie	TBDD140	402679	6943590	461.00	469.00	8.00	0.48	0.06	390
Rosie	TBDD140	402679	6943590	472.00	473.47	1.47	0.43	0.05	373
Rosie	TBDD140	402679	6943590	480.40	484.96	4.56	2.19	0.42	2383

**Table 6: Rosie diamond drill hole results July 2012 (0.4% Ni cut-off), S.G weighted**

DHEM has been completed on all but one (*TBDD139*) of the 2012 holes to date and modelled plates



**Figure 4: Rosie Long section with Ni%xm pierce points, circles pre 2012 drilling, triangles 2012 drilling (0-5 blue, 5-10 green, 10-15 orange, 15-20 red, >20 pink).  
EM plates coloured by conductivity thickness  
(0-1k light blue, 1k-5k blue, 6k-10k green, 11k-19k yellow, 20k-50k red, >50k pink)**

are shown in (Figure 4). The plate related to the mineralisation in TBDD140 is a high conductivity late time anomaly up to 20-50,000 S. The plate trends at around 045 degrees toward a shallow zone of high grade massive sulphide mineralisation in and around TBDD112. This plate is a high priority target for shallow high grade mineralisation which may be connected down contact toward TBDD140.

## ROSIE RESOURCE UPDATE

As reported in the September Quarterly Report, an updated Mineral Resource Estimate was completed in October in accordance with the JORC Code. The new estimate above a 1% Ni cut-off is **1,940,000t @ 1.7% Ni (32,700 Ni t), 0.4% Cu and 1.9g/t Pt + Pd** (platinum and palladium) according to the following classification (Table 7).

ROSIE NICKEL RESOURCE >1.0%Ni - OCTOBER 2012								
Classification	Oxidation	Tonnes	Ni (%)	Ni (t)	Cu (%)	Pt (g/t)	Pd (g/t)	Pt+Pd (g/t)
Indicated	Fresh	1,380,000	1.7	23,700	0.4	0.8	1.0	1.8
	Transitional	30,000	1.2	400	0.4	0.7	0.9	1.6
	<b>Sub-Total</b>	<b>1,410,000</b>	<b>1.7</b>	<b>24,100</b>	<b>0.4</b>	0.8	1.0	1.8
Inferred	Fresh	520,000	1.6	8,400	0.4	0.9	1.3	2.2
	Transitional	10,000	1.3	200	0.4	0.7	1.1	1.8
	<b>Sub-Total</b>	<b>530,000</b>	<b>1.6</b>	<b>8,600</b>	<b>0.4</b>	0.9	1.3	2.2
<b>Total</b>		<b>1,940,000</b>	<b>1.7</b>	<b>32,700</b>	<b>0.4</b>	0.8	1.1	1.9

**Table 7: Rosie Nickel Mineral Resource – October 2012 (see Competent Persons Statement below)**

*Note: Ni(t) figures have been rounded to the nearest 100t. All tonnage and grade values have been rounded to relevant significant figures. Slight differences may occur due to this rounding of values.*

This represents an increase of 196,000t @ 1.7% Ni (2,900 Ni t) from the previously announced Resource estimate in January 2012. The main change was to increase the confidence in much of the Resource from Inferred to Indicated status. A Rosie Mineral Resource Estimate Parameters table with supporting details is provided in Appendix 1 of the September 2012 Quarterly Report.

### Competent Persons and Responsibility Statement

The information in this report that relates to the Rosie Mineral Resource is based on information compiled by Ms Michelle Wild who is a full-time employee of Independence Group NL and is a member of the Australasian Institute of Mining and Metallurgy, and Mr Mark Zammit who is a Principal Consultant Geologist with Cube Consulting Pty Ltd and is a Member of the Australian Institute of Geoscientists. Ms Wild and Mr Zammit have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms Wild and Mr Zammit consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

## C2 PROSPECT

In the previous Quarter geological units were modelled and statistical analysis completed to ascertain the best approach to interpretation and grade estimation.

An initial estimate for the C2 mineralisation was completed and provided a tonnage and grade estimate that is not considered economically viable within a reasonable time frame, hence it is not considered a Mineral Resource under the JORC (2004) reporting guidelines.

## TBRC034 TARGET (EIS Government Co-Funded Target – TBRC034)

In the previous Quarter results were received for TBDD141 which was the final hole drilled at the TBRC034 target for 2012 (Table 8).

Prospect	Holeid	East	North	From (m)	To (m)	Width (m)	Ni (%)	Cu (%)	Pt+Pd (ppb)
TBRC034 Target	TBDD141	401953	6943962	293.03	299.84	6.81	1.14	0.28	997

**Table 8: TBRC034 Target Area – July 2012 Results (1.0% Ni Cut-off), S.G. Weighted**

DHEM has been completed and the modelling is currently being undertaken. The mineralisation remains open and is located approximately 1.2km southeast along the contact from the C2 mineralised system.

## THE DUKETON GOLD PROJECT

From the early 1990's, most of the Duketon Project was held by Normandy Mining Limited and Newmont Mining Corporation. Although wide-spaced reconnaissance exploration was sporadically conducted, the vast majority of the project remains under shallow cover and vastly under explored (*Figure 2 in Duketon Nickel Section*).

The Duketon Greenstone Belt contains highly prospective geological sequences and mineralised structures. Numerous structures are known to contain significant gold mineralisation and this is demonstrated by the unmined gold resources of over 6.5M ounces defined to date within the belt.

The +1.5M ounce Moolart Well Gold Project was constructed by Regis Resources NL (ASX; RRL, Regis) in 2010. In 2012 the +2.5M ounce Garden Well Deposit was commissioned as a standalone mine and the +1.0M ounce Rosemont Deposit is undergoing development. Both Moolart Well and Rosemont are also owned by RRL.

These developments are likely to have a very positive impact on the future of the Duketon Belt in terms of infrastructure.

## REGIONAL PROSPECTS

During the Quarter, data compilation and interpretation continued with exploration activity focussed on generating high level gold targets in preparation for ground disturbing exploration activity.

## TERMINATOR PROSPECT AND M38/1252

The Terminator Gold Prospect was discovered during a geochemical air-core drilling program conducted on E38/1537 (now M52/1252) during September 2009. The Prospect is located approximately 1.4km south along strike of the Bulge C2 Nickel Prospect (*Figures 2 & 5*) Air-core intercepts previously reported include;

- 64 metres @ 1.24 g/t Au from surface (TBAC010), including 12 metres @ 4.13 g/t Au from surface,
- 60 metres @ 1.30 g/t Au from 2 metres (TBAC024), including 10 metres @ 4.25 g/t Au from 3 metres,
- 14 metres @ 5.13 g/t Au from 70 metres (TBAC025), including 8 metres @ 8.38 g/t Au from 72 metres,
- 6 metres @ 7.84 g/t Au from 48 metres (TBAC031), including 2 metres @ 22.1 g/t Au from 52 metres (EOH),
- 17 metres @ 1.24 g/t Au from 48 metres (TBAC034), including 2m @ 5.66 g/t Au from 48 metres.

RC drilling completed in 2010 intersected high grades up to 28.60 g/t Au over 1m as well as broad intercepts of highly anomalous mineralisation.

In addition to the gold mineralisation at Terminator, a new gold discovery was made on M38/1252 during the June Quarter (*see ASX announcement dated 30 May 2012*). Visible gold was discovered in diamond drill hole TBDD126 that was drilled to target beneath hole TBRC034 where a reconnaissance RC program in 2008 returned an oxide nickel intercept of 4m @ 0.44% Ni, 0.19% Cu and 1.70g/t Pt+Pd.

Results previously announced from a follow-up RC pre-collared diamond drill hole TBDD141, returned a high-grade intercept of;



- 1.29 metres @ 11.56 g/t Au from 287.31 metres (downhole intercept).

TBDD141 is located approximately 150 metres south southeast of the discovery hole TBDD126 and the intercept is approximately 65m deeper (*Table 9 & 10*).

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t)	Ni (%)	Cu (%)
TBDD126	213.00	214.00	1.00	0.66	0.17	0.00
	<b>218.00</b>	<b>220.36</b>	<b>2.36</b>	<b>59.78</b>	<b>0.16</b>	<b>0.01</b>
<b>Including</b>	<b>219.51</b>	<b>220.36</b>	<b>0.85</b>	<b>164.00</b>	<b>0.09</b>	<b>0.01</b>
	221.65	221.80	0.15	0.82	0.04	0.01
	223.56	224.48	0.92	1.34	0.76	0.14
	225.08	225.29	0.21	1.98	1.64	0.48
TBDD141	132.00	136.00	4.00	1.36		
	136.00	144.00	8.00	0.24		
	<b>287.31</b>	<b>288.60</b>	<b>1.29</b>	<b>11.56</b>		

**Table 9: TBDD126 and TBDD141 previously released downhole results showing assays above a 0.5g/t Au cut-off.**

Hole ID	East (m)	North (m)	Depth (m)	Dip (degrees)	Azimuth (degrees)
TBDD126	401913	6944065	300.2	-60.8	44.6
TBDD141	401953	6943962	340.0	-60	30

**Table 10: TBDD126 and TBDD141 previously released hole collar details.**

The presence of widespread gold and high grades is encouraging particularly as the Terminator discovery is located approximately 600m north along strike of TBDD126 (*Figure 5*).

The Company plans to conduct further exploration drilling at Terminator and regional targets in a combined Duketon Regional Gold exploration program.

#### Competent Persons and Responsibility Statement

*The information in this report that relates to Exploration Results for the Duketon Gold and Nickel Projects has been compiled by Lorry Hughes using information on exploration results supplied by South Boulder Mines Ltd and Independence Group who are the operator of the Duketon Nickel JV. Lorry Hughes is a member of the Australian Institute of Mining and Metallurgy. Mr Hughes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking 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". Lorry Hughes consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Lorry Hughes is a full-time employee of the company.*

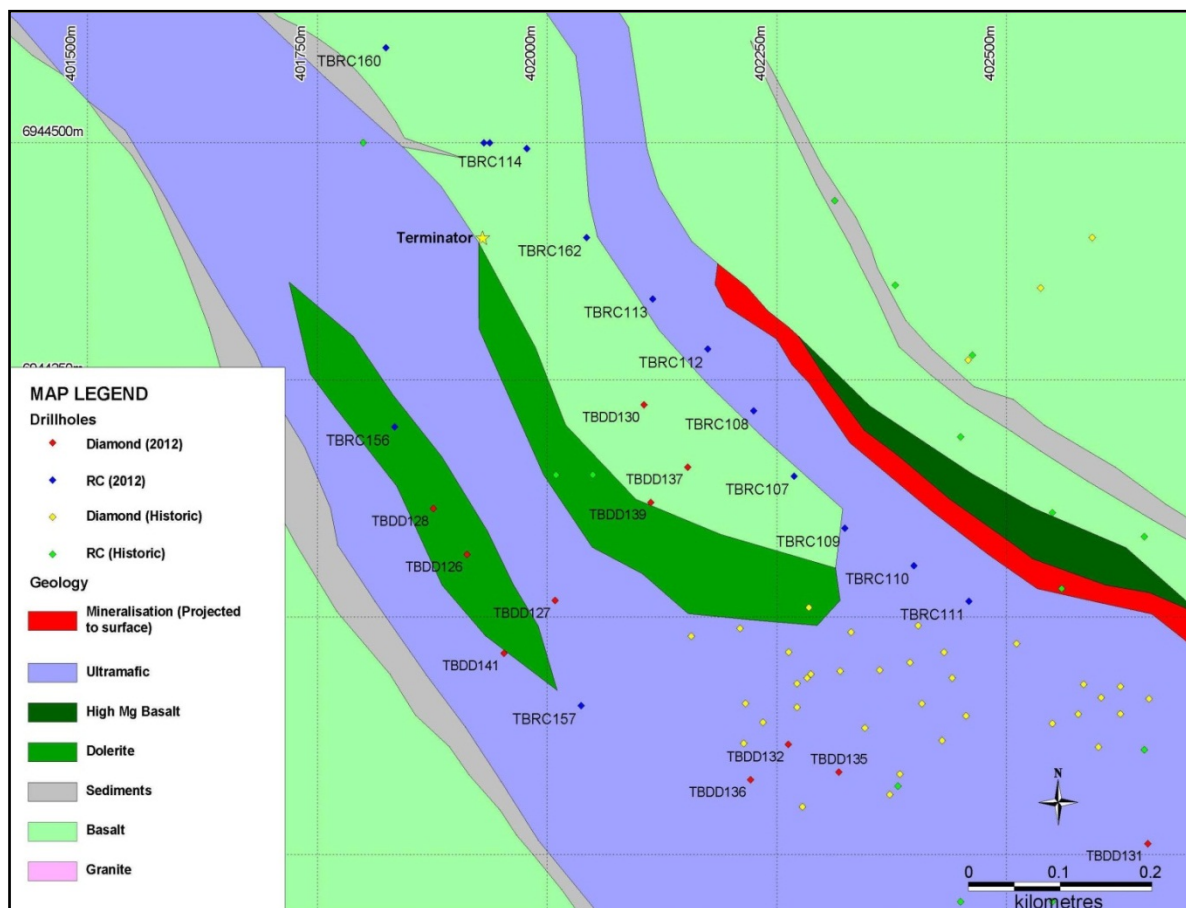


Figure 5: Duketon Terminator and M38/1252 drill collar plan over interpreted geology

## CARDABIA PHOSPHATE PROJECT

South Boulder has a 20% free carried interest in the Cardabia Project through to the completion of a Bankable Feasibility Study with TSX-listed Strata Minerals Inc. (TSX-V: SMP or "Strata"). The Project is located near Exmouth in Western Australia and is considered mainly prospective for phosphate, uranium and base metals.

During the Quarter Strata reported the completion of 74, 3.5 inch air-core drillholes for 2,283m. The holes were located along a previously defined outcropping phosphate horizon and approximately 4,500 samples taken over 0.5m intervals were dispatched to the Bureau Veritas-Amdel (Minerals) laboratories in Adelaide for comprehensive sizing and analysis.

In addition reprocessing of historic geophysical data generated by CRA/Rio Tinto was completed which will be used to help determine the location of additional target areas within the 2,200 sq km project area.

Strata are the manager and operator of the Cardabia JV and further details on exploration progress including initial results from the abovementioned drilling program can be found on Strata's website: [www.strataminerals.com](http://www.strataminerals.com).

## SOUTHERN GEORGINA PHOSPHATE PROJECT

The 100%-owned Southern Georgina Phosphate Project is located in central east Northern Territory, approximately 450km East North-East of Alice Springs. The tenements comprise three granted Exploration Licences (EL26380, EL25983 and EL25982). Auvex Manganese Limited (Auvex) purchased 90% of the manganese and base metal rights and 10% of the phosphate rights on the project.

Under the terms of the agreement, South Boulder has a free-carried 10% interest in the manganese and base metal rights up until the delivery of a Feasibility Study (FS). At that point, South Boulder can elect to contribute or dilute to a \$2 per dry metric tonne (DMT) sold royalty for manganese or a 1.5% N.S.R. royalty in the case of base metals.

Under the same terms, Auvex has a 10% free carry to a FS and then can either contribute or dilute to a \$2 per DMT sold royalty for phosphate sold.

## CORPORATE

### CASH & INVESTMENTS

Consolidated cash on hand as at 31 December 2012 was \$18.5 million and the market value of listed investments was \$2.4 million (*Table 11*). South Boulder's investments in listed exploration companies are summarised below:

Company Name	Stock Exchange	No of fully paid Shares	No of Options	Option Exercise Price	Option Expiry Date
Montezuma Mining Company Ltd	ASX	5,382,000	-	-	-
Buxton Resources Ltd	ASX	2,012,500	201,250	\$0.30	31/1/2016
Avonlea Minerals Ltd	ASX	400,000	-	-	-
Lithex Resources Ltd	ASX	1,016,000	-	-	-
IMX Resources Ltd	TSX	448,484	-	-	-
Strata Minerals Inc.	TSX	2,500,000	-	-	-
Auvex Manganese Ltd	Private	500,000	-	-	-

**Table 11: Unlisted and Listed Investments Held by South Boulder**

## EQUITY

### Share Capital

During the Quarter, issued capital increased by 1,220,000 ordinary fully paid shares following the conversion of options as follows:

- 1,150,000 options exercised at \$0.20 each
- 70,000 options exercised at \$0.35 each

Total issued capital at the end of the Quarter was 127,952,826 ordinary fully paid shares.

## Options

The Company has the following unlisted options outstanding as at 31 December 2012:

Options	Exercise price	Expiry date
1,950,000	\$0.35	31/07/2013
1,600,000	\$0.20	30/06/2014
1,250,000	\$2.00	31/03/2015
5,450,000	\$1.50	17/07/2014
3,800,000	\$0.75	30/06/2015
500,000	\$1.50	30/11/2015
500,000	\$2.00	30/11/2015

**Table 12: South Boulder Unlisted Options as at 31 December 2012**

During the Quarter, the Company issued 500,000 options at an exercise price of \$1.50 and 500,000 options at an exercise price of \$2.00 with expiry dates of 30 November 2015 to Mr Tony Kiernan. The option issue was approved at the 2012 Annual General Meeting of shareholders of the Company.

During the quarter 1,150,000 options were exercised at \$0.20 each and 70,000 options were exercised at \$0.35 each and converted into ordinary fully paid shares.

## 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. During the Quarter, 225,000 performance rights were issued to Mr Tony Kiernan and approved at the 2012 Annual General Meeting of the Company.

A total of 1,697,000 Performance Rights were outstanding at the end of the Quarter.

## DUKETON MINING LTD

Shareholder approval for the in-specie distribution of the Duketon Mining Limited ("Duketon") shares was received at the 2012 Annual General Meeting. The demerger of the non-potash assets including listed investments and cash of \$1 million will be via an in specie distribution of 100% of the shares in Duketon to shareholders of South Boulder on a one for four basis, comprising about 32 million Duketon shares to be issued.

The final decision to proceed with the demerger will be made by the Directors of the Company at their absolute discretion and the notice of the Record Date will be given by the Company at least 7 business days prior to the Record Date.

The Company has received a draft Class Ruling<sup>1</sup> from the Australian Taxation Office ("ATO") in accordance with the application made by the Company. The draft Class Ruling only applies to South Boulder shareholders who held their shares in South Boulder on capital account and are residents of Australia for income tax purposes.

<sup>1</sup> The draft Class Ruling may not be relied on by South Boulder shareholders until it is issued in final form by the ATO. The final version of the Class Ruling will be published and notice will be included in The Gazette. South Boulder will also display the final version of the Class Ruling on its website as soon as it becomes available.



## APPOINTMENT OF CHIEF OPERATING OFFICER

In November 2012, South Boulder appointed highly experienced mining and corporate executive Mr Paul Donaldson as Chief Operating Officer (*see ASX announcement dated 29 November 2012*).

Mr Donaldson joined South Boulder from a series of senior management roles spanning more than 20 years with BHP Billiton and was most recently General Manager of the +50 million tonne per annum Area C Iron Ore operation in Western Australia.

He was formerly Manager of Technical Marketing based in Asia, contributing to both product suite and product placement strategies for coking coal, manganese and iron ore. Other highly relevant roles include Manager of Port Operations at the Nelson Point Facility in Western Australia.

Mr Donaldson also brings extensive experience in high level business improvement and logistics at base metal operations and a high degree of integrated supply chain management, technical operational management and frontline leadership experience in the steel industry.

## STOCK EXCHANGE LISTINGS

South Boulder is listed on the Australian, Frankfurt, Munich and Berlin Stock Exchanges. The relevant codes are ASX: STB, SO3.F, SO3.MU and SO3.BE respectively, and can be accessed via Yahoo Finance. In addition a Sponsored American Depositary Receipt (ADR) Program has been established to create a broader secondary market for South Boulder equities particularly in the United States and Canada, thereby providing better access for North American investors to trade in STB securities.

The ADR's will be tradeable via licensed U.S. brokers in the ordinary course of trading in the Over-The-Counter (OTC) Market in the U.S. STB has appointed The Bank of New York Mellon (BNYM) as its authorised U.S. representative, Principal American Liaison (PAL) and Depository Bank to establish the ADR facility. Particulars for the U.S. sponsored ADR program is as follows:

U.S. Exchange:	OTC
Ticker Symbol:	SBMSY
CUSIP Number:	836709105
DR ISIN Number:	US8367091050
ADR to Ordinary Share Ratio:	1:1

The establishment of the ADR program is the first step in listing STB on the OTCQX Exchange in the U.S. which is expected to follow upon. Participation in the ADR program is to increase STB's exposure and visibility in key markets that have a strong understanding of the potash industry

## Investor Coverage

Recent investor relations, corporate videos and broker/media coverage on the Company's projects can be viewed on the website in the "Media Centre" and "Investor Centre" sections by following the links [www.southbouldermines.com.au](http://www.southbouldermines.com.au) and [www.abid.co](http://www.abid.co).

## About South Boulder Mines Ltd

Listed in 2003, South Boulder Mines (ASX: STB) is a diversified explorer focused on potash, nickel and gold. South Boulder has a 90% interest in the Colluli Potash Project in Eritrea and a 100% interest in the Duketon Gold Project in Western Australia.

The Colluli Potash Project has a current JORC Compliant Measured, Indicated and Inferred Mineral Resource Estimate comprised of 261.81Mt @ 17.94% KCl or 11.33% K<sub>2</sub>O of Measured Resources, 674.48Mt @ 17.98% KCl or 11.36% K<sub>2</sub>O of Indicated Resources and 143.50Mt @ 18.00% KCl or 11.37% K<sub>2</sub>O of Inferred Resources for a total of 1,079.00Mt @ 17.97% KCl or 11.35% K<sub>2</sub>O (total contained potash of 194.09Mt KCl or 122.61Mt K<sub>2</sub>O). **This includes higher grade Sylvinitite of 114.60Mt @ 28.56% KCl or 18.04% K<sub>2</sub>O.** The current resource is included in an Exploration Target of 1.25 – 1.75 billion tonnes @ 18-20% KCl ## (see disclaimer below).

An Engineering Scoping Study for the production of 1Mt p.a. of potash demonstrated an estimated capital cost of US\$0.74bn generating a Pre-tax NPV<sub>12</sub> of US\$1.33bn. A Definitive Feasibility Study into open pit mining and processing of the resource is underway with initial production scheduled for 2016 or sooner. South Boulder has strong support from the Eritrean Government to build a long term, economically and environmentally sustainable resource project.

Within the Duketon Gold Project area, South Boulder entered a farm-out Joint Venture (JV) Agreement with Independence Group NL, whereby Independence can earn a 70% interest in the nickel rights on select tenements held by South Boulder in the Duketon Project, by the completion of a Bankable Feasibility Study within 5 years of the grant of the relevant tenement.

## About the Duketon Nickel Joint Venture

The Duketon Nickel Joint Venture (DNJV) has had recent success at the Rosie and C2 Nickel sulphide prospects where drilling has defined intercepts of **5.20m @ 9.2% Ni, 1.09% Cu, 0.21% Co and 7.09g/t PGE's at Rosie and 50m @ 0.92% Ni including 37m @ 1.05% Ni at C2.** The deposits are located approximately 120km NNW of Laverton, WA in the Duketon Greenstone Belt. The deposits are approximately 2km apart and the mineralisation at both prospects is considered open in most directions. A Mining Lease was granted over the Rosie and C2 deposits on the 19<sup>th</sup> November 2010. A updated JORC Compliant Mineral Resource Estimate has been compiled for the Rosie deposit; please refer to the Company's September 2012 Quarterly Report for details.

## More information:

Email: [info@southbouldermines.com.au](mailto:info@southbouldermines.com.au) | South Boulder Mines Limited – Telephone +61 8 6315 1444

Mr Lorry Hughes  
CEO/Managing Director

### ## 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% K<sub>2</sub>O (total contained potash of 194.09Mt KCl or 122.61Mt K<sub>2</sub>O). The resource contains 261.81Mt @ 17.94% KCl or 11.33% K<sub>2</sub>O of Measured Resources, 674.48Mt @ 17.98% KCl or 11.36% K<sub>2</sub>O of Indicated Resources and 143.50Mt @ 18.00% KCl or 11.37% K<sub>2</sub>O of Inferred Resources. The current Mineral Resource Estimate is included in the current exploration target of 1.25 – 1.75 billion tonnes @ 18-20% KCl. The potential quantity and grade of the total current exploration target which includes the current Mineral Resource Estimate is conceptual in nature and there has been insufficient exploration to define a Mineral Resource other than the current Mineral Resource Estimate and it is uncertain if further exploration will result in the determination of a Mineral Resource Estimate other than the current Mineral Resource Estimate.

This ASX release has been compiled by Lorry Hughes using information on exploration results and Mineral Resource 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. Lorry Hughes 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 Hughes, Mr Rauche and Mr 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 Hughes, Mr Rauche and Mr van der Klauw consent to the inclusion in the report of the matters based on his 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% K<sub>2</sub>O. 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")

31 December 2012

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(3,766)	(7,384)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(380)	(584)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	436	496
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>		<b>(3,710)</b>	<b>(7,472)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(15)	(128)
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)	-	-
<b>Net investing cash flows</b>		<b>(15)</b>	<b>(128)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(3,725)</b>	<b>(7,600)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(3,725)	(7,600)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	255	4,785
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)	-	-
	<b>Net financing cash flows</b>	255	4,785
	<b>Net increase (decrease) in cash held</b>	(3,470)	(2,815)
1.20	Cash at beginning of quarter/year to date	21,943	21,288
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	18,473	18,473

**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	229
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

- 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

**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	Nil
3.2	Credit standby arrangements	Nil	Nil



### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,986
4.2 Development	-
4.3 Production	-
4.4 Administration	177
<b>Total</b>	<b>3,163</b>

### 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	336	92
5.2 Deposits at call	18,137	21,851
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>18,473</b>	<b>21,943</b>

### 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	E08/2359	Registered Applicant	20	0
	E08/1522	Registered Applicant	100	0
	E38/2615	Registered Applicant	100	0
	E38/2698	Registered Applicant	100	0
	E38/2700	Registered Applicant	100	0
	E38/2715	Registered Applicant	100	0
	E38/2757	Registered Applicant	100	0
6.2 Interests in mining tenements acquired or increased	E38/2781	Registered Applicant	0	100
	E38/2782	Registered Applicant	0	100
	E38/2803	Registered Applicant	0	100
	E38/2804	Registered Applicant	0	100
	E38/2805	Registered Applicant	0	100
	E38/2807	Registered Applicant	0	100
	E38/4067	Registered Applicant	0	100

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

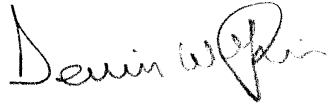
*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>*Ordinary securities</b>	127,952,826	127,952,826		
7.4	Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	1,150,000 70,000		\$0.20 \$0.35	
7.5	<b>*Convertible debt securities</b> <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>(description and conversion factor)</i>	1,950,000 1,600,000 5,450,000 1,250,000 3,800,000 500,000 500,000  1,697,000		<i>Exercise price</i> \$0.35 \$0.20 \$1.50 \$2.00 \$0.75 \$1.50 \$2.00  Performance Rights	<i>Expiry date</i> 31/07/2013 30/06/2014 17/07/2014 31/03/2015 30/06/2015 30/11/2015 30/11/2015
7.8	Issued during quarter	500,000 500,000  225,000		<i>Exercise Price</i> \$1.50 \$2.00  Performance Rights	<i>Expiry Date</i> 30/11/2015 30/11/2015
7.9	Exercised during quarter	1,000,000 150,000 70,000		\$0.20 \$0.20 \$0.35	30/11/2012 30/06/2014 31/07/2013
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

+ 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: 31 January 2013

Print name:

**Dennis Wilkins**

## 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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