

ASX Code : STB
Berlin : SO3-Ber
Frankfurt : SO3-Fra

Share Price: 9.3 cents

Market Cap: \$5.2M

Shares on issue: 55.7M

Cash at Bank: \$2.5M
ASX/TSX listed shares: \$1.5M

Top 20 shareholders – 48%

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LISTED EQUITY HOLDINGS

(ASX: MZM) - 4.150m shares
(ASX: MZMO) - 1.037m options
(ASX: IXR) - 1.325m shares
(ASX: AVZ) - 0.400m shares
(ASX: BUX) - 0.250m shares
(ASX: AGO) - 12,490 shares
(CDNX: CNI.V) - 130,000 shares

ERITREA POTASH LICENSE GRANTED

South Boulder Mines Ltd (ASX: STB) is extremely pleased to announce that the Colluli Potash Project exploration license has been officially granted by the Eritrean Ministry of Energy and Mines. The Project is located in the Danakil Depression region of Eritrea approximately 200kms south east of the Capital Asmara and comprises 906km².

The Project consists of buried evaporite deposits in which two shallow potash bearing horizons were identified from historic diamond drilling conducted in 1968 by the former Ethiopian Potash Company (EPC). The first horizon intersected an average thickness of 1.7m sylvinites with average grades of 12.5% K₂O at depths to the top of the horizon ranging from 23m – 180m. The second horizon intersected an average thickness of 17m carnallite with average grades of 50 - 70wt% (~17% K₂O) at depths to the top of the horizon at 390m.

The Danakil Depression has ancient history of artisanal salt production with modern exploration and exploitation dating back to the early 1900's. The most intensive period of exploration and trial underground mining occurred between 1958 – 1970 at the Musley and Crescent deposits, located approximately 15km south west of Colluli at Dallol, Ethiopia. Since 1968 there has been no exploration at the Colluli Potash Project.

The project is located less than 100kms south of the shallow water port of Mersa Fatma and less than 200kms south east of the deep water port of Massawa. The potential to utilise solar evaporation and solution mining techniques make the project very attractive to South Boulder. These factors coupled with the relatively shallow nature of the mineralisation could lead to relatively cheap capital and operating costs if a deposit is defined.

South Boulder intends to complete detailed data compilation and to undertake diamond drilling, to confirm the reported potash intercepts and to collect samples for preliminary metallurgical test work. The drilling is planned to commence in the field season early October.

South Boulder believes the project has the potential to host a world class potash deposit and is committed to assessing this potential. South Boulder is in the process of setting up a local branch office in Asmara including the recruitment of local administration and geological staff in order to support exploration.



Figure 1 – Official signing ceremony for the Colluli Potash Project, Eritrea. From left to right, Yohannes Samuel (STB witness), Lorry Hughes (STB Managing Director), Ahmed Haj Ali (Minister of Energy and Mines) and Alem Kibreab (Director General Department of Mines).

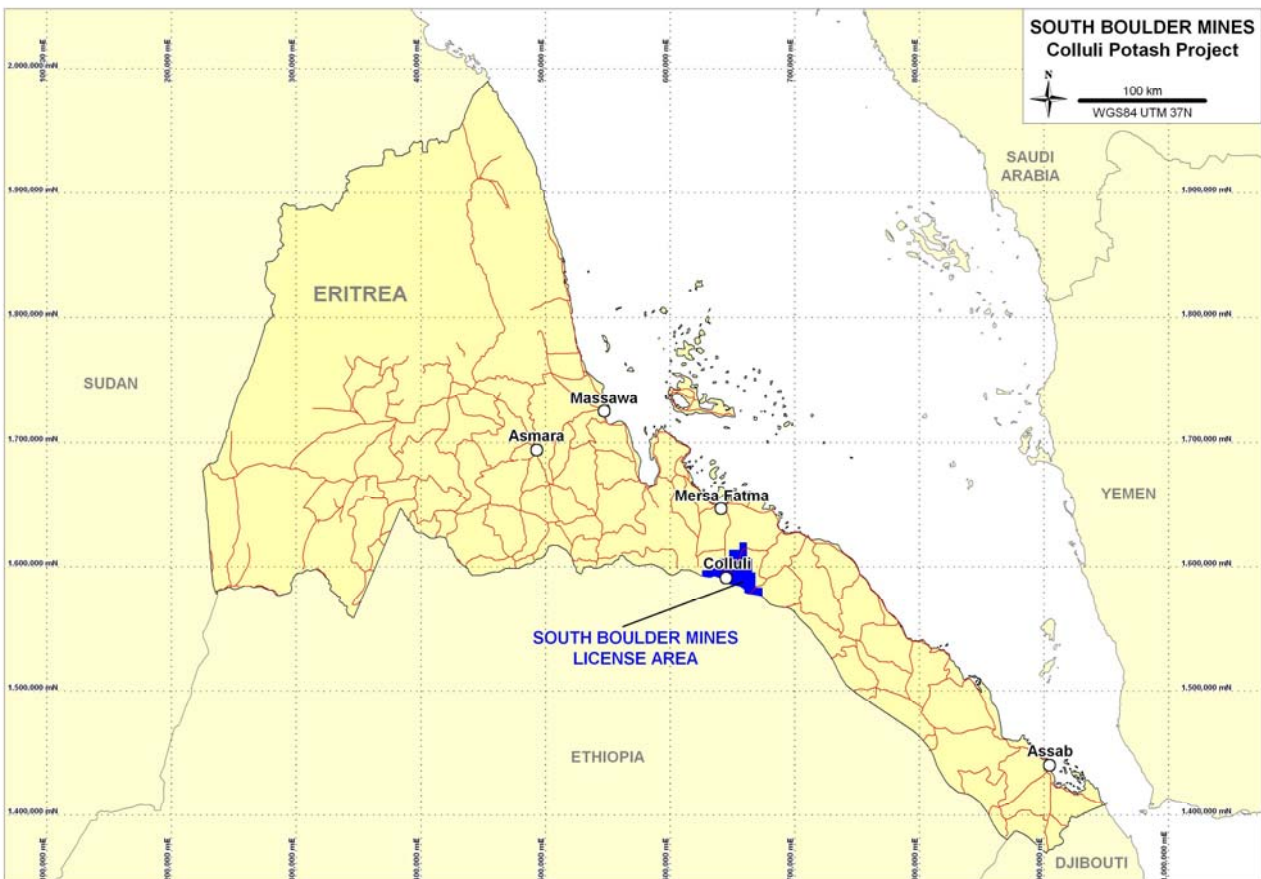


Figure 2 – Location of the Colluli Potash Project.

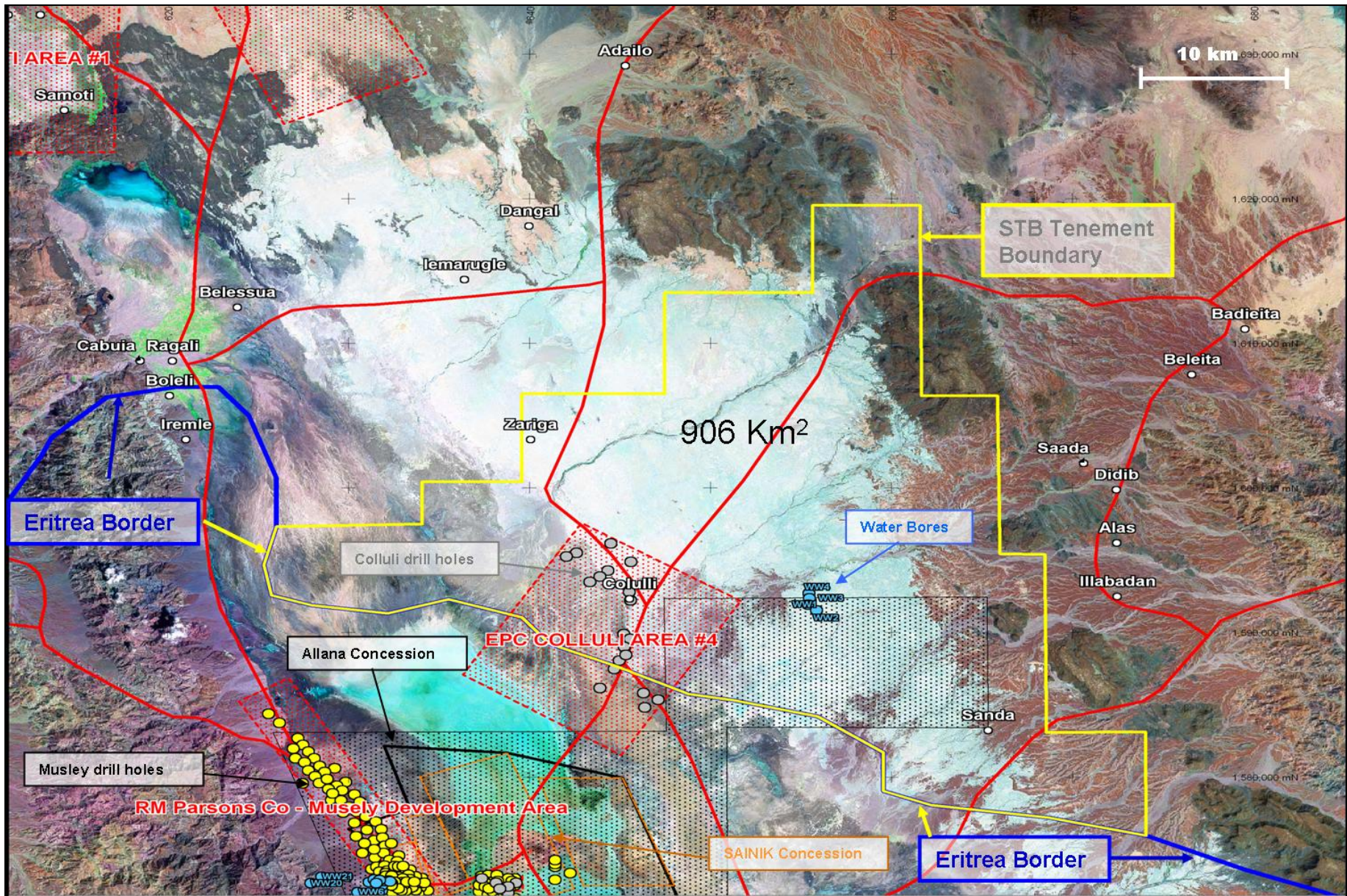


Figure 3 – Colluli Potash Project. Exploration license – yellow (southern boundary is coincident with Eritrea Border), Colluli Potash Project drill hole collars – grey dots, Musley Potash deposit drill collars – yellow dots, local roads – red line, former EPC exploration areas – red stipple, former Ralph M. Parsons Co. exploration areas – black stipple, Eritrea Border – blue.

South Boulder originally applied for the license in May 2008 as part of an open tender process and won the right to negotiate terms for an exploration license agreement in June 2009. The minimum expenditure requirements of the license includes USD\$500,000 in the first year and on application for a mining license, the Eritrean government is entitled to a 10% free-carried interest. The government, after delivery of a Bankable Feasibility Study (BFS), has the right to purchase an additional 30% equity participation interest in any mining project and up to a 3.5% royalty on salts.

Data used to form the basis of this report has been sourced from a high quality detailed summary report of the historic potash exploration and mining that occurred in the Danakil Depression. The report was compiled by the former French State owned potash company, Enterprises Miniere et Chemiques (EMC) in 1982 that has since gone into administration. South Boulder is in the process of searching the archives of EMC to locate the complete set of original drill logs. The detailed original map of the EMC work with the new Eritrea – Ethiopia border (as supplied by the Eritrean government) is included in Figure 4.

On Figures 3 and 4 the extensive work that has been conducted at the Musley and Crescent potash deposits in Ethiopia are shown. At Musley an historic resource, which is not JORC compliant (Mengitsu and Fentaw, 2000) was defined from the historic work conducted by the Ralph M. Parsons Company from 1958-68. The resource is now partly owned by Sainik Coal Mining Pvt. and Allana Resources Inc. (TSX.V AAA). South Boulder is of the opinion that the Musley deposit is the most analogous deposit to the mineralisation identified at Colluli and therefore provides South Boulder with a realistic exploration target elsewhere within the exploration license.

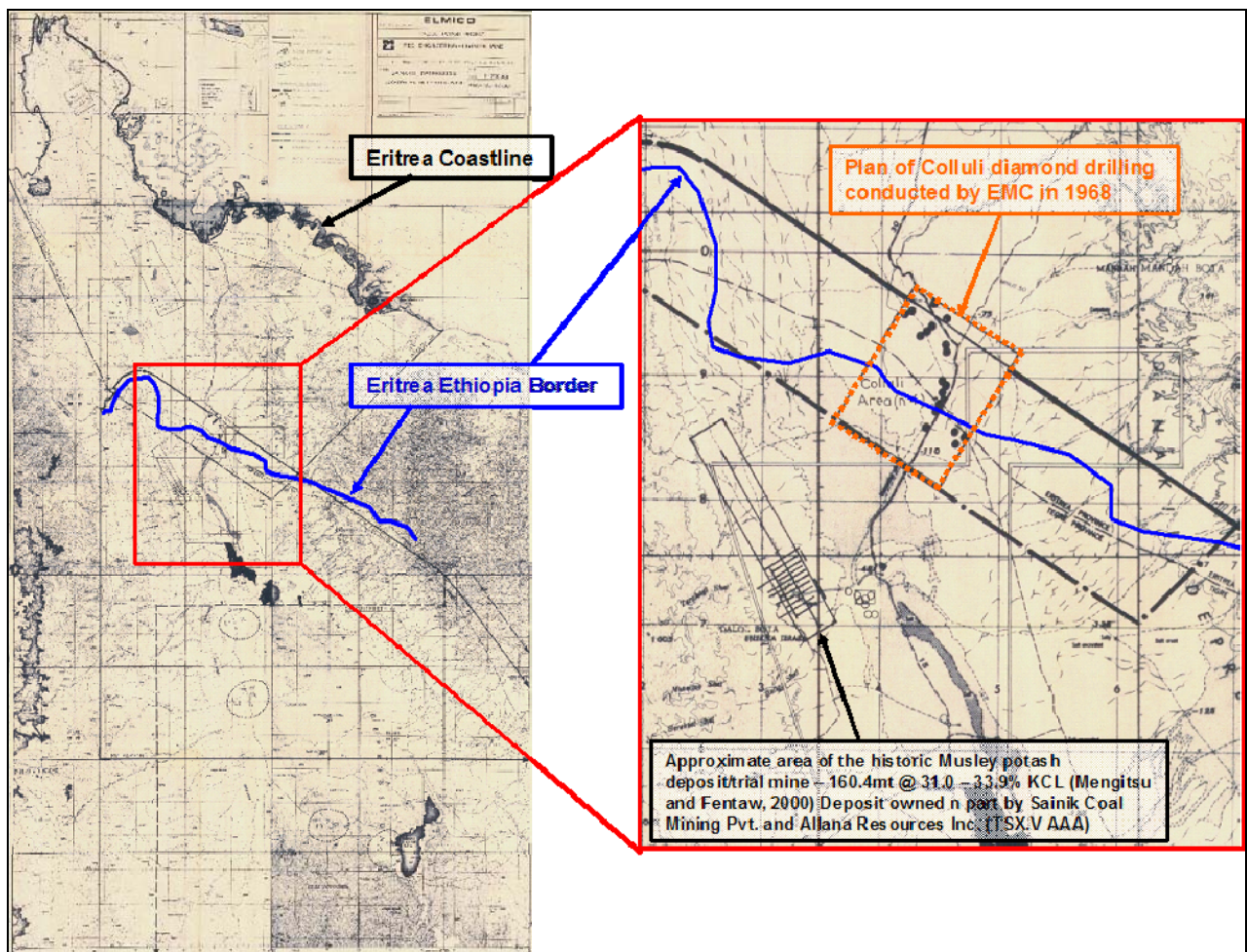


Figure 4 – Colluli Potash Project original summary map from Enterprises Miniere et Chemiques (EMC – French State owned potash company) from 1982.

About Eritrea

Eritrea gained its independence in 1991 and a United Nations supervised referendum made it official in 1993. The government is very supportive of foreign investment in exploration and mining projects.

About South Boulder Mines Ltd

Listed in 2003, South Boulder Mines (ASX: STB) is a diversified explorer primarily focused on gold, nickel, potash and phosphate.

More information:

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This ASX release has been compiled by Lorry Hughes using information on exploration results supplied by Lorry Hughes who is the Managing Director of South Boulder Mines Ltd. Lorry Hughes is a member of the Australian Institute of Mining and Metallurgy. Mr Hughes is a geologist and 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.