

SOUTH BOULDER MINES LIMITED

ABN 56 097 904 302

PROSPECTUS

For the offer of a non-renounceable pro rata rights issue of approximately 9,226,569 New Shares on the basis of 1 New Share for every 10 Shares held on the Record Date at an issue price of \$1.10 per New Share to raise approximately \$10,149,225 with 1 attaching New Option for every 2 New Shares subscribed for

Important Notice

This is an important document and should be read in its entirety. This Prospectus is a transaction-specific prospectus issued in accordance with Section 713 of the Corporations Act 2001. If you have any queries about any part of the Prospectus, please contact your professional adviser without delay.

The Securities offered by this Prospectus should be considered speculative.

SOUTH BOULDER MINES LIMITED
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CORPORATE DIRECTORY

Directors

Mr Terrence Grammer – Chairman

Mr David Lawrence Hughes – CEO & Managing Director

Mr Liam Cornelius – Executive Director

Dr Christopher Gilchrist – Non Executive Director

Company Secretary

Mr Dennis Wilkins

Registered Office

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Principal Office

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Share Registry

Security Transfer Registrars Pty Ltd*

770 Canning Highway

APPLECROSS WA 6153

Telephone: +61 8 9315 2333

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Stock Exchange Listing

ASX (STB); Berlin (SO3-Ber); Frankfurt (SO3-Fra); OTC (SBMSY)

Corporate Advisors to the Company

DWCorporate Pty Ltd*

Ground Floor, 20 Kings Park Road

WEST PERTH WA 6005

Auditors

Rothsay Chartered Accountants*

Level 18, 6 O'Connell Street

SYDNEY NSW 2000

***These parties are included for information purposes only. They have not been involved in the preparation of this Prospectus.**

IMPORTANT NOTICES

This Prospectus is dated 13 December 2011 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the contents of this Prospectus.

No Shares will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus. The Company will apply to ASX within 7 days of the date of this Prospectus for Official Quotation by ASX of the Shares offered by this Prospectus.

A copy of this Prospectus can be downloaded from the Company's website at www.southbouldermine.com.au. The offer constituted by an electronic version of this Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. Shareholders may obtain a hard copy of this Prospectus by contacting the Company. The Company will also provide copies of other documents on request (see Section 5.7).

The Shares offered by this Prospectus should be considered speculative. Please refer to Section 3 for details relating to investment risks.

In preparing this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers. This Prospectus is issued pursuant to Section 713 of the Corporations Act. Section 713 allows the issue of a more concise prospectus in relation to an offer of continuously quoted securities. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all information that would be included in a prospectus for an initial public offering.

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form sent with this Prospectus. The Entitlement and Acceptance Form sets out an Eligible Shareholders' entitlement to participate in the Offer.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

No action has been taken to permit the offer of Shares under this Prospectus in any jurisdiction other than Australia or New Zealand. The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law and therefore persons in to whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities. An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office. If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

SOUTH BOULDER MINES LIMITED
PROPOSED TIMETABLE

PROPOSED TIMETABLE

Announcement Date	7 December 2011
Lodgment of Prospectus	13 December 2011
Ex Date	16 December 2011
Record Date The Company determines eligible shareholders	22 December 2011
Opening Date Offer Documents sent to all eligible shareholders	23 December 2011
Closing Date The date on which the Entitlement Offer closes. Applications must be received by 5.00pm (WST)	17 January 2012
Notification of Shortfall	20 January 2012
Allotment Date The date upon which the New Shares and New Options are allotted.	23 January 2012
Dispatch Date The date on which holding statements are sent to shareholders that have taken up their entitlement of New Shares.	25 January 2012
Share Trading Date The date upon which New Shares commence trading on the ASX	31 January 2011

1. Details of the Offer

1.1. The Offer

The Company is making a non-renounceable pro rata offer to issue approximately 9,226,569 New Shares (assuming no existing options are exercised between the lodgment date of this Prospectus and the Record Date) under this Prospectus at an issue price of \$1.10 each to Eligible Shareholders on the basis of 1 New Share for every ten (10) Shares held at 5:00 pm (WST) on the Record Date. New Options are being offered on the basis of 1 attaching New Option for every 2 New Shares subscribed for under the Offer. Refer to Section 4.1 of this Prospectus for further details in relation to the proposed capital structure following completion of the Offer.

In the calculation of an Eligible Shareholders' Entitlement, fractions will be rounded up to the nearest whole number.

The Offer is fully underwritten by the Underwriter. Refer to Section 5.1 for a summary of the terms of the Underwriting Agreement including the commission payable to the Underwriter for fully underwriting the Offer.

Refer to Section 5.1 for a summary of the rights attaching to the New Shares and New Options.

1.2. Purpose of the Offer

Completion of the issue of New Shares offered by this Prospectus will result in an increase in the cash on hand of up to approximately \$10,149,225.

The funds raised under the Offer are proposed to be expended as follows:

Description of Cash Outflows	Offer A\$
1. Expedite the rapid completion of a definitive feasibility study on the Colluli Open Cut Potash Project in Eritrea. The funds when combined with existing cash reserves will facilitate the undertaking of important technical, financial, social impact and governmental liaison activities required to advance the Colluli Project.	\$9,500,000
2. Working Capital	\$604,225
3. Costs of Offer	\$45,000
Total funds raised under the Offer*	\$10,149,225

*In the event that the existing options on issue are exercised between the lodgment date of this Prospectus and the Record Date, the total funds raised under the Offer will be up to \$11,638,626. The additional \$1,489,401 will be applied towards increasing the advancement of the Colluli Project as described above and working capital.

Actual expenditure may differ significantly from the above estimates due to a number of factors including market conditions, the development of new opportunities, the results obtained from the staged approach to exploration, appraisal and development activities and other factors (including the risk factors outlined in Section 3).

Unallocated working capital may be utilised by the Company to pay for cost overruns in budgeted

expenditures (if any), additional exploration and development expenditure, the acquisition of new resource opportunities and in the administration of the Company.

1.3. Your entitlement and acceptance

Your entitlement to participate in the Offer will be determined on the Record Date, being 22 December 2011. The entitlement of Eligible Shareholders receiving this Prospectus is shown on the Entitlement and Acceptance Form sent to Eligible Shareholders with this Prospectus.

Acceptances must not exceed your Entitlement as shown on the Entitlement and Acceptance Form, although you may accept all or only part of your Entitlement. If your acceptance exceeds your Entitlement, acceptance will be deemed to be for your maximum Entitlement and any surplus Application Monies will be returned.

1.4. Opening and Closing Dates

The Company will accept Entitlement and Acceptance Forms from Eligible Shareholders until 5.00 pm WST on the Closing Date, 17 January 2011 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules.

1.5. Underwriting

This Offer is fully underwritten by Dongarra Limited (**Underwriter**). Pursuant to the Underwriting Agreement, following subscription for the Shortfall by the Underwriter, the fees payable to the Underwriter are the issue of 1 Underwriter Option for every 5 Shortfall Shares taken up by the Underwriter. A summary of the material terms of the Underwriting Agreement is set out at Section 5.1.

1.6. Rights trading

Entitlements to New Shares and New Options offered pursuant to the Offer are non-renounceable and therefore Shareholders will not be able to trade their respective rights under this Offer.

1.7. Entitlement and Acceptance Form

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for accepted Entitlement. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of your Entitlement.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance of an Entitlement and Acceptance Form as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

1.8. Issue and dispatch

All Shares offered by this Prospectus are expected to be issued, and security holder statements dispatched, on or before the date specified in the timetable.

It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

1.9. Application Monies held on trust

All Application Monies received for the New Shares will be held in trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the New Shares and New Options are issued. All Application Monies will be returned (without interest) if the New Shares and New Options are not issued.

1.10. ASX quotation

Application will be made to ASX no later than 7 days after the date of this Prospectus for the official quotation of the New Shares. If permission is not granted by ASX for the official quotation of the New Shares offered by this Prospectus within 3 months after the date of this Prospectus (or such period as ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to

this Prospectus.

The Company will not be applying for official quotation of the New Options.

1.11. CHESSE

The Company participates in the Clearing House Electronic Subregister System, known as CHESSE. ASTC, a wholly owned subsidiary of ASX, operates CHESSE in accordance with the Listing Rules and Securities Clearing House Business Rules.

Under CHESSE, Applicants will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored, ASTC will send you a CHESSE statement.

The CHESSE statement will set out the number of Shares issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Shares.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by Advanced Share Registry Services and will contain the number of Shares issued to you under this Prospectus and your security holder reference number.

A CHESSE statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

1.12. Overseas Shareholders

The Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer other than for Shareholders in Australia and New Zealand. Where the Prospectus has been dispatched to Shareholders domiciled outside Australia or New Zealand and the country's securities code or legislation prohibits or restricts in any way the making of the offers contemplated by the Prospectus, the Prospectus is provided for information purposes only.

1.13. Risk factors

An investment in Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are summarized below and provided in further detail in Section 3.

Key risk factors affecting an investment in the Company include:

- There is no guarantee that if one or more of the Company's directors or key personnel cease their association with the Company there will not be a detrimental effect on the Company given the significant reliance on key management personnel to oversee the day to day operations of the Company.
- Changes to government regulations and policy may have adverse impacts on the development options available to the Company and its projects.
- Economic conditions, both domestic and global and in particular those in Australia and Eritrea may affect the performance of the Company.
- The Company's activities are subject to sovereign risks and the Company's Colluli Potash Project is located in Eritrea which has had long standing political disputes with neighboring countries, particularly Ethiopia and the United Nations. Changes, if any, in mining or investment policies or shifts in political attitude in or toward Eritrea either within Eritrea or from outside parties or any other relevant jurisdiction in which the Company operates may adversely affect the Company's operations or profitability.
- Exploration programs impact on the environment. These impacts are minimized by the Company's application of best practice principles.

1.14. Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares and New Options under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for Shares under this Prospectus.

1.15. Major activities and financial information

A summary of the major activities and financial information relating to the Company for the financial year ended 30 June 2011 is in the Annual Financial Report which was lodged with ASX on 31 October 2011.

The Company's continuous disclosure notices (i.e. ASX announcements) since 31 October 2011 are listed in Section 5.7.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that Shareholders review these and all other announcements prior to deciding whether or not to participate in the Offer.

1.16. Enquiries concerning Prospectus

Enquiries concerning the Entitlement and Acceptance Form can be obtained by contacting Security Transfer Registrars Pty Ltd by telephone on (08) 9315 2333.

Enquiries relating to this Prospectus should be directed to the Company Secretary by telephone on (08) 9389 2111.

2. Action required by Shareholders

2.1. If you wish to take up all of your Entitlement

Should you wish to accept all of your Entitlement to the New Shares and New Options, then applications for New Shares and New Options under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY® payment, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque for the Application Monies indicated on the Entitlement and Acceptance Form.

If you wish to pay via BPAY® you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your entitlements upon receipt of the BPAY® payment by the Company. Eligible Shareholders who elect to pay via BPAY® do not need to return their completed Entitlement and Acceptance Form.

If you elect to pay via BPAY® then your payment must be made before 3.00 pm (WST) on the Closing Date. Please read the instructions carefully.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "**South Boulder Mines Limited**" and lodged and received at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at:

By delivery Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

By Post Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

2.2. If you wish to take up part of your Entitlement only

Should you wish to only take up part of your Entitlement, then applications for New Shares and New Options under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY® payment in respect of the portion of your entitlement you wish to take up, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of New Shares you wish to accept and the Application Monies (calculated at \$1.10 per New Share accepted), and attach a cheque for the appropriate Application Monies.

If you wish to pay via BPAY® you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your entitlements upon receipt of the BPAY® payment by the Company. Eligible Shareholders who elect to pay via BPAY® do not need to return their completed Entitlement and Acceptance Form. If you elect to pay via BPAY® then your payment must be made before 3.00 pm (WST) on the Closing Date. Please read the instructions carefully.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "**South Boulder Mines Limited**" and lodged and received at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry

(by delivery or by post) at:

By delivery Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

By Post Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

2.3. If you do not wish to accept any of your Entitlement

If you do not wish to accept any of your Entitlement, you are not obliged to do anything.

The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your Entitlement.

3. Risk Factors

Activities in the Company, as in any business, are subject to risks, which may impact on the Company's future performance. The Company has implemented appropriate strategies, actions, systems and safeguards for known risks, however, some are outside its control.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which Shareholders need to be aware of in evaluating the Company's business and risks of increasing your investment in the Company. Shareholders should carefully consider the following factors in addition to the other information presented in this Prospectus.

The principal risks include, but are not limited to, the following:

3.1 Specific Risks associated with the Company

(a) Operating Risks of the Company

The prospects of the Company must be considered in light of the considerable risks, expenses and difficulties frequently encountered by companies in a similar stage of resource exploration and development activities as the Company.

The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and other factors, many of which are beyond the Company's control.

The Company expects to incur losses unless and until such time as any new or current projects enter into commercial production and generate sufficient revenues to fund their continuing operations. The development of the new and current projects will require the commitment of substantial resources. There can be no assurance that the Company will generate any revenues or achieve profitability.

(b) Reliance on Key Personnel

The resources business in which the Company is involved is reliance upon a number of directors and key management personnel. The loss of any of these personnel could have a material adverse impact on the resources business of the Company.

(c) Additional Requirements for Funding

The Company's funding requirements depend on numerous factors including the Company's ability to generate income from its projects, the results of joint venture operations, future exploration and work programs and the acquisition of new projects. It may require further funding in addition to current cash reserves to fund exploration activities.

Additional equity financing, if available, may be dilutive to Shareholders and at lower prices than the current market price. Debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

(d) Markets

The marketability of the Company's production depends in part upon the availability, proximity and capacity of infrastructure such as ports, railways, pipelines and processing facilities. Federal and state regulation of resources production and transportation, tax and energy policies, changes in supply and demand and general economic conditions all could adversely affect the ability to produce and market mineral commodities.

(e) Service Capacity

Exploration and development activities may be undertaken in locations that have limited or no spare service capacity. There may be delays in securing equipment and personnel required to carry out the Company's planned activities.

Due to the demand for equipment and personnel there may also be upward pressure on costs and mechanical failure may result in delays.

Any of these factors may result in cost and time overruns which may have a material impact on the Company's profitability and cash flows.

3.2 Mineral Industry Risks

(a) Exploration and development risks

The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. Resource exploration and development is a speculative business, characterised by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, although present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices, which fluctuate widely, and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The combination of these factors may result in the Company expending significant resources (financial and otherwise) on a property without receiving a return. There is no certainty that expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries of an economically viable mineral deposit.

The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. The Company believes that those consultants and others are competent and that they have carried out their work in accordance with internationally recognised industry standards. However, if the work conducted by those consultants or others is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays or increased costs in developing its properties.

(b) Resource estimates

Ore Reserve and Mineral Resource estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Ore estimation is an interpretive process based on available data and interpretations and thus estimations may prove to be inaccurate.

The actual quality and characteristics of ore deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop resources. Further, Ore Reserves are valued based on future costs and future prices and consequently, the actual Ore Reserves and Mineral Resources may differ from those estimated, which may result in either a positive or negative effect on operations.

(c) Payment obligations

Under the exploration permits and licences and certain other contractual agreements to which the Company is or may in the future become party, the Company is or may become subject to payment and other obligations. In particular, the permit holders are required to expend the funds necessary to meet the minimum work commitments attaching to the permits and licences. Failure to meet these

work commitments will render the permit liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Company.

(d) Operating risks

The operations of the Company may be affected by various factors including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Company.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

(e) Commodity price volatility

Metal prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for minerals and metals, forward selling by producers, and production cost levels in major mineral-producing regions.

Moreover, commodity prices are also affected by macro economic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the metal as well as general global economic conditions. These factors may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(f) Insurances

Insurance of all risks associated with exploration and production is not always available and, where it is available, the cost may be high.

The business of the Company is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as in clement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability, particularly as the Company is seeking to acquire new projects which are located in other jurisdictions or involve a new commodity.

It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

3.3 Environmental risks

(a) Environmental risk

The operations and activities of the Company are subject to regulations concerning the environment. The Government and other authorities that administer and enforce environmental laws determine these requirements. As with all exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if mine development proceeds. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits.

Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidents or other unforeseen circumstances, which could subject the Company to extensive liability.

3.4 General Risks

(a) Eritrea and Political Risk

The Company's activities are subject to sovereign risks, which may impede the Company's activities or result in the impairment or loss of part or all of the Company's interest in its projects. These risks or perceived risks and uncertainties vary from time to time and include such matters as terrorism, hostage taking, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, labor unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licenses, permits and contracts, changes in taxation policies, restrictions on foreign exchange and repatriation.

The Company has significant interests situated in Eritrea, which has historically been exposed to civil and political unrest. In resolutions adopted in 2009, the Security Council imposed an arms embargo on Eritrea and a travel ban and an assets freeze on Eritrean political and military leaders.

Pursuant to Eritrean Mining Law, the Eritrean Government may acquire without cost to it, a participation interest of 10% (generally this is 3.3% carried by the Eritrea Government and 6.7% carried by the tenement holder) of any mining investment upon grant of the relevant mining licence. The Eritrean Government can also acquire an additional equity participation interest not exceeding a total of 40% (including the initial 10% acquired) by mutual agreement with the holder of the tenement. Such agreement will specify the price, percentage, timing, financing, resulting rights and obligations and other details of such participation.

(b) Securities investments

There are risks associated with any securities investment. The prices at which the Shares trade may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for mining and exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices will be sustained. These factors may materially affect the market price of the Shares regardless of the Company's operational performance.

(c) Share market conditions

Share market conditions may affect the value of Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;

- changes in investor sentiment toward particular market sectors;
- changes in investor sentiment toward particular countries;
- global media reports;
- the demand for, and supply of, capital; and
- other external factors whether real or perceived by the market.

The market price of the Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company, or any return on an investment in the Company.

(d) Economic Risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption, the rate of growth of gross domestic product in Australia, or any other country in which the Company may operate, interest rates and the rate of inflation.

(e) Changes in Government Policies and Legislation

Any material adverse changes in government policies or legislation of Australia or any other country where the Company may acquire economic interests may affect the viability and profitability of the Company.

3.5 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company.

The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares and New Options offered under this Prospectus. Therefore, the securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for securities pursuant to this Prospectus.

4. Effect of the Offer

4.1 Capital Structure on completion of the Offer

If all Shareholders take up their full Entitlement under the Offer (ie. there are no Shortfall Securities and therefore no Underwriter Options to be issued), the capital structure will be as follows:

	Number of shares	Number of options
Balance at the date of this Prospectus	92,265,688	13,540,000
To be issued under the Offer	9,226,569	4,613,285
Balance after the Offer	101,492,257	18,153,285

If all of the options currently on issue are exercised prior to the Record Date and Shareholders take up their full Entitlement under the Offer (ie. there are no Shortfall Securities and therefore no Underwriter Options to be issued), the Company's capital structure on completion of the Offer will be as follows:

	Number of shares
Balance at the date of this Prospectus	92,265,688
Shares issued on exercise of Options (prior to or on the Record Date)	13,540,000
To be issued under the Offer	10,580,569*
Balance after the Offer	116,386,257

*Based on 10,580,569 New Shares being issued to Eligible Shareholders under the Offer, 5,290,285 New Options will be issued.

In the event that there is a Shortfall, the commission payable to the Underwriter will be the issue of Underwriter Options on a 5 for 1 basis, that is, for every 5 Shortfall Shares taken up by the Underwriter, 1 Underwriting Option will be issued. The maximum number of Underwriting Options to be issued as commission to the Underwriter under the Underwriting Agreement is 2,116,114 (assuming Eligible Shareholders do not take up any of their Entitlement). Refer to Section 5 for a summary of the Underwriting Agreement.

4.2 Proposed Offer

Basis of Preparation

The pro-forma statement of financial position is based on the audited statement of financial position at 30 June 2011.

	Actual	Proforma
Current Assets		
Cash and cash equivalents	10,970,886	21,075,112
Trade and other receivables	130,276	130,276
Financial assets at fair value through profit or loss	3,565,785	3,565,785
	14,666,947	24,771,173
Non-Current Assets		
Plant and equipment	231,820	231,820
	231,820	231,820
Total Assets	14,898,767	25,002,993
Current Liabilities		
Trade and other payables	159,501	159,501
	159,501	159,501
Net Assets	14,739,266	24,843,492
Equity		
Contributed equity	23,185,805	33,290,031
Reserves	6,468,325	6,468,325
Accumulated losses	(14,914,864)	(14,914,864)
	14,739,266	24,843,492

The Pro-Forma Statement of Financial Position includes the following adjustments:

- (a) Entitlements issue of 9,226,569 New Shares and 4,613,285 New Options under the Entitlement Offer; and
- (b) costs of issue of \$45,000.

4.3 Market price of Shares

The highest and lowest market sale prices of the Company's Shares on the ASX during the 3 months immediately preceding the date of lodgment of this Prospectus with ASIC and the respective dates of those sales were:

Highest:	\$2.61 per Share on 21 September 2011
Lowest:	\$1.22 per Share on 7 December 2011

The latest available market sale price of the Company's Shares on ASX prior to the date of lodgment of this Prospectus with ASIC was \$1.275 per Share on 12 December 2011.

4.4 Dividend policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

5. Additional information

5.1 Material Contracts

Underwriting Agreement

The Company entered into an agreement dated 8 December 2011 with Dongarra Limited (**Underwriter**), to fully underwrite the Entitlement Offer (**Underwriting Agreement**).

Under the terms of the Underwriting Agreement, the Underwriter has agreed to underwrite 100% of the Shortfall. The commission payable to the Underwriter will be the issue of 1 Underwriter Option for every 5 Shortfall Shares taken up by the Underwriter. For example, if there are 3,000,000 Shortfall Shares, the Underwriter will subscribe for all 3,000,000 Shortfall Shares (and receive the 1,500,000 attaching Shortfall Options) and the commission will be the issue of 600,000 Underwriter Options.

The Company will notify the Underwriter of the details of the Shortfall within 3 Business Days of the Closing Date. By no later than 5 Business Days after notifying the Underwriter of the details of the Shortfall, the Underwriter must lodge a completed application form for along with the payment of the issue price of \$1.10 per Shortfall Share. Within 5 Business Days following receipt of the funds and the application form for the Shortfall Shares and Shortfall Options, the Company will issue the Shortfall Securities along with the Underwriter Options and apply to have the Shortfall Shares quoted on the ASX.

Subject to written approval by the Company, the Underwriter may appoint a sub-underwriter to sub-underwrite any or all of the Shortfall Securities.

There will be no monetary fee payable by the Company to the Underwriter.

5.2 Rights attaching to Shares

(a) General

The New Shares to be issued pursuant to this Prospectus are ordinary shares and will, as from their allotment, rank equally in all respects with all ordinary shares in the Company.

The rights attaching to the New Shares arise from a combination of the Company's Constitution, statute and general law. Copies of the Company's Constitution are available for inspection during business hours at its registered office. The Constitution has been lodged with ASIC.

A summary of the more significant rights is set out below.

(b) Reports and Notices

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

(c) General Meetings

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act. All members are entitled to a notice of meeting. A quorum for a meeting of members is 3 eligible voters.

The Company will hold annual general meetings in accordance with the Corporations Act and the Listing Rules.

Shareholders are entitled to be present in person, or by proxy, attorney or representative (in the case of a company) to speak and to vote at general meetings of the Company.

(d) Voting

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every ordinary Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote for any Share held by the Shareholder. In the case of an equality of votes, the chairperson has a casting vote.

A poll may be demanded by the chairperson of the meeting, any 5 Shareholders entitled to vote in person or by proxy, attorney or representative or by any one or more Shareholders holding not less than 5% of the total voting rights of all Shareholders having the right to vote.

(e) Dividends

Subject to the Corporations Act, the Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Directors resolve but only out of profits of the Company. The Directors may determine the method and time for payment of the dividend.

(f) Winding Up

Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, any surplus must be divided among the Shareholders in the proportion to the shares held by them. Subject to any rights or restrictions attached to a class of Shares, on a winding up of the Company, the liquidator may, with the sanction of a special resolution of the Shareholders:

- (i) distribute among Shareholders the whole or any part of the property of the Company; and
- (ii) decide how to distribute the property as between the Shareholders or different classes of Shareholders.

(g) Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, and to the registration of the transfer not resulting in a contravention of, or failure to observe, the provisions of a law of Australia.

(h) Issue of Further Shares

The Directors may, subject to any restrictions imposed by the Constitution and the Corporations Act, allot, issue and grant options over further Shares, on such terms and conditions as they see fit.

(i) Directors

The existing Directors may appoint a new Director to fill a casual vacancy or as an addition to the Board. Any such Director must retire at the next following annual general meeting of the Company (at which meeting he or she may be eligible for election as a Director).

The Constitution contains provisions relating to the rotation and election of directors. No Director other than the Managing Director may hold office later than the third annual general meeting after his or her appointment or election without submitting himself or herself for re-election.

(j) Variation of Shares and Rights Attaching to Shares

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

(k) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(l) Listing Rules

Provided the Company remains admitted to the Official List of the Australian Stock Exchange Ltd, then despite anything in the Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. If as a result of an amendment to the Listing Rules, there is an inconsistency between the Constitution and the Listing Rules, the Company shall, subject to the Corporations Act, do all things necessary to change the Constitution to remove the inconsistency as soon as possible and in any event, at the first general meeting of the Company held after the date on which the relevant amendment the Listing Rules comes into operation.

5.3 Rights attaching to New Options

The New Options are to be issued on the following terms:

- (a) Each New Option shall be issued for no consideration.
- (b) Each New Option entitles the holder to subscribe for one Share in the Company upon the payment of \$1.60 per Share subscribed for.
- (c) The New Option will lapse at 5.00 pm, Western Standard Time on 30 January 2013 ("**Expiry Date**").
- (d) The New Options are transferrable with the consent of the Company and will not be listed for Official Quotation on the ASX.
- (e) There are no participating rights or entitlements inherent in these New Options and holders of the New Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the New Option.
- (f) New Option holders have the right to exercise their New Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the New Options, and will be granted a period of at least 10 business days before books closing date to exercise the New Options.
- (g) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the New Options, the exercise price of the New Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;
- (h) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the New Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (i) The New Options shall be exercisable at any time until the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the New Option holder to exercise all or a specified number of New Options held by them accompanied by an New Option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some New Options shall not affect the rights of the New Option holder to the balance of the New Options held by it.
- (j) The Company shall allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the New Options.
- (k) The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

5.4 Rights attaching to Underwriter Options

The Underwriter Options are to be issued on the same terms and conditions as the New Options, a summary of which is included in Section 5.3 above.

5.5 Nature of this Prospectus

This Prospectus issued under the special content rules for continuously quoted securities in Section 713 of the Corporations Act. This enables listed disclosing entities, such as the Company to issue a prospectus for continuously quoted securities and options to acquire continuously quoted securities with modified disclosure requirements if they satisfy certain requirements.

The information in this Prospectus principally concerns the terms and conditions of the Offer and the information reasonably necessary to make an informed assessment of:

- (a) the effect of the Offer on the Company; and
- (b) the rights and liabilities attaching to the New Shares and New Options offered pursuant to this Prospectus.

This Prospectus is intended to be read in conjunction with publicly available information in relation to the Company which has been notified to ASX and does not include all of the information included in a prospectus

for an initial public offering of securities in an entity that is not already listed on a stock exchange. Shareholders should therefore also have regard to the other publicly available information in relation to the Company before making a decision on whether or not to invest in the Company.

5.6 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules of ASX.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 5.7 below).

5.7 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it, a copy of:

- (a) the Annual Financial Report of the Company for the year ended 30 June 2011, being the last financial year for which an annual financial report has been lodged with ASIC in relation to the Company before the issue of this Prospectus; and
- (b) the following continuous disclosure notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgment of the Annual Financial Report referred to in paragraph (a) and before the date of issue of this Prospectus are as follows:

Date Lodged	Subject of Announcement
07/12/2011	Non-Renounceable Issue and Appendix 3B
05/12/2011	Request for Trading Halt
05/12/2011	Trading Halt
23/11/2011	Results of Meeting
23/11/2011	Annual General Meeting Presentation
23/11/2011	Scoping Study for the Colluli Potash project Positive
18/11/2011	Response to ASX Price Query

The following documents are available for inspection throughout the application period of this Prospectus during normal business hours at the principal office of the Company at 31 Ventnor Avenue, West Perth Western Australia:

- (i) this Prospectus;
- (ii) Constitution; and
- (iii) the consents referred to in Section 5.13 and the consents provided by the Directors to the issue of this Prospectus.

5.8 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

5.9 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Shares under this Prospectus.

5.10 Directors' interests

(a) Directors' Holdings

Set out in the table below are details of Directors' relevant interests in the securities of the Company at the date of this Prospectus. The Directors intend to take up their full Entitlement under the Offer.

Director	No of Shares Held ⁽¹⁾	No. of Options Held	Entitlement to Subscribe for Shares ⁽²⁾	Maximum Entitlement assuming Exercise of existing options
Terry Grammer	410,000	⁽³⁾ 1,000,000 ⁽⁴⁾ 500,000 ⁽⁵⁾ 100,000	41,000	201,000
David Hughes	1,174,945	⁽⁴⁾ 1,000,000 ⁽⁵⁾ 1,500,000	117,495	367,495
Liam Cornelius	8,207,338	⁽⁴⁾ 500,000 ⁽⁵⁾ 250,000 ⁽⁶⁾ 2,000,000	1,000,734	1,095,734
Chris Gilchrist	Nil	Nil	Nil	Nil

- (1). Held directly or indirectly by the Director or a related party of the Director.
- (2). Entitlement to subscribe for Shares that will be held directly or indirectly assuming no existing options held are exercised before the Record Date.
- (3). Exercisable at 20 cents each and expiring on 31.11.2012
- (4). Exercisable at 35 cents each and expiring on 31.7.2013
- (5). Exercisable at 20 cents each and expiring on 30.6.2014
- (6). Exercisable at 20 cents each and expiring on 31.3.2015

(b) Remuneration of Directors

No person has paid or agreed to pay any amount or has given any benefit to any Director to induce them to become, or qualify as a Director or for services provided by the Director, in connection with:

- (i) the formation or promotion of the Company; or
- (ii) the offer of Shares under this Prospectus, except asset out below or elsewhere in this Prospectus.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Total directors' fees paid to all non-executive directors is not to exceed \$200,000 per annum. Fees for Non-Executive Directors are not linked to the performance of the economic entity.

Remuneration (plus superannuation where applicable) for the Chairman is presently \$50,600 and remuneration for Mr Gilchrist is \$40,000 per annum.

Information regarding the remuneration received by Directors (with the exception of Mr Gilchrist who was appointed on 17 October 2011) for the preceding two financial years can be found in the 2011 Annual Report. Given Mr Gilchrist was appointed in October 2011, he has not received directors fees to date.

Mr Hughes has entered into a services agreement with the Company with respect to his engagement as CEO and Managing Director. Pursuant to that services agreement, Mr Hughes is paid a salary of \$220,000

plus superannuation.

Executive director, Mr Cornelius has entered into a services agreement with the Company with respect to him engagement. Pursuant to that services agreement, Mr Cornelius is paid a salary of \$83,398 plus superannuation.

The directors were granted performance rights at the Company's most recent Annual General Meeting as follows:

Director	Performance Rights
Terry Grammer	100,000
David Hughes	300,000
Liam Cornelius	100,000
Chris Gilchrist	200,000

The terms of the performance rights were disclosed in the Notice of Annual General Meeting and Explanatory Statement dated 12 October 2011 (**Notice**). As stated in the Notice, a copy of the full terms and conditions of the performance rights plan will be sent to shareholders upon request, free of charge. The vesting conditions attaching to the performance rights have not occurred.

(c) Other interests

The Company has entered into Deeds of Indemnity, Access and Insurance on standard terms with each of its current directors, Messrs Hughes, Grammer, Cornelius and Gilchrist. Those deeds indemnify these Directors in respect of certain liabilities and legal expenses incurred by them whilst acting as Directors and insures them against certain risks they are exposed to as Directors. The Company has paid insurance premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings while acting in the capacity of a Director.

5.11 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Offer.

DWCorporate Pty Ltd will be paid fees of approximately \$15,000 (plus GST) in relation to the preparation of this Prospectus. In the past two years DWCorporate Pty Ltd has provided corporate advisory services to the Company to a total value of approximately \$167,809.

Security Transfer Registrars Pty Ltd has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and will be paid for these services on standard industry terms and conditions.

5.12 Expenses of issue

The estimated expenses of the issue are as follows:

	\$
ASIC lodgment fee	2,137
ASX quotation fee*	18,025
Corporate advisor expenses	15,000
Printing, mailing and other expenses	10,000
\$ Total	45,162

* Assuming 9,226,569 New Shares are issued under the Offer.

5.13 Consents

The following persons have consented to being named in this Prospectus in accordance with the Corporations Act but, have not made any statements that are included in this Prospectus or statements identified in this Prospectus as being based on any statements made by those persons and have had no involvement in the preparation of any part of this Prospectus other than to be named as the respective adviser as described below. The parties listed below have not withdrawn their consent before lodgment of this Prospectus with ASIC:

- DWCorporate Pty Ltd – as corporate adviser;
- Dongarra Limited Pty Ltd – as underwriter;
- Rothsay Chartered Accountants – as auditor.

To the maximum extent permitted by law, each of the persons referred to above expressly disclaims and takes no responsibility for any part of this Prospectus other than the references to their name.

Security Transfer Registrars Pty Ltd has given and, as at the date hereof, has not withdrawn, its written consent to be named as share registry in the form and context in which it is named. Security Transfer Registrars Pty Ltd has had no involvement in the preparation of any part of this Prospectus other than being named as share registrar of the Company. Security Transfer Registrars Pty Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

6. Authorisation

Each of the Directors of the Company has consented to the lodgment of this Prospectus in accordance with Section 720 of the Corporations Act. This Prospectus is signed for and on behalf of Company by:



Mr David Lawrence Hughes

CEO & Managing Director

Date: 13 December 2011

7. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

Acceptance means a valid application for New Shares and new Options made pursuant to this Prospectus on an Entitlement and Acceptance Form.

Annual Financial Report means the financial report lodged by the Company with ASIC in respect to the year ended 30 June 2011 and includes the corporate directory, Shareholder information, Directors' declaration, financial statements and the notes thereto, of the Company and its controlled entities for the year ended 30 June 2011, together with a Directors' report in relation to that financial year and the auditor's report for the year to 30 June 2011.

Applicant means a person who submits an Entitlement and Acceptance Form.

Application Monies means application monies for New Shares received by the Company.

ASIC means Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.

ASX means ASX Limited ACN 008 624 691.

Board means the Directors meeting as a board.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

CHESS means ASX Clearing House Electronic Subregister System.

Closing Date means 17 January 2012 or such later date as the Directors may determine.

Company means South Boulder Mines Limited ACN 097 904 302.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means Corporations Act (Cth) 2001.

Directors mean the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a person registered as the holder of Shares on the Record Date.

Entitlement means an Eligible Shareholder's entitlement to New Shares and the attaching New Options under the Offer.

Entitlement and Acceptance Form or **Form** means the entitlement and acceptance form attached to this Prospectus that sets out the entitlement of Shareholders to subscribe for New Shares and New Options pursuant to the Offer.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Listing Rules means the Listing Rules of ASX.

Offer means as defined in Section 1.1.

Official List means the official list of ASX.

Official Quotation means quotation of Shares on the Official List.

Option means the right to acquire one Share in the capital of the Company.

Prospectus means this prospectus dated 13 December 2011.

Record Date means the day specified in the proposed timetable.

Section means a section of this Prospectus.

Shareholder means a holder of Shares.

Share means a fully paid ordinary share in the capital of the Company.

Shortfall means the number of New Shares and attaching New Options not taken up by Shareholders under the Offer.

Shortfall Shares means that number of the New Shares that have not validly been applied for under the Offer by the Closing Date.

Shortfall Options means the number of attaching New Options not taken up by Shareholders under the Offer.

Shortfall Securities means the Shortfall Shares and attaching Shortfall Options.

\$ means Australian dollars.

Underwriter means Dongarra Limited, a company incorporated in the Philippines.

Underwriting Agreement means the underwriting agreement dated 8 December 2011 between the Company and the Underwriter and summarized in Section 5.1 of this Prospectus.

WST means Western Standard Time, being the time in Perth, Western Australia.

ENTITLEMENT AND ACCEPTANCE APPLICATION FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

REGISTERED OFFICE:
GROUND FLOOR
20 KINGS PARK ROAD
WEST PERTH WA 6005

SOUTH BOULDER MINES LTD

ABN : 56 097 904 302

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code:

Holder Number:

Eligible Holding as at 5.00pm WST
on 22 December 2011:

Entitlement to Securities 1:10:

Amount payable on acceptance
@ \$1.10 per Security:

NON-RENOUNCEABLE ENTITLEMENT OFFER CLOSING AT 5.00PM WST ON 17 JANUARY 2012
ISSUE PRICE OF \$1.10 PER NEW SHARE WITH ONE (1) FREE ATTACHING UNLISTED OPTION
(EXPIRING 31 JANUARY 2013 @ \$1.60) FOR EVERY TWO (2) NEW SHARES ISSUED.

(1) I/We the above named being registered at 5.00pm WST on the 22 December 2011 as holder(s) of Shares in the Company hereby accept as follows:

	NUMBER OF NEW SHARES ACCEPTED/APPLIED FOR	AMOUNT ENCLOSED @ \$1.10 PER SHARE
Entitlement or Part Thereof	<input type="text"/> , <input type="text"/> , <input type="text"/>	\$ <input type="text"/> , <input type="text"/> , <input type="text"/> . <input type="text"/>



- (2) I/We have enclosed/made payment for amount shown above (following the payment instructions as detailed overleaf).
- (3) I/We hereby authorise you to place my/our name(s) on the register of members in respect of the number of New Securities allotted to me/us.
- (4) I/We agree to be bound by the Constitution of the Company.
- (5) I/We understand that if any information on this form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept this form, and how to construe, amend or complete it shall be final.
- (6) I/We authorise the Company to send me/us a substituted form if this form ceases to be current.
- (7) I/We declare that I/we have received a full and unaltered version of the Prospectus either in an electronic or paper format.
- (8) My/Our contact details in case of enquiries are:

NAME

TELEPHONE NUMBER
()

EMAIL ADDRESS

BPAY PAYMENT OR THE RETURN OF THIS DOCUMENT WITH THE REQUIRED REMITTANCE WILL CONSTITUTE YOUR ACCEPTANCE OF THE OFFER.

PAYMENT INFORMATION - Please also refer to payment instructions overleaf.		REGISTRY DATE STAMP
	Biller Code: 159483 Ref: <input type="text"/>	
	 CHEQUE/MONEY ORDER	
All cheques (expressed in Australian currency) are to be made payable to "SOUTH BOULDER MINES LTD" and crossed "Not Negotiable".		
BPAY® this payment via internet or phone banking. Your BPAY® reference number is unique to this offer and is not to be used for any other offer.		E & O.E.

PAYMENT INSTRUCTIONS



Bill Code: 159483

BPAY® this payment via internet or phone banking.
Your reference number is quoted on the front of this form.

Multiple acceptances must be paid separately.

Applicants should be aware of their financial institution's cut-off time (the time payment must be made to be processed overnight) and ensure payment is processed by their financial institution on or before the day prior to the closing date of the offer. BPAY applications will only be regarded as accepted if payment is received by the registry from your financial institution on or prior to the closing date. It is the Applicant's responsibility to ensure funds are submitted correctly by the closing date and time.

You do not need to return this form if you have made payment via BPAY.

Your BPAY reference number will process your payment to your entitlement electronically and you will be deemed to have applied for such Securities for which you have paid.



CHEQUE/MONEY ORDER

All cheques should be drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable".

Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid.

Do not forward cash as receipts will not be issued.

When completed, this form together with the appropriate payment should be forwarded to the share registry:

Security Transfer Registrars Pty Ltd
PO Box 535, APPLECROSS WA 6953.

Applications must be received by Security Transfer Registrars Pty Ltd no later than 5.00pm WST on the closing date.

EXPLANATION OF ENTITLEMENT

1. The front of this form sets out the number of Securities and the price payable on acceptance of each Security.
2. Your entitlement may be accepted either in full or in part.
There is no minimum acceptance.

ENQUIRIES

All enquiries should be directed to the Company's share registry:

Security Transfer Registrars Pty Ltd

PO Box 535, Applecross WA 6953 AUSTRALIA

770 Canning Highway, Applecross WA 6153 AUSTRALIA

Telephone +61 8 9315 2333

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.