



QUARTERLY OPERATIONS REPORT THREE MONTHS ENDING 30 JUNE 2008

HIGHLIGHTS

- **Board restructure; Terry Grammer appointed Executive Chairman and Lorry Hughes appointed Managing Director.**
- **Sprott Asset Management takes \$2 million placement in South Boulder at 31 cents with a 1 for 2 attached option with an exercise price of \$0.50 cents.**
- **Exploration Access Agreement finalised with the Western Desert Lands Aboriginal Corporation on behalf of the Martu People for exploration on the Lake Disappointment East Potash Project. Exploration heritage surveys and exploration plans are well advanced prior to expected grant of the exploration tenement.**
- **Purchase of an option to acquire 3,205 km² of granted exploration tenure in the N.T. Georgina Basin prospective for phosphate and base metals.**
- **RC drilling is complete at the Duketon Nickel Project JV – results awaited.**

CAPITAL RAISING

During the period a placement was made to Sprott Asset Management raising approximately \$2 million before costs. The placement consists of 2 tranches. Tranche 1, 4.3 million shares at \$0.31 cents with a 1 for 2 free attached 2 year option with an exercise price of \$0.50 to raise approximately AUD \$1.3 million. On the 16th of July a General Meeting was held to approve Tranche 2 consisting of a further 2.1 million shares at \$0.31 cents with a 1 for 2 free attached 2 year option with an exercise price of \$0.50 cents to raise a further AUD \$0.7 million.

The funds for Tranche 1 were received during the period and the securities allocated. It is expected the funds for Tranche 2 will be received early in the next period and the securities allocated as part of the same transaction.

POTASH PROJECTS

Lake Disappointment East (ELA 45/3122) – 572km²

South Boulder Mines Ltd (“South Boulder”) (ASX:STB) during the quarter has focussed its attention on the development of exploration plans ahead of grant at the Lake Disappointment East Potash Project in Western Australia (Figure 1). Grant of the exploration license is expected in September and it is South Boulder’s intention to complete heritage surveys and planning for 1st and 2nd stage exploration programs to be “ready to go” immediately after access is granted.

Work proposals and plans have been submitted to the Western Desert Lands Aboriginal Corporation (WDLAC) for organisation of heritage surveys. The Company is awaiting advice from WDLAC as to the timing of the heritage surveys and expects to undertake the surveys in the next period. The work will involve shallow hand auger sampling of the lacustrine lake system brines and sediments.

Coffey Geotechnics and Coffey Mining has been contracted to assist South Boulder with the hydrogeological assessment of the project as well as to calculate a JORC compliant resource estimate. If initial 1st pass sampling of the project is positive in identifying significant K_2SO_4 it is planned to immediately carry out the work necessary to complete a JORC compliant resource by the end of the year.

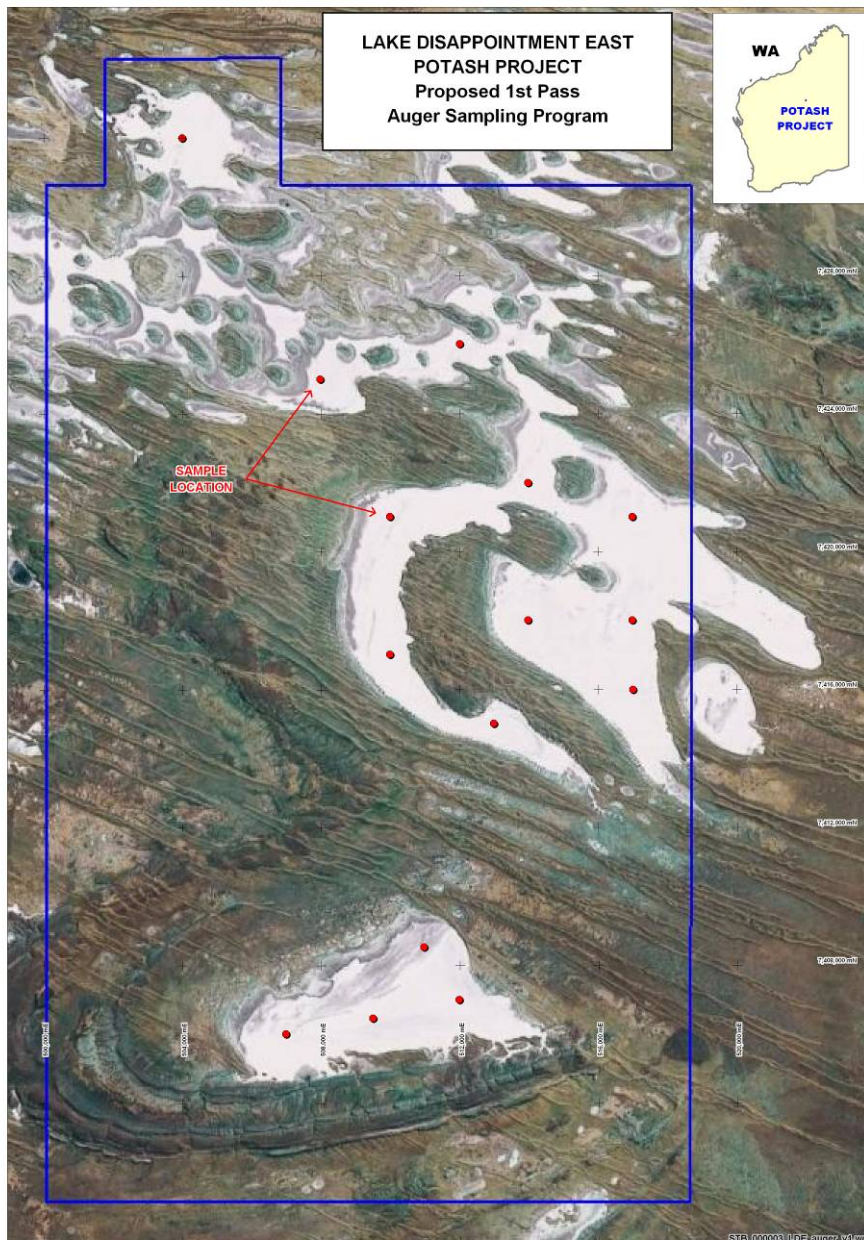


Figure 1: Plan of the Lake Disappointment East Potash Project W.A with an example of sampling grid.

Canning Basin (ELA 04/1806, 04/1807, 04/1808, 45/3227) – 1,115km²

The Canning Basin Project, contains 4 prospects that are prospective for evaporite hosted (MoP) Potash deposits (Figure 2). All the projects are located in the Canning Basin W.A. and

are underlain by an extensive sedimentary sequence with significant evaporite horizons within the Siluro-Devonian Carribuddy Formation.

The sequence was subject to oil exploration in the 1950's and more recently potash exploration by BHP in the mid 1980's. The evaporite horizon targets in the areas under application are in the order of 960 – 1991m vertical depth with drilled salt thicknesses ranging from 485 – 660m thick.

The projects are currently under an early stage of data compilation and evaluation prior to exploration commitments. As the target horizons are deep it is anticipated that exploration will be relatively expensive.

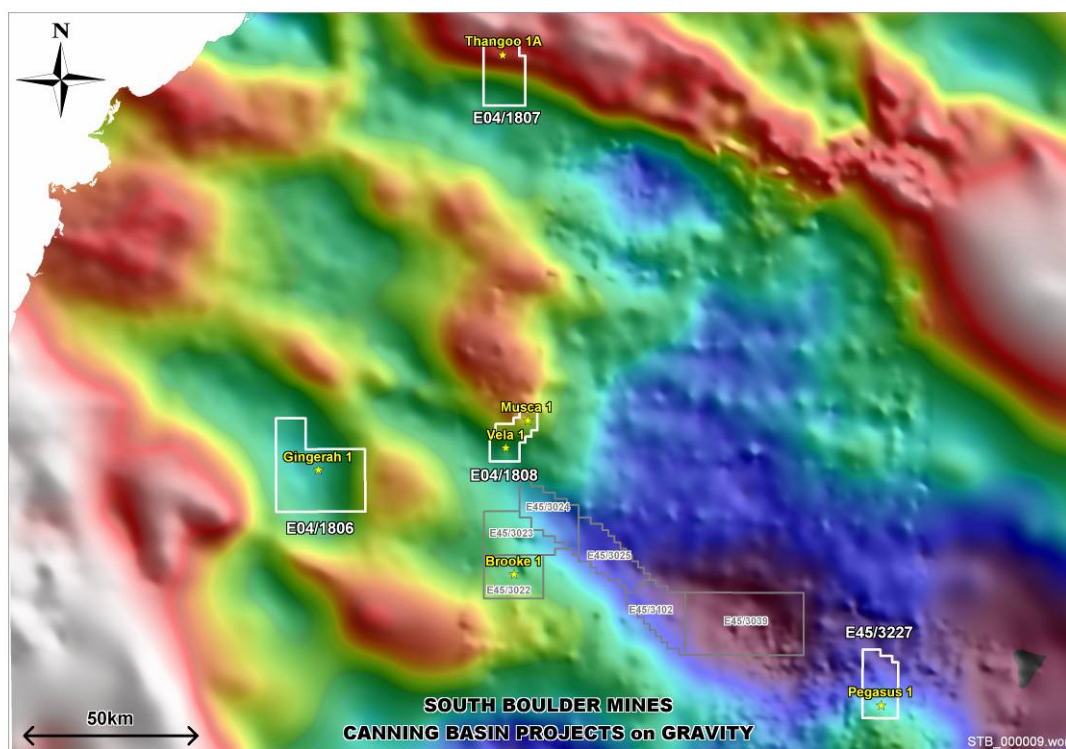


Figure 2: Plan showing Canning Basin Potash Projects over Gravity Data.

PHOSPHATE PROJECTS

Cardabia (ELA 08/1850, 08/1855, 08/1856, 08/1864) – 1,466km²

The 100% owned Cardabia Phosphate Project is located in the northern Carnarvon Basin in Western Australia, approximately 200km north, north east from Carnarvon (Figure 3).

The exploration license applications comprise Palaeozoic (540-251m yrs), Mesozoic (251-65m yrs) and Tertiary (65-1.8m yrs) sediments lying unconformably on or faulted against Pre-Cambrian schists, gneiss, granite and sediments. Extensive phosphate rich nodules (calcium phosphate) are hosted within contact zones between the Gerle Siltstone and Toolonga Calcilutite and Toolonga Calcilutite and Korojon Calcarenite.

Broadly spaced air-core drilling (approximately 7km x 3km) by CRA Exploration Pty Ltd during 1989-90 demonstrated that phosphate mineralisation was widespread throughout South Boulder's exploration licences. The air-core samples were screened to the +5mm size fraction and then assayed (see figure below). Grades encountered were up to 49% P₂O₅ in the +5mm fraction and numerous grades in the 25-30% range.

Once all data is compiled and examined in detail, South Boulder plans to undertake concept level economic studies to determine the potential of the project. The project is located within 100kms of the coast and it maybe possible that simple beneficiation could be utilised to produce a relatively high grade product.

If the economic potential is favourable, South Boulder's immediate exploration target will be to locate depressions along the White Peaks and Nabawarra Synclines which is considered favourable for the economic accumulations of phosphate nodules. At this stage it is expected parts of the project will be granted towards the end of the year.

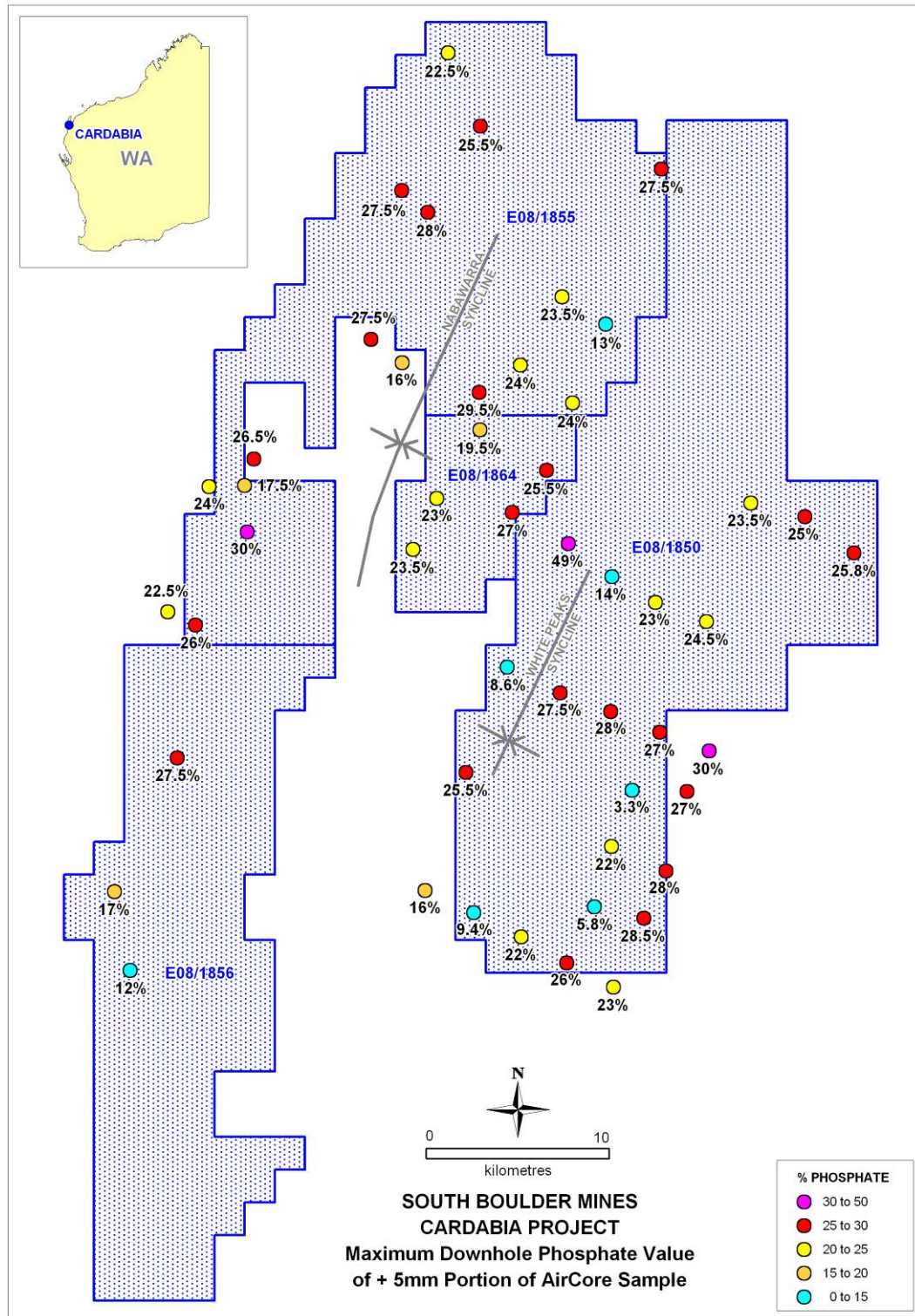


Figure 3: Plan showing Cardabia Phosphate Project W.A. with historic air-core drilling.

Southern Georgina Project (EL 26380, 25983, 25982) – 3,205km², (ELA 26768, 26769) – 907km²

During the period South Boulder acquired an option to purchase 100% of three granted exploration licenses prospective for phosphate and base metals in the Northern Territory (Figure 4). Together with two additional exploration license applications, they form the Southern Georgina Phosphate Project.

South Boulder intends to take up the option early in the next period and then commence traditional owner consultation with a view to getting on the ground exploring as soon as possible. Data compilation and early stage evaluation has commenced.

Uranmet Minerals (ASX: URM) is exploring the Boat Hill Prospect which is immediately south and southeast along strike from South Boulder's tenements and they have identified significant outcropping phosphate mineralisation up to 32%. These areas will be priority areas for exploration for South Boulder.

The option was purchased from Bralich Holdings Pty Ltd for 100% of all mineral rights unencumbered under the following terms:

- Payment of \$10,000 as a non refundable option fee on the 13/06/08;
- Option exercise period is for 2 months;
- If the option is exercised a further payment of \$30,000 is to be made and 200,000 STB shares issued to Bralich Holdings Pty Ltd.

Central Georgina Project (ELA 26760 – 26766, 26800 - 26803) – ~ 7,000km²

During the period the company applied for 11 exploration licence applications over large areas of the Central Georgina Basin in the N.T. that are prospective for phosphate. The tenements are proximal to some known phosphate deposits and occurrences (Figure 5).

The tenements are at an early stage of evaluation prior to expected grant towards the end of the year. Data acquisition has commenced however due to the wet season affecting access from December to March and the timing of expected grant of some tenements, The Company does not expect to be able to explore on the ground this year on this project. It is expected that data compilation, initial exploration planning, community consultation and preparation for heritage surveys will be complete in preparation for exploration in dry season 2009.

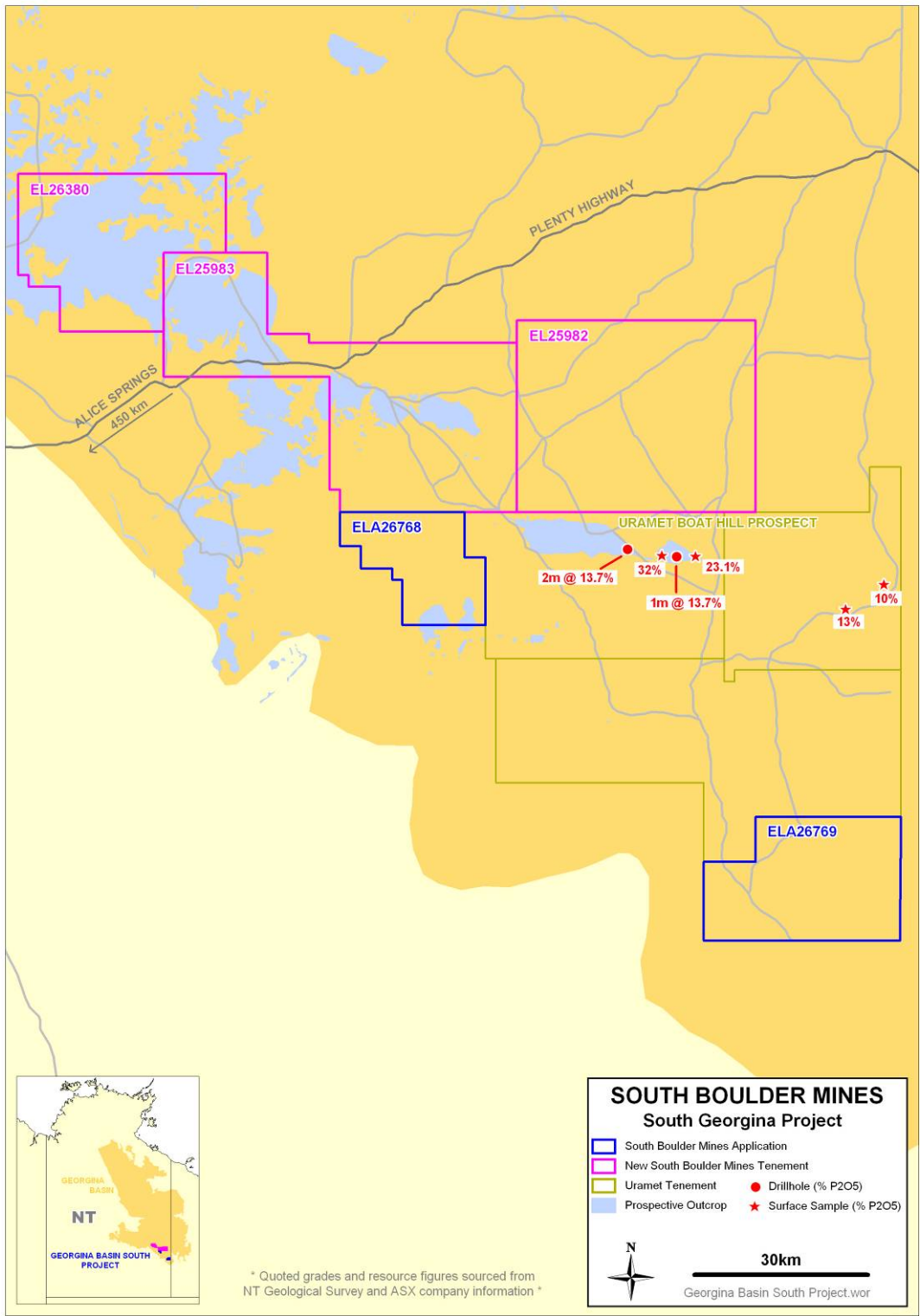


Figure 4: Southern Georgina Phosphate Project in Relation to Uranmet's Boat Hill Prospect.

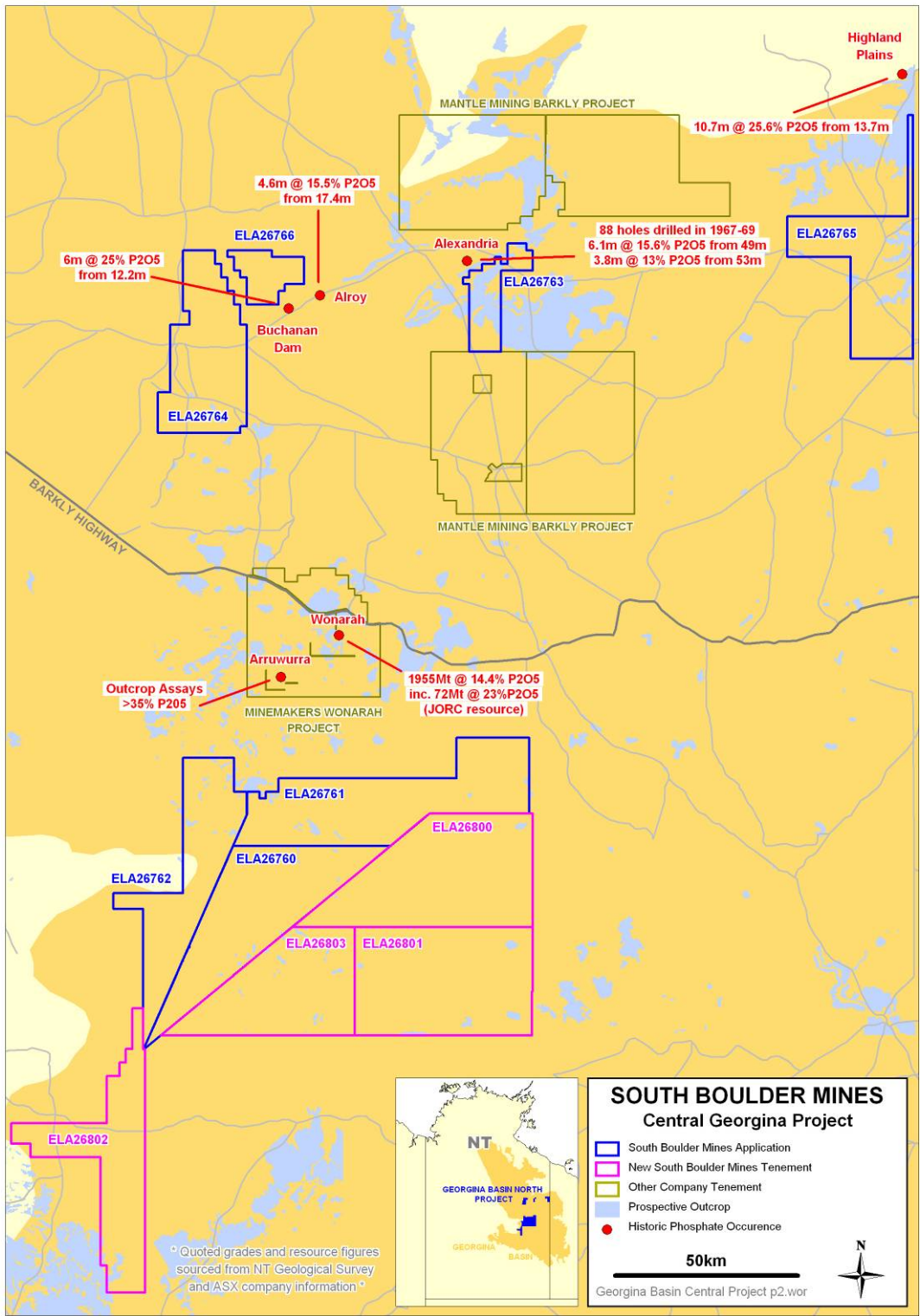


Figure 5: Central Georgina Phosphate Project in Relation to known Phosphate Deposits and Occurrences.

THE DUKETON GOLD PROJECT

South Boulder's 100% owned Duketon Gold Project is located north of Laverton in Western Australia and is highly prospective for gold, nickel sulphide and base metals.

The Project totals approximately 2,000km² in area, making South Boulder the largest single land holder in the Duketon Greenstone Belt.

From the early 90's the majority of the Duketon Project was held by Normandy Mining Limited (Normandy) and Newmont Mining Corporation (Newmont). Although wide spaced reconnaissance exploration was sporadically conducted on areas of outcrop, the vast majority of the project remains under shallow cover and vastly under explored.

Duketon Gold Exploration

The Duketon Greenstone Belt contains highly prospective geological sequences and mineralised structures. Numerous structures are known to contain significant gold mineralisation. This is evidenced by the approximately +3M ounces of unmined gold resources currently defined to date within the belt. In addition the +1.5M ounce Moolart Well Gold Project is currently being developed by Regis Resources NL.

South Boulder plans to systematically drill test over 20 gold targets in 2008 that were identified by previous workers, including Thompson's Bore, Thompson's Bore South, Henry's Bore and others on both the western and eastern margins of the belt.

Drilling that was initially planned for the June quarter was delayed due to re-scheduling of the overall program and the fact that external parties were evaluating parts of the project for potential participation in a joint venture with South Boulder. No joint venture agreements were reached during the period however the project remains under evaluation by a number of parties.

Substantial planning and preparation for RAB/air-core drill programs to be conducted by South Boulder was undertaken during the period. Aboriginal Heritage issues were addressed and plans were submitted to the DIOR and DIA for drilling approvals. A number of areas have been approved for drilling and others are awaited.

It is planned to conduct approximately 5,000m of RAB/air-core drilling over a number of different prospects in one program so as to minimise overall drilling costs. Once approvals are received for the entire program and a drill rig sourced the program will proceed. It is planned to conduct the program within the next 3 months on prospects including Henry's Bore, Camp Oven, Sweet Nell and Hootanui.

Thompson's Bore Gold Prospect

The Thompson's Bore Gold Prospect is located within E38/1537, 5km due south of the Bulge Nickel Sulphide discovery and 30km east of the 1.5M ounce Moolart Well deposit owned by Regis Resources NL (Figure 6). Significant results from shallow air-core drilling previously announced include:

- TBAC009 - 8m @ 0.59g/t from 0m + 4m @ 12.7g/t from 44m
- TBAC010 - 16m @ 7.8g/t (inc 4m @ 14.4g/t) from 32m
- TBAC018 - 4m @ 3.1g/t from 56m
- TBAC020 - 12m @ 2.3g/t (inc 4m @ 3.5g/t) from 20m
- TBAC009 - 5m @ 2.92g/t (inc 1m @ 8.13g/t from 0m) + 1m @ 59.0g/t from 44m
- TBAC010 - 11m @ 8.70g/t (inc 2m @ 27.75g/t) from 35m
- TBAC018 - 4m @ 3.26g/t (inc 1m @ 6.5g/t) from 57m
- TBAC020 - 7m @ 4.01g/t from 23m

Most recent 1m re-split samples (announced on 11th March 2008) include:

- TBAC034 - 1m @ 75.30g/t from 14m
- TBAC042 - 7m @ 5.80g/t (inc 2m @ 15.70g/t) from 18m

- TBAC036 - 4m @ 5.0g/t (inc 1m @ 17.3g/t) from 8m
- TBAC030 - 12m @ 2.10g/t from 76m
- TBAC041 - 4m @ 3.03g/t (inc 2m @ 5.2g/t) from 37m
- TBAC040 - 5m @ 3.98g/t (inc 1m @ 6.44g/t) from 63m
- TBAC047 - 4m @ 4.4g/t from 44m

The mineralisation is considered open in all directions and indications are that mineralised intersections are significantly depleted down to depths of ~ 80m. At least 2 and possibly 3 steeply dipping, parallel north - north west striking gold zones exist within the project.

South Boulder is currently planning up to six RC holes to 200m depth to determine the grade and width of the primary mineralisation. It is planned to carry out this drilling once approvals are in place and a rig sourced within the next 3-4 months.

DUKETON NICKEL JOINT VENTURE

South Boulder signed the Duketon Nickel Joint Venture with Independence Group NL ("Independence") (ASX:IGO) in April 2004.

Independence must complete a Bankable Feasibility Study within 5 years to earn 70% of the nickel rights. Within the joint venture area there are numerous areas that are highly prospective for nickel. The areas where detailed exploration has been conducted to date are discussed below. Independence is managing the exploration.

The Bulge Prospect

Previous air-core and reverse circulation drilling at The Bulge Prospect has confirmed the presence of disseminated nickel sulphide mineralisation associated with platinum group element ("PGE") anomalism (Figure 7).

Independence has advised that RC drilling of a planned 42 hole program for ~ 6,195 metres has been completed with results expected in the next period.

Robinson Prospect

A TEM survey testing ultramafic stratigraphy at the Robinson Prospect, located between the Bulge and the Camp Oven Ni-Cu-PGE occurrence has been completed (Figure 8). One conductor delineated during the survey (Anomaly B) is closely associated with a magnetic anomaly at the interpreted ultramafic contact. The anomaly is 400m long with a sub-vertical dip and is considered a high priority nickel sulphide target.

Bulge Bandy Prospect

A TEM survey has been completed at the Bulge-Bandy area testing ultramafic stratigraphy south-east along strike from the Bulge. A strong, short strike length anomaly consistent with a nickel sulphide response has been identified close to or on the ultramafic-sediment contact.

It was planned to drill test the priority conductors at the Robinson and Bulge-Bandy prospects however priority was given to the drilling on the Bulge Prospect for the recently completed program.

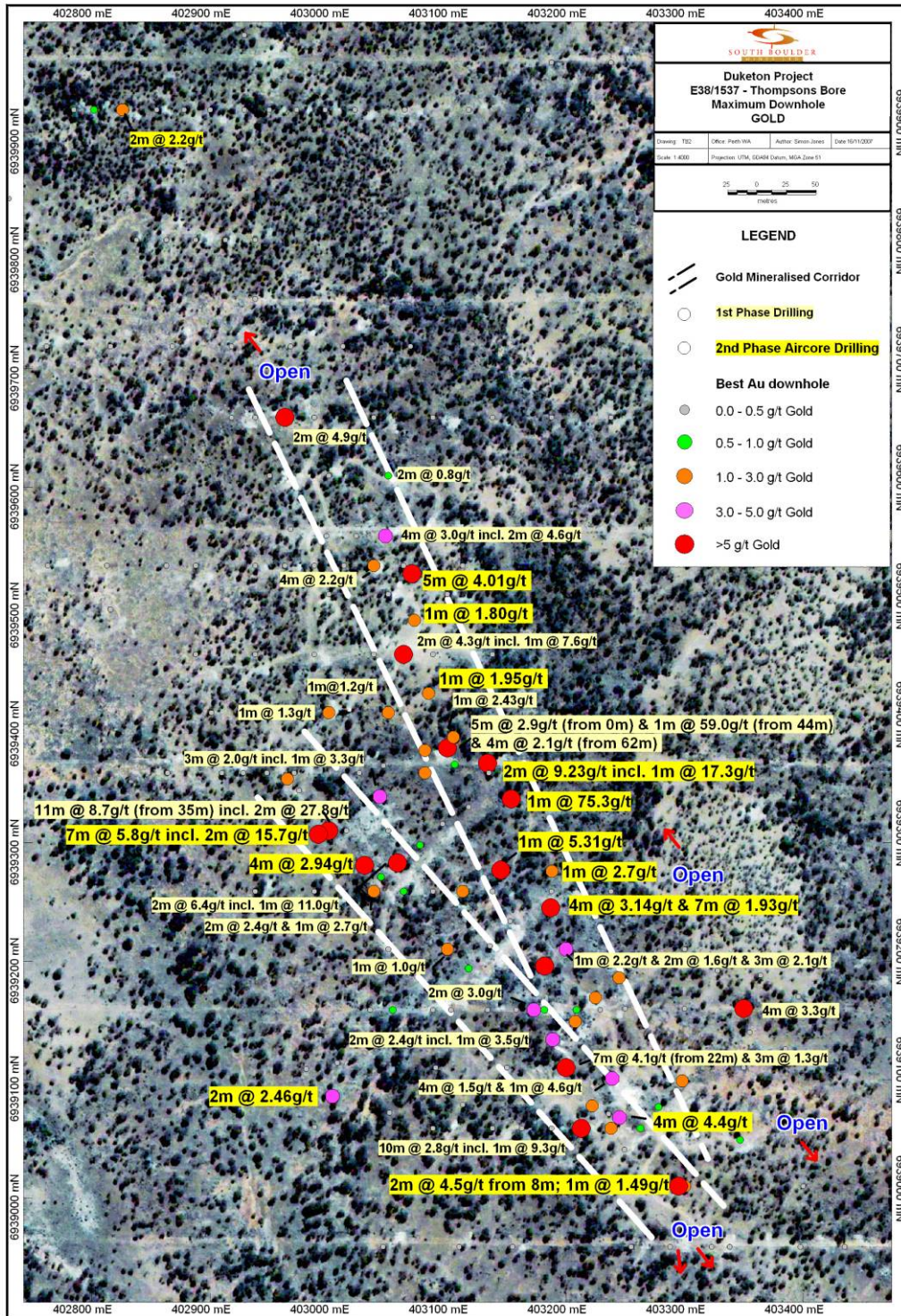
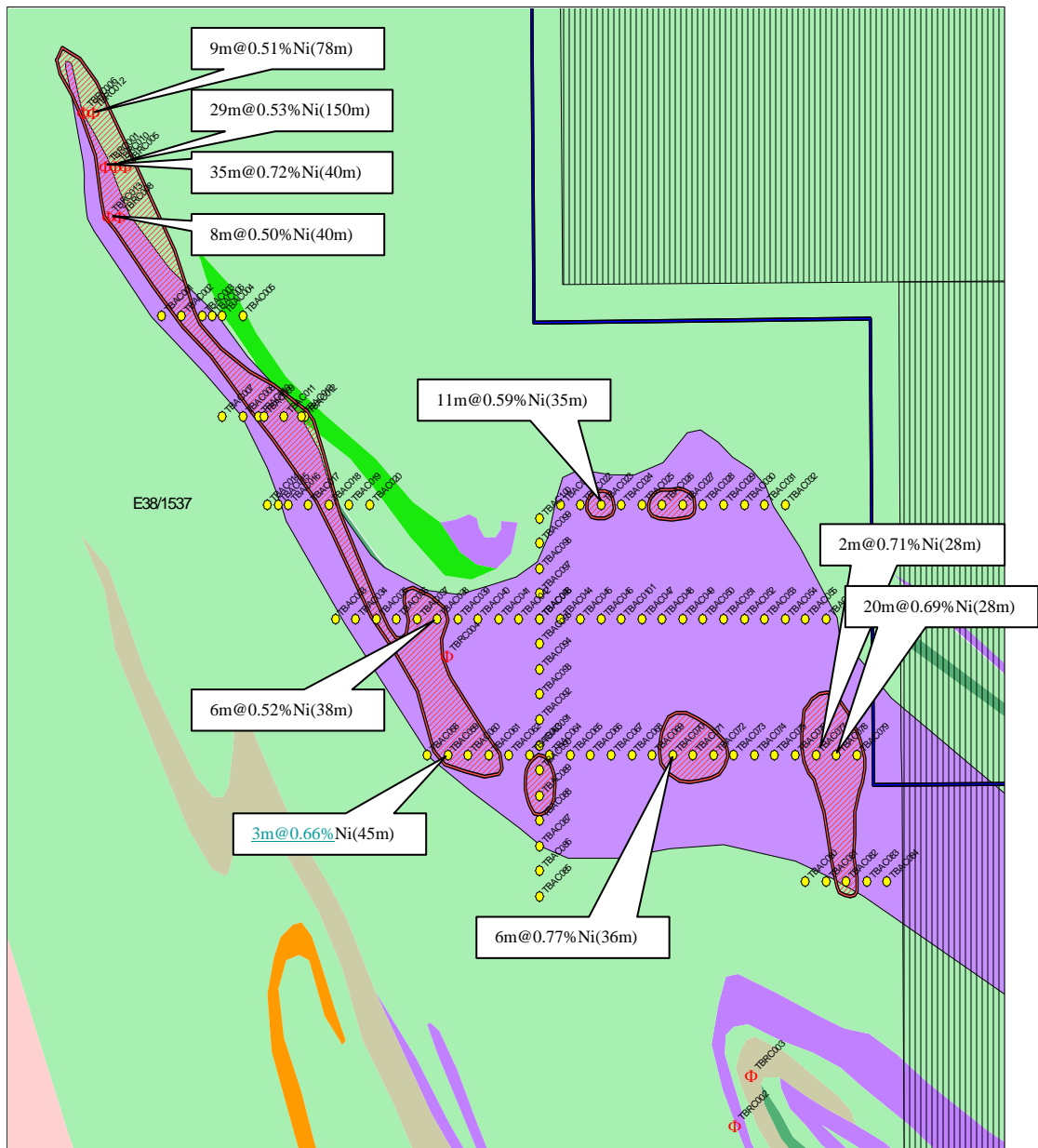
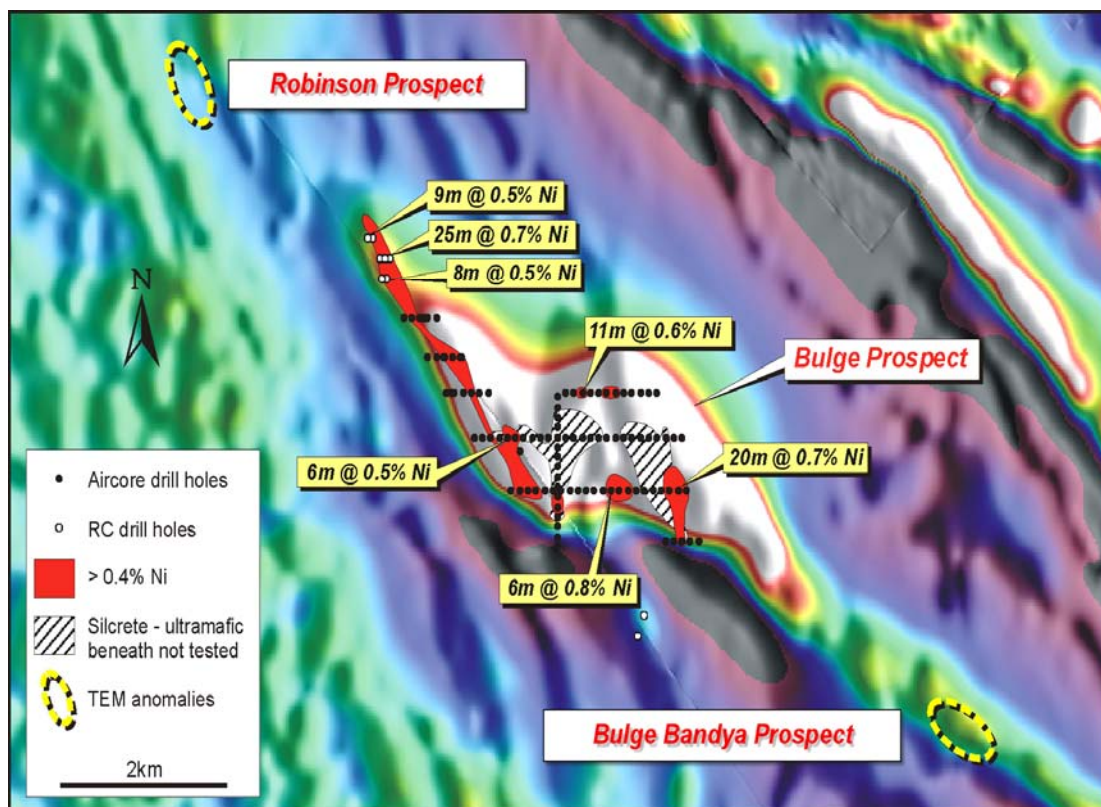


Figure 6: Plan showing gold mineralisation at the Thompsons Bore Gold Prospect



(Diagram courtesy of Independence)

Figure 7:E38/1537 The Bulge completed air-core drilling completed in October 2007 with interpreted geology and approximate sulphide mineralisation contours and intercepts (0.4% Ni cut-off)



(Diagram courtesy of Independence)

Figure 8: Bulge Ultramafic as well as location of potential nickel sulphide TEM conductors at the Robinson and Bulge-Bandya Prospects

THATCHER SOAK URANIUM JOINT VENTURE

In September 2006, South Boulder entered into a Uranium JV with Uranex NL ("Uranex") (ASX:UNX) whereby Uranex can earn a 65% interest in the uranium rights on P38/3298.

South Boulder retains a 35% free carry to the completion of a bankable feasibility study which must be completed within 6 years.

Previous eU3O8 intercepts returned from drilling conducted by Uranex on the South Boulder joint venture ground include 2.75m @ 473.2ppm, 4.5m @ 335.4ppm, 1.85m @ 346.9ppm and 0.95m @ 415ppm.

OTHER

During the reporting period South Boulder continued to examine a number of opportunities within the fertilizer industry both within Australia and overseas aimed at complimenting our existing portfolio.

During the period 3.735 South Boulder options were exercised raising \$792,000. Currently there are approximately 53.2 million shares on issue and 18.6 million options.

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LISTED SHARES

South Boulder holds a number of shares and options in other ASX and TSX listed companies:

Company Name	Stock Exchange	No of fully paid Shares	20c Options	Option Expiry Date
IMX Resources NL	ASX	1,325,000		
Montezuma Mining Company Ltd	ASX	4,150,000	1,037,500	31/08/2011
Buxton Resources Limited	ASX	250,000	750,000	30/06/2012
Gold Aura Limited	ASX	1,000,000		
Avonlea Minerals Limited	ASX	400,000		
Continental Nickel	TSX	121,200		

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31 JULY 2008

The Information in this report that relates to exploration results is based on information compiled by Lorry Hughes, who 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 he is 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 is an Executive Officer of South Boulder Mines Ltd and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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