

**QUARTERLY OPERATIONS REPORT  
THREE MONTHS ENDING 31 DECEMBER 2009**

**HIGHLIGHTS**

- **Follow-up drilling at the newly discovered Terminator Gold Prospect defined further shallow mineralisation that is considered open in all directions with some compelling targets defined. Significant results include;**
  - **TBAC014 - 31m @ 1.07g/t Au from 1m including; 8m @ 2.68g/t from 1m;**
  - **TBAC024 – 60m @ 1.30g/t Au from 2m including; 10m @ 4.25g/t from 3m;**
  - **TBAC025 – 14m @ 5.13g/t from 70m including; 8m @ 8.38g/t from 72m.**
  
- **Duketon Nickel JV continues to deliver excellent results from the Rosie Ni-Cu-PGE Prospect. Most recent highlights include;**
  - **Hole TBRC070 – 7.00m @ 2.61% Ni, 0.42% Cu, 3.75g/t Pt+Pd from 190m;**
  - **Hole TBDD080 – 3.59m @ 2.27% Ni, 0.24% Cu, 3.10g/t Pt+Pd from 205m including;**
    - **0.76m @ 4.98% Ni, 0.25% Cu, 6.98g/t Pt+Pd from 207.84m.**
  
- **Subsequent to the end of the period, a 15-20 combination RC and diamond drilling program has commenced at the Rosie Prospect with results expected in February;**
  
- **Drilling contract finalised and logistics for first confirmation drilling at the Colluli Potash Project, Eritrea, have been confirmed. Drill testing of the buried potash horizons are scheduled for February/March;**
  
- **Completion of a non-renounceable 1 for 10 non renounceable rights issue and shortfall placement to raise ~ \$1.1m from the issue of 5,570,794 new shares at 20cents;**
  
- **Cash at end of period \$2.6m + cash in trust (\$0.68m) = Total \$3.28m cash + listed equities ~ \$1.6m.**

## DUKETON PROJECT

The Duketon Project comprises ~ 1,500 km<sup>2</sup> of the Achaean Duketon Greenstone Belt and is located ~ 80kms north of Laverton in Western Australia. South Boulder owns 100% of the gold rights and Independence Group NL (ASX: IGO) is earning 70% of the nickel rights to selected tenure held by South Boulder as part of the Duketon Nickel Joint Venture. In order to earn a 70% interest in the project Independence must complete a Bankable Feasibility Study (BFS) within 5 years from the grant of the relevant tenement.

## DUKETON GOLD PROJECT

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

The Duketon Greenstone Belt contains highly prospective geological sequences and mineralised structures. Numerous structures are known to contain significant gold mineralisation and this is demonstrated by the 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 "Regis" (ASX: RRL). Once operational this will be the only mining operation in the Duketon Belt. The recent developments in the belt announced by Regis and A1 Minerals (ASX: AAM) are under consideration and will likely have a very positive impact on the future of the Duketon Belt.

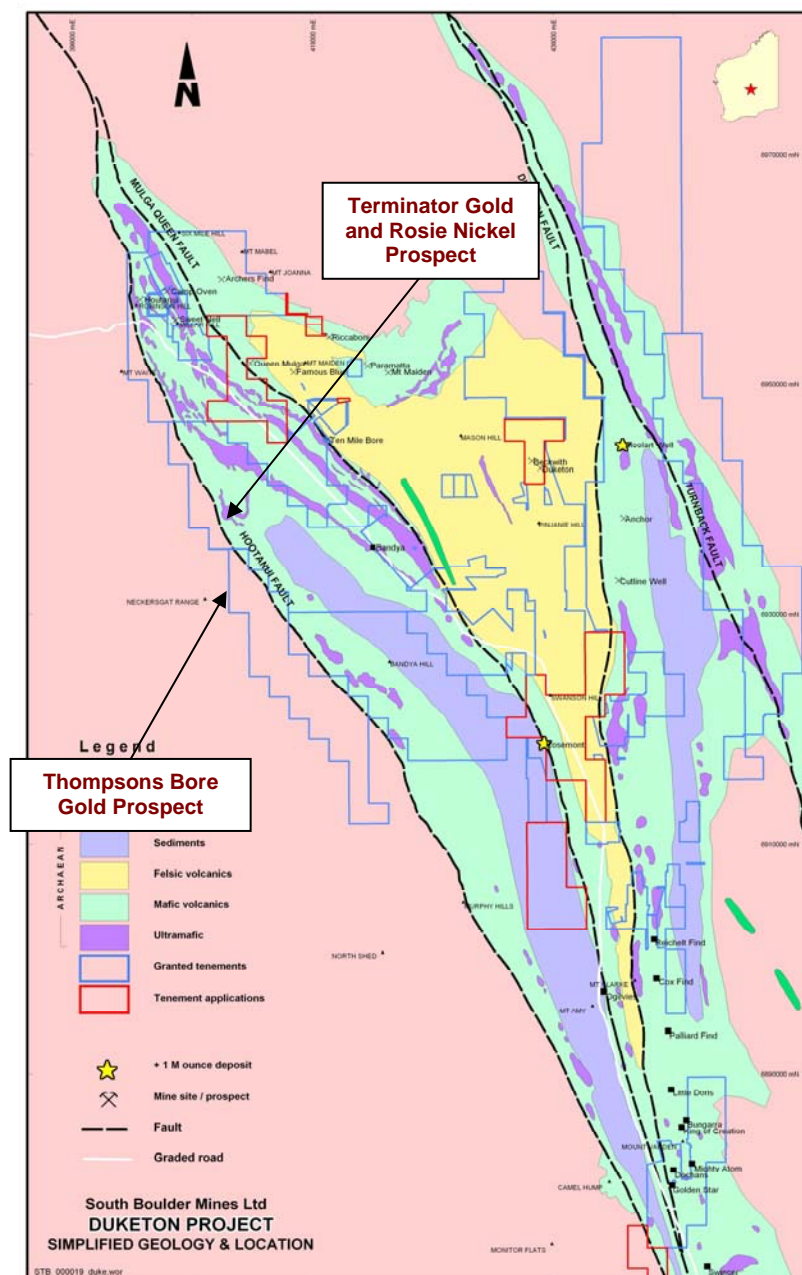


Figure 1 - Duketon Project tenements over Duketon Greenstone Belt geology.

## Terminator Prospect

The Terminator Gold Prospect was discovered during a geochemical aircore drilling program exploring for nickel on E38/1537 during September 2009 (Figure 1). The Prospect is located approximately 1.4km south of the Bulge C2 Nickel Prospect and it has returned significant intercepts such as;

- **TBAC 013 - 10m @ 1.16g/t from 1m;**
- **TBAC 014 - 31m @ 1.07g/t from 1m including;**
  - **8m @ 2.68g/t from 1m;**
  
- **TBAC 019 - 41m @ 0.61g/t from 1m including;**
  - **6m @ 2.18g/t from 1m;**
  
- **TBAC019 - 9m @ 1.59g/t from 55m including;**
  - **2m @ 5.85g/t from 56m;**
  
- **TBAC024 – 60m @ 1.30g/t from 2m including;**
  - **10m @ 4.25g/t from 3m;**
  
- **TBAC025 - 6m @ 1.00g/t from 1m;**
- **TBAC025 - 7m @ 2.01g/t from 52m;**
- **TBAC025 - 14m @ 5.13g/t from 70m including;**
  - **8m @ 8.38g/t from 72m;**
  
- **TBAC029 – 20m @ 1.01g/t from 1m including;**
  - **8m @ 1.98g/t from 1m;**
  
- **TBAC031 – 3m @ 12.24g/t from 51m (EOH)**
- **TBAC034 – 7m @ 0.98g/t from 2m**
- **TBAC034 – 17m @ 1.24g/t from 48m including;**
  - **2m @ 5.66g/t from 48m.**

A 4,216m 50 hole follow-up aircore drilling program was completed in October 2009. The program was designed to test for continuity of shallow gold mineralisation previously intercepted at Terminator over a 220m strike length (Figure 2). The mineralisation has now been intersected over ~ 400m.

During the period all the one metre samples were received from the maiden aircore drilling program at the 100% owned Terminator Gold Prospect within the Duketon Gold Project. Results were considered highly encouraging and further RC and aircore drilling is planned for February. A full table of significant results is included in Table 1.

It is apparent there is a significant shallow gold mineralised system with the majority of holes either intercepting high grade laterite and/or oxide mineralisation. In addition the program has confirmed the potential for a significant gold system at depth as a number of drill holes ended in strong mineralisation i.e. **TBAC031 (3m @ 12.24g/t Au from 51m).**

The sampling was originally completed as 4m composites (aqua regia) with all anomalous zones re-sampled at 1m intervals by the fire assay analytical method. The 1m re-sampling has shown that the high grade laterite starts immediately below the thin transported cover (between 0.5m and 4m vertical depth), with grades returned in the laterite of up to **8m @ 2.68g/t Au from 1m in TBAC014**. The profile then passes into a moderately depleted zone and then back into high grade gold mineralisation within the oxide zone.

The Ore grade gold mineralisation is currently well defined over ~ 400m strike length and is open in all directions. The mineralisation is defined as open in all directions because it has either not been drilled or the drilling is considered to be ineffective. The Terminator Prospect occurs within a broader anomalous zone over 3km's which has to date only been very lightly tested by a handful of reconnaissance drill holes.

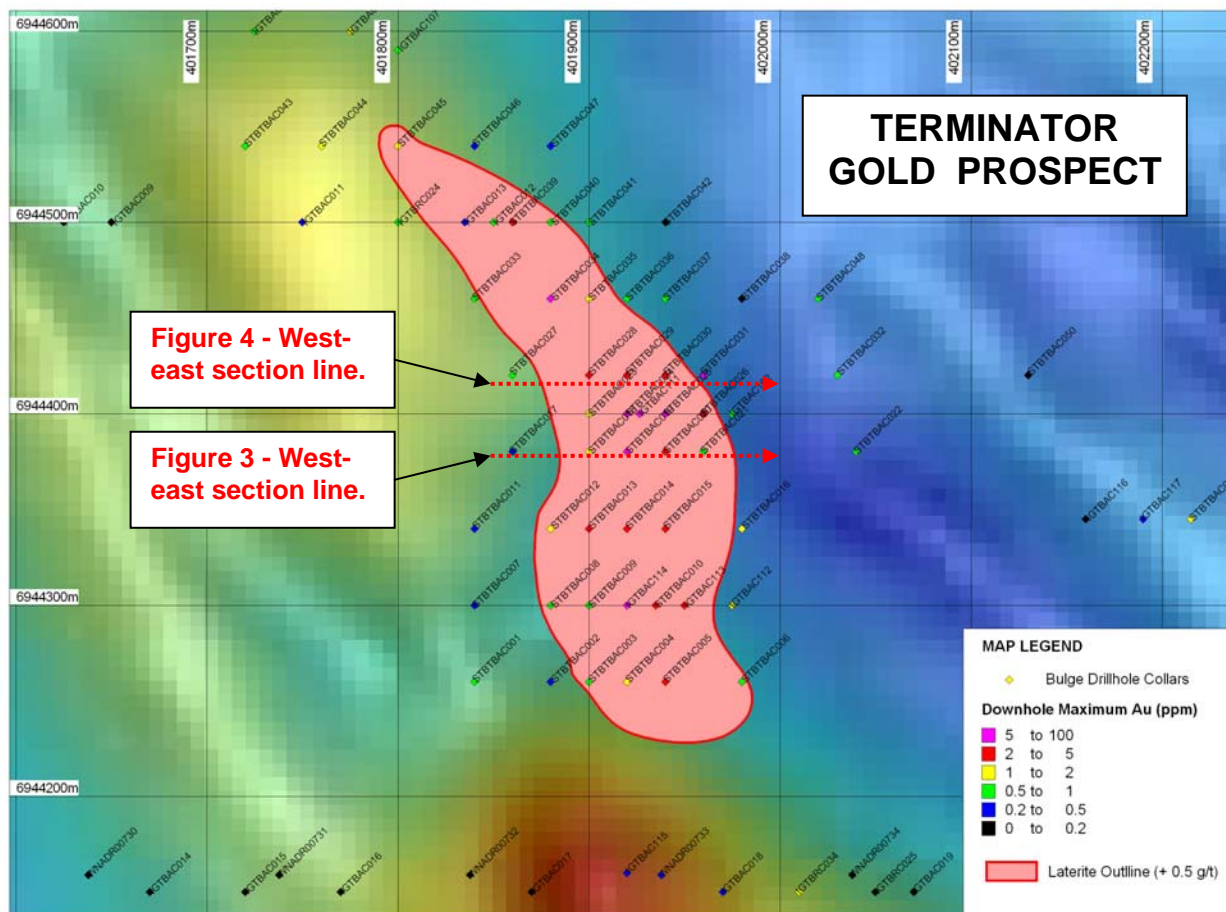
Re-sampling has also defined a new area of + 1g/t Au mineralisation approximately 250m north of the Terminator prospect.

The maiden aircore drilling program targeted a sheared contact between an ultramafic and mafic sequence, which is currently believed to be the control on the gold mineralisation. The majority of holes were drilled to blade refusal and fenced on a 40m x 40m pattern. In addition a number of closer spaced holes (20m X 20m) were drilled to understand the vectors to mineralisation. Some wider spaced exploratory drill holes were also completed with wildcat hole TBAC049 returning 8m @ 0.40g/t from 36m, including 1m @ 1.26g/t from 40m.

Further aircore drilling is planned to test the strike extensions to the Terminator and Terminator North Prospects as well as RC drilling which will be designed to test the fresh rock depth extensions of the high grade gold mineralisation.

Drill hole TBAC049 was drilled several hundred metres to the east of the Terminator Gold Discovery and may represent a parallel mineralised gold structure. Further testing of this target is also planned.

Follow up drilling comprising up to 2,000m RC and 10,000m aircore to commence in February upon finalisation of drilling contract for Terminator, Terminator North and Thompsons Bore areas.



**Figure 2 – The Terminator Gold Prospect in relation to the Rosie Nickel Prospect.** (For further details refer to the announcement released to the ASX on 20/01/2010)

Figures 3 and 4 below are east-west oriented vertical cross sections through the “Terminator Discovery Area”. The figures show some high priority laterite, oxide primary targets that will be tested in the next drilling program.

### Thompson’s Bore 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 1). Significant results from shallow air-core drilling previously announced include:

- 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;
- 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;

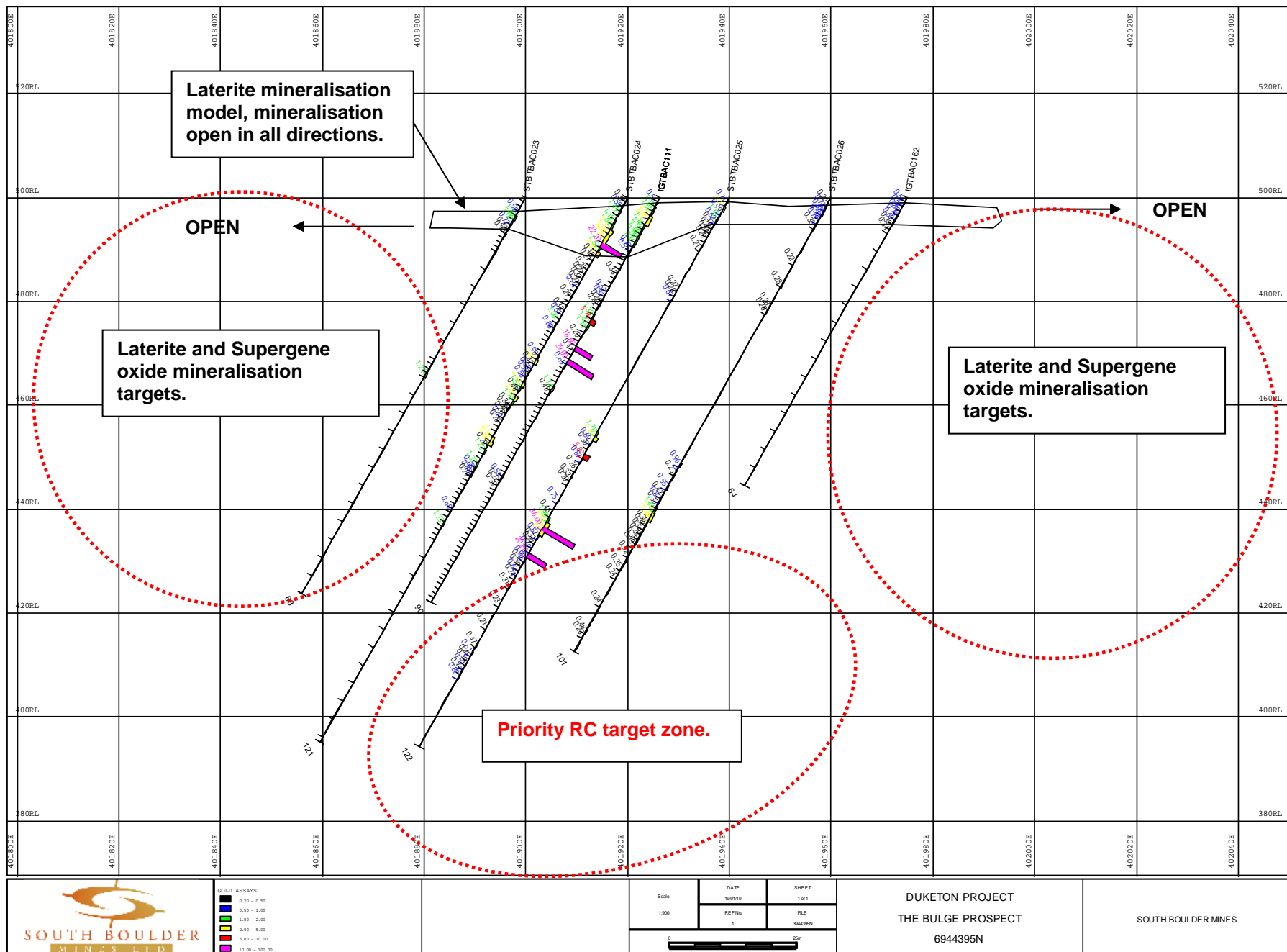


Figure 3 – West-east vertical cross-section 6944395N at The Terminator Gold Prospect showing examples of drill targets.

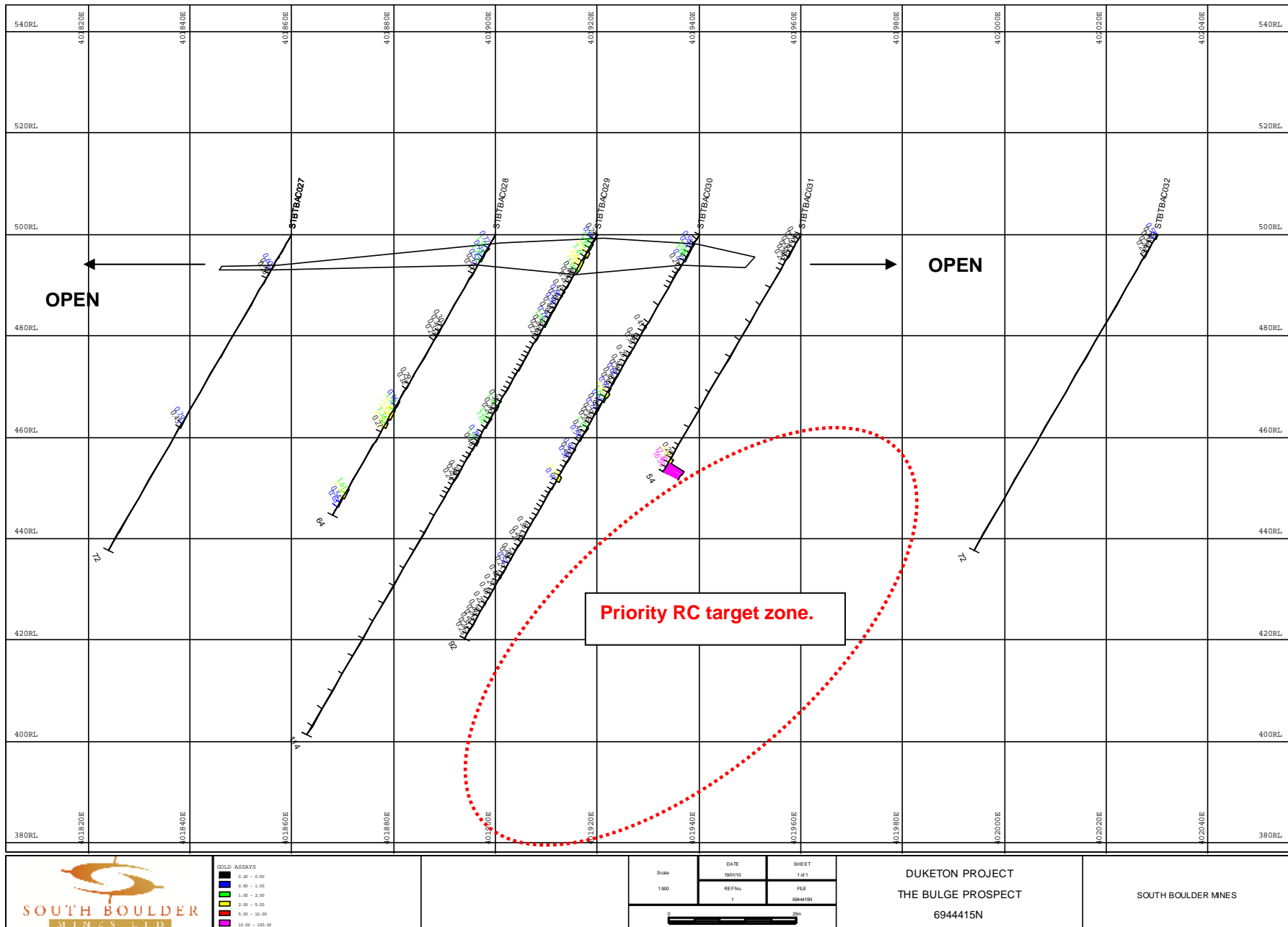


Figure 4 – West-east vertical cross-section 6944415N at The Terminator Gold Prospect showing examples of drill targets.

Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.	From	To	Interval (m)	Au (g/t)	Comment
TBAC001	401843	6944263	500	270	60	71	2	10	8	0.37	Laterite
Includes							7	9	2	0.72	Laterite
TBAC002	401881	6944256	500	270	60	57	2	9	7	0.31	Laterite
TBAC003	401902	6944256	500	270	60	55	1	10	9	0.34	Laterite
TBAC004	401919	6944260	500	270	60	102	1	11	10	0.52	Laterite
Includes							4	8	4	0.90	Laterite
TBAC005	401945	6944256	500	270	60	80	2	8	6	0.53	Laterite
							37	39	2	0.62	Oxide
							<b>55</b>	<b>57</b>	<b>2</b>	<b>3.03</b>	<b>Oxide</b>
TBAC006	401980	6944262	500	270	60	40	2	8	6	0.51	Laterite
TBAC008	401874	6944303	500	270	60	62	8	12	4	0.50	Laterite
TBAC009	401899	6944300	500	270	60	84	3	9	6	0.54	Laterite
IGTBAC114	401920	6944300	500	270	60	102	<b>4</b>	<b>11</b>	<b>7</b>	<b>2.62</b>	<b>Laterite</b>
TBAC010	401937	6944299	500	270	60	95	3	8	5	0.72	Laterite
							<b>42</b>	<b>50</b>	<b>8</b>	<b>1.00</b>	<b>Oxide</b>
Includes							<b>42</b>	<b>44</b>	<b>2</b>	<b>3.21</b>	<b>Oxide</b>
IGTBAC113	419950	6944300	500	270	60	62	4	7	3	0.83	Laterite
							39	40	1	0.64	Oxide
							44	48	4	1.86	Oxide
IGTBAC112	401975	6944300	500	270	60	58	4	7	3	0.97	Laterite
							38	40	2	0.58	Oxide
TBAC012	401882	6944339	500	270	60	61	2	12	10	0.52	Laterite
Includes							7	9	2	1.07	Laterite
TBAC013	401902	6944341	500	270	60	73	<b>1</b>	<b>11</b>	<b>10</b>	<b>1.16</b>	Laterite
							63	64	1	0.58	Oxide
TBAC014	401917	6944339	500	270	60	95	<b>1</b>	<b>32</b>	<b>31</b>	<b>1.07</b>	Oxide
Includes							<b>1</b>	<b>9</b>	<b>8</b>	<b>2.68</b>	<b>Laterite</b>
TBAC015	401940	6944341	500	270	60	95	1	10	9	0.91	Laterite
Includes							<b>3</b>	<b>6</b>	<b>3</b>	<b>1.64</b>	<b>Laterite</b>
							<b>38</b>	<b>71</b>	<b>33</b>	<b>0.74</b>	<b>Oxide</b>
Includes							<b>38</b>	<b>41</b>	<b>3</b>	<b>2.18</b>	<b>Oxide</b>
							79	80	1	0.57	Oxide
TBAC016	401965	6944340	500	270	60	59	2	6	4	0.50	Laterite
TBAC018	401902	6944373	500	270	60	82	2	9	7	0.88	Laterite
Includes							3	5	2	1.43	Laterite
TBAC019	401923	6944376	500	270	60	122	1	42	41	0.61	Laterite/Oxide
Includes							<b>1</b>	<b>7</b>	<b>6</b>	<b>2.18</b>	<b>Laterite</b>
							55	64	9	1.59	Oxide
Includes							<b>56</b>	<b>58</b>	<b>2</b>	<b>5.85</b>	<b>Oxide</b>
TBAC020	401941	6944377	500	270	60	152	<b>0</b>	<b>5</b>	<b>5</b>	<b>1.10</b>	<b>Laterite</b>
							21	23	2	0.53	Oxide
							<b>38</b>	<b>41</b>	<b>3</b>	<b>2.34</b>	<b>Oxide</b>
							<b>57</b>	<b>68</b>	<b>11</b>	<b>1.14</b>	<b>Oxide</b>
							71	83	12	0.67	Oxide
TBAC021	401964	6944375	500	270	60	72	1	5	4	0.58	Laterite
							47	48	1	0.52	Oxide
TBAC022	402045	6944383	500	270	60	63	2	4	2	0.54	Laterite
TBAC023	401900	6944395	500	270	60	88	3	9	6	0.74	Laterite
Includes							<b>4</b>	<b>7</b>	<b>3</b>	<b>1.01</b>	<b>Laterite</b>
							39	40	1	1.21	Oxide
TBAC024	401918	6944392	500	270	60	121	<b>2</b>	<b>62</b>	<b>60</b>	<b>1.30</b>	<b>Broad Min.</b>
Includes							<b>3</b>	<b>13</b>	<b>10</b>	<b>4.25</b>	<b>Laterite</b>
TBAC025	401940	6944391	500	270	60	122	<b>1</b>	<b>7</b>	<b>6</b>	<b>1.00</b>	<b>Laterite</b>
							22	23	1	0.61	Oxide
							<b>52</b>	<b>59</b>	<b>7</b>	<b>2.01</b>	<b>Oxide</b>
							<b>70</b>	<b>84</b>	<b>14</b>	<b>5.13</b>	<b>Oxide</b>

Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.	From	To	Interval (m)	Au (g/t)	Comment
Includes							72	80	8	8.38	Oxide
							101	107	6	0.54	Oxide
TBAC026	401953	6944393	500	270	60	101	2	6	4	0.73	Laterite
							59	60	1	0.96	Oxide
							66	73	7	1.11	Oxide
TBAC027	401865	6944418	500	270	60	72	7	8	1	0.60	Laterite
							41	43	2	0.62	Oxide
TBAC028	401897	6944420	500	270	60	64	2	7	5	1.00	Laterite
							38	44	6	1.74	Oxide
							58	62	4	1.25	Oxide
TBAC029	401920	6944419	500	270	60	114	1	21	20	1.01	Laterite/Oxide
Includes							2	10	8	1.98	Laterite
							39	49	10	0.72	Oxide
TBAC030	401941	6944417	500	270	60	92	2	7	5	0.83	Laterite
							32	57	25	0.71	Oxide
Includes							35	39	4	1.51	Oxide
and							55	57	2	2.13	Oxide
							71	92	21	0.25	Oxide/EOH
TBAC031	401964	6944416	500	270	60	54	51	54	3	12.24	Min. @ EOH
TBAC032	402031	6944422	500	270	60	72	0	1	1	0.58	Laterite
TBAC033	401840	6944461	500	270	60	96	5	9	4	0.50	Laterite
							42	44	2	0.68	Oxide
TBAC034	401880	6944461	500	270	60	140	2	9	7	0.98	Laterite
Includes							2	5	3	1.34	Laterite
							48	65	17	1.24	Oxide
Includes							48	50	2	5.66	Oxide
							69	78	9	0.54	Oxide
TBAC035	401900	6944459	500	270	60	63	2	8	6	1.16	Laterite
							28	49	21	0.43	Oxide
							62	63	1	0.79	Oxide
TBAC036	401919	6944456	500	270	60	39	2	4	2	0.66	Laterite
							37	39	2	0.50	Oxide
TBAC037	401941	6944460	500	270	60	82	2	4	2	0.54	Laterite
TBAC039	401860	6944503	500	270	60	95	3	10	7	1.10	Laterite
							37	59	22	0.62	Oxide
Includes							57	59	2	2.94	Oxide
TBAC040	401881	6944505	500	270	60	67	3	6	3	0.61	Laterite
							35	61	26	0.36	Oxide
TBAC041	401898	6944505	500	270	60	68	4	6	2	0.73	Laterite.
TBAC043	401718	6944539	500	270	60	131	34	35	12	0.54	Oxide.
TBAC044	401756	6944538	500	270	60	108	50	53	3	0.84	Oxide.
TBAC045	401799	6944540	500	270	60	104	5	7	2	0.49	Laterite
							24	25	1	1.10	Oxide
							52	53	1	1.15	Oxide
TBAC048	402017	6944519	500	270	60	60	3	5	2	0.67	Laterite
TBAC049	402211	6944342	500	270	60	137	36	44	8	0.40	Oxide
Includes							40	41	1	1.26	Oxide

**Table 1 – The Terminator Gold Prospect significant aircore drilling results.**

*Note: Samples were collected as 1m composites and most assays determined by the fire assay method (AUF50 – detection limit 0.01ppm Au by Aurum Laboratories). The remainder of the assays have been determined by the aqua regia method (AuAR50 – detection limit 0.01ppm Au by Aurum Laboratories). Results have been rounded where appropriate. Intervals are expressed as down hole intervals in metres. There is insufficient information at present to make an estimation of the true width of the mineralisation encountered.*

During the period a total of 7 aircore holes for 536m were drilled at the Thompsons's Bore Prospect. The drilling targeted both shallow up dip and strike extensions to mineralisation previously intercepted within quartz veins and shears. The depth of penetration of the aircore rig was limited due to hard drilling conditions encountered.

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. Gold mineralisation at Thompson's Bore appears to be related to (smokey and often pink) quartz veining and ferruginous structures in the oxidised zone of the weathering profile. The host rocks are volcanic in origin and often intercalated with chert bands.

A follow up RC program is planned to test the areas not intersected by the aircore method. Further aircore drilling will also be conducted in shallow areas along strike of the mineralisation as part of the Terminator regional follow-up program due to commence in February.

Hole No.	East (m)	North (m)	RL (m)	Azi. (degr.)	Dip (degr.)	E.O.H.	From	To	Interval (m)	Au (g/t)	Comment
STBBORE92	403140	6939351	500	270	-60	108	15	17	2	0.43	Oxide
							31	32	1	1.51	Oxide
							47	48	1	0.62	Oxide
							51	52	1	0.87	Oxide
							<b>54</b>	<b>60</b>	<b>6</b>	<b>1.12</b>	Oxide
includes							<b>54</b>	<b>57</b>	<b>3</b>	<b>1.70</b>	Oxide
							62	64	2	0.62	Oxide
							<b>67</b>	<b>73</b>	<b>7</b>	<b>0.60</b>	Oxide
includes							67	68	1	1.19	Oxide
includes							72	73	1	1.40	Oxide
STBBORE93	403162	6939332	500	270	-60	68	<b>13</b>	<b>17</b>	<b>4</b>	<b>1.20</b>	Oxide
includes							13	14	1	3.10	Oxide
							<b>39</b>	<b>42</b>	<b>3</b>	<b>1.35</b>	Oxide
includes							41	42	1	3.12	Oxide
STBBORE94	403169	6939321	500	270	-60	86	35	36	1	1.18	Oxide
							45	46	1	0.50	Oxide
							<b>51</b>	<b>57</b>	<b>6</b>	<b>0.82</b>	Oxide
includes							51	53	2	1.38	Oxide
STBBORE95	403194	6939314	500	270	-60	71	45	46	1	1.22	Oxide
							68	69	1	1.29	Oxide
STBBORE97	403240	6939272	500	270	-60	58	51	52	1	1.14	Oxide
STBBORE98	403177	6939320	500	270	-60	83	11	12	1	0.46	Oxide
							13	14	1	0.41	Oxide
							31	32	1	0.48	Oxide
							35	36	1	0.42	Oxide

**Table 2 – The Thompsons Bore Gold Prospect significant aircore drilling results.**

*Note: Samples were collected as 1m composites and most assays determined by the fire assay method (AUFA50 – detection limit 0.01ppm Au by Aurum Laboratories). The remainder of the assays have been determined by the aqua regia method (AuAR50 – detection limit 0.01ppm Au by Aurum Laboratories). Results have been rounded where appropriate. Intervals are expressed as down hole intervals in metres. There is insufficient information at present to make an estimation of the true width of the mineralisation encountered.*

## DUKETON NICKEL JOINT VENTURE

In April 2004 South Boulder signed a farm-out Joint Venture Agreement with Independence Group NL (ASX:IGO). Under the terms of the agreement Independence will farm-in to earn 70% of the nickel metal rights on tenements held by South Boulder within the Duketon Project by delivery of a BFS within 5 years from the grant of the relevant tenement.

The Duketon Nickel Joint Venture (DNJV) covers ultramafic rich stratigraphy in the Duketon Greenstone Belt which is considered highly prospective for Ni-Cu-PGE mineralisation. The tenure held within the DNJV is shown in Figure 5.

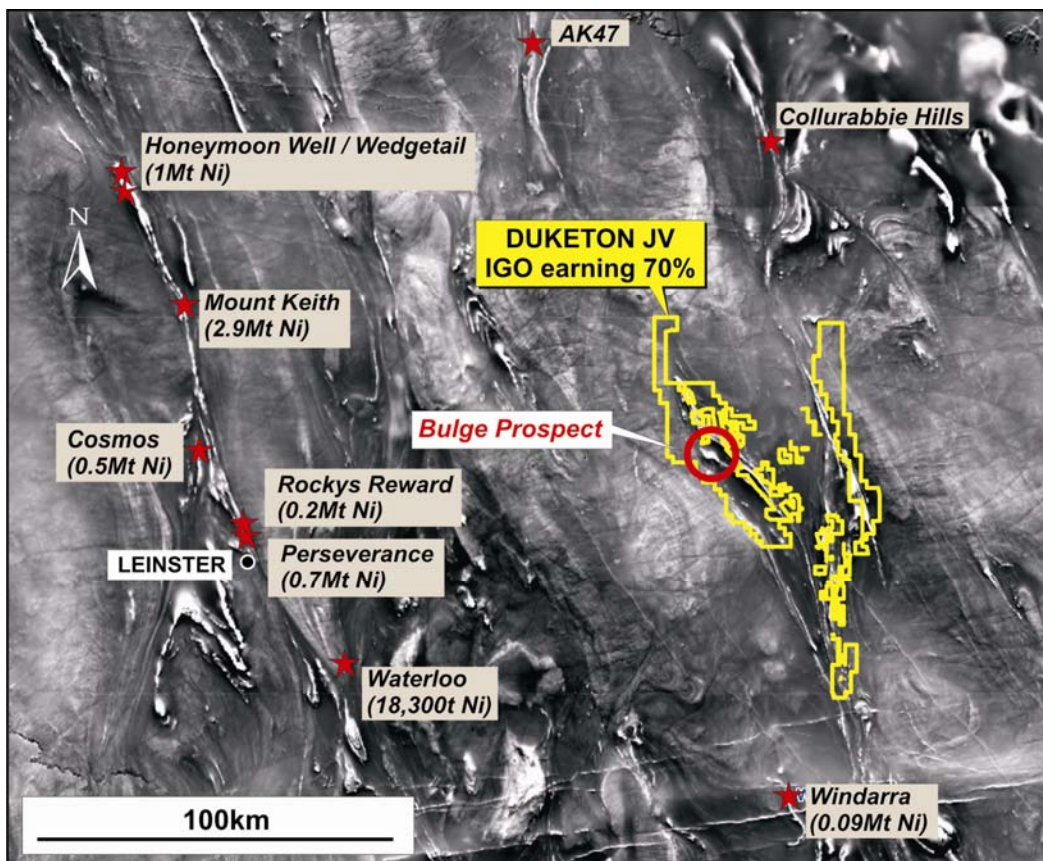


Figure 5 – Duketon Nickel JV location plan over a magnetic image showing key nickel deposits in the region.

### The Rosie Prospect

In October 2009, the “Rosie” Nickel-copper-PGE Prospect was discovered by Independence located approximately 1.5kms south east of The Bulge C2 Prospect (Figure 7). Subsequent to the end of the period on the 14<sup>th</sup> of January 2010 an exploration update on the Rosie Prospect was announced to the ASX.

A total of 7 holes for 1,694m were drilled comprising 6 RC holes and one RC hole with a 43m NQ2 diamond tail with significant results tabulated in Table 3. One metre assay results for TBRC069 returned 2m @ 1.65% Ni, 0.26%Cu, 0.08g/t Pt+Pd from 192m including; 1m @ 2.85% Ni, 0.36% Cu, 0.12g/t Pt+Pd from 193m. The holes tested 300m of strike at a vertical depth of 150 to 180m on four sections spaced at 100m intervals.

Primary Ni-Cu-PGE sulphide mineralisation was intersected on all four sections with the best intercepts being:

- 7.00m @ 2.61% Ni, 0.42% Cu and 3.75 g/t Pt + Pd from 190m in TBRC070 (true width approx 2.3m)
- 3.59m @ 2.27% Ni, 0.24% Cu and 3.11g/t Pt + Pd from 205.54m in TBDD080 (true width approx 2.1m)

TBRC080 intersected massive sulphides which included including a maximum grade of **4.98% Ni, 6.93 g/t Pt+Pd, 0.25% Cu, 0.21 g/t Au and 1250ppm Co over 0.76m from 207.84m**. This hole intersected the nickel mineralisation 25m ‘down contact’ from TBRC070, which intersected a best interval of **20m @ 1.32 % Ni, 0.23% Cu, 1.54g/t Pt+Pd, 365ppm Co and 0.14 g/t Au from 184m including; 7m @ 2.61% Ni, 0.42% Cu, 3.75g/t Pt+Pd, 686ppm Co and 0.21 g/t Au from 190m**.

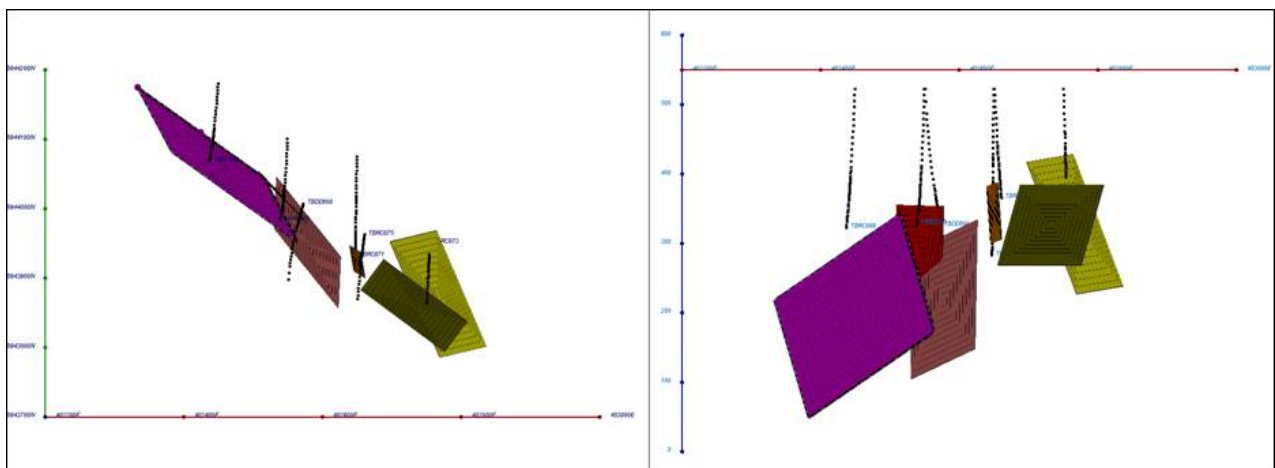
### Downhole EM

Downhole EM surveys have been completed and an interpretation of the data has been received. Data quality was good with six conductors interpreted from the results. The conductors are interpreted as being coincident or proximal to the ultramafic-dolerite contact, one of the key target locations for massive sulphide mineralisation. The locations of these conductors are shown in Figure 6 and their interpreted parameters are tabulated below in Table 4.

Hole ID	From	To	Interval	Ni (%)	Cu (%)	Co (ppm)	Pt (ppm)	Pd (ppm)	As (ppm)	S (%)
TBRC069	192.00	194.00	2.00	1.65	0.26	180	0.01	0.07	8	8.86
	Including; 193.00	194.00	1.00	2.85	0.36	295	0.02	0.10	16	14.60
TBRC070	184.00	204.00	20.00	1.32	0.23	365	0.47	1.07	944	6.50
Including; and;	186.00	188.00	2.00	1.30	0.26	305	0.03	0.04	257 6	8.37
	190.00	197.00	7.00	2.61	0.42	686	1.11	2.64	130 5	11.10
TBRC073	146.00	160.00	14.00	0.79	0.16	228	0.30	0.28	323	6.23
	Including; 148.00	149.00	1.00	1.39	0.58	460	0.49	0.69	280	12.20
	and; 154.00	156.00	2.00	1.77	0.09	368	0.74	0.38	400	13.40
and;	155.00	156.00	1.00	2.24	0.11	465	0.94	0.52	582	16.50
TBRC075	171.00	176.00	5.00	0.77	0.14	266	0.47	0.83	86	5.11
TBDD080	205.54	209.13	3.59	2.27	0.24	596	1.06	2.04	197 3	10.46
	Including; 205.76	209.13	3.37	2.38	0.25	622	1.12	2.20	208 5	10.93
	and; 207.84	208.60	0.76	4.98	0.25	1250	2.27	4.66	302 0	24.00

**Table 3 - Significant assay results from drilling at the Rosie Prospect.**

Note: Samples were collected as 1m split samples for RC drill hole and half core samples for diamond drill holes. Nickel and copper values have been assayed using ICP-AES mixed acid digest. Some very high Platinum and Palladium values have been assayed using the Fire Assay Method (FA40) with ICP-AES Quantification. Significant assay results are tabulated if Ni >= 0.40%, over a minimum 2m interval and 1m if Ni >=1.0%. Maximum internal waste allowed is 2m except for hole TBRC070 which has 3m of <0.40% from 198-201m. Intersections are quoted as down-hole widths.



**Figure 6 - Current filament model for the Rosie prospect, viewed in plan (left) and from the south showing location of the recent drill holes (black traces) and plates as tabled above (solid shapes).**

Conductor	TBRC069_A	TBRC070-080_A	TBRC071_A	TBRC073_JC_A	TBRC073_B	TBRC075A
Easting (centre top edge)	402424	402543	402579	402731	402748	402647
Northing	6944110	6944016	6943988	6943960	6943822	6943942
RL (550m at surface)	280	354	312	423	384	385
Dip (°)	78	89	76	48	65	73
Dip Direction (°)	222	47	235	175	216	217
Plunge (° and direction)	29.8 West	1.2 West	17.1 West	12.6 West	0	17.6 West
Strike Length (m)	255	100	153	70	150	20
Depth Extent (m)	200	150	200	260	128	90
Conductance (Siemens)	10000	11000	5000	900	600	5000

**Table 4 - Rosie Prospect DHEM conductor modelled parameters**

The tops of the conductors are located below or approximately coincident with the massive sulphides intersected in the recent drilling. A thin sulphide-rich sediment was also intersected on the basalt-dolerite contact for the two eastern sections drilled at the Rosie prospect. The DHEM results are regarded as highly encouraging, with follow up drilling to test the geophysical anomalies as well as other geological target positions scheduled for January 2010.

On the 28<sup>th</sup> of January it was announced to the ASX that Independence had commenced the follow-up 15-20 hole combination RC and diamond drilling program. Results will be released as they come to hand.

### The C2 Prospect

The C2 mineralisation occurs in three horizons (eastern contact, central and western contact) and significantly also contains discrete zones of blebby and stringer sulphide mineralisation with grades up to 3.43% Ni providing strong encouragement that massive nickel sulphide mineralisation may be present within the Bulge ultramafic.

Drilling has also been completed at the C2 prospect. Four holes were completed on section 6945300N which included three RC/DD combination holes and one failed RC precollar. These holes were targeting potential mineralisation, down plunge and 100m along strike to the south, from the mineralisation previously intersected in drill holes TBDD071 and TBDD074 on section 6945400N, Figure 8.

A further RC/DD hole was completed on section 6945200N (a further 100m south), again to test the plunge of the system to the south. Assays have been received for the drilling and are listed in Table 3.

Hole ID	From	To	Interval	Ni (%)	Cu (%)	Co (ppm)	Pt (ppm)	Pd (ppm)	As (ppm)	S (%)
TBDD076	65.00	68.00	3.00	0.66	0.07	303	0.04	0.04	56	0.01
	106.00	109.00	3.00	0.70	0.03	198	0.03	0.05	21	1.20
	<b>106.00</b>	<b>107.00</b>	<b>1.00</b>	<b>1.06</b>	<b>0.05</b>	<b>310</b>	<b>0.06</b>	<b>0.10</b>	<b>30</b>	<b>2.18</b>
	<b>113.00</b>	<b>122.00</b>	<b>9.00</b>	<b>0.71</b>	<b>0.03</b>	<b>230</b>	<b>0.03</b>	<b>0.03</b>	<b>32</b>	<b>2.57</b>
	126.00	132.00	6.00	0.45	0.02	162	0.02	0.02	15	1.72
	190.00	193.00	3.00	0.40	0.02	162	0.03	0.04	8	1.06
	259.00	265.00	6.00	0.53	0.02	190	0.01	0.02	133	1.39
TBDD077	189.00	194.00	5.00	0.55	0.10	273	0.16	0.38	2330	7.72
	197.00	201.00	4.00	0.49	0.08	334	0.42	0.48	3048	6.85
	<b>242.00</b>	<b>255.70</b>	<b>13.70</b>	<b>0.74</b>	<b>0.03</b>	<b>222</b>	<b>0.02</b>	<b>0.03</b>	<b>18</b>	<b>2.52</b>
	<b>244.48</b>	<b>247.43</b>	<b>2.95</b>	<b>1.21</b>	<b>0.04</b>	<b>331</b>	<b>0.03</b>	<b>0.05</b>	<b>36</b>	<b>4.72</b>
	<b>247.39</b>	<b>247.43</b>	<b>0.04</b>	<b>7.36</b>	<b>0.07</b>	<b>870</b>	<b>0.16</b>	<b>0.44</b>	<b>10</b>	<b>19.2</b>
	<b>244.48</b>	<b>250.98</b>	<b>6.50</b>	<b>0.91</b>	<b>0.03</b>	<b>259</b>	<b>0.03</b>	<b>0.04</b>	<b>24</b>	<b>3.20</b>
	368.58	373.00	4.42	0.58	0.03	192	0.02	0.02	-	2.32
TBDD078 *	<b>286.00</b>	<b>300.00</b>	<b>14.00</b>	<b>0.69</b>	<b>0.03</b>	<b>223</b>	<b>0.03</b>	<b>0.06</b>	<b>12</b>	<b>2.39</b>
Including; and; and;	<b>287.63</b>	<b>289.00</b>	<b>1.37</b>	<b>1.03</b>	<b>0.04</b>	<b>320</b>	<b>0.02</b>	<b>0.02</b>	<b>22</b>	<b>3.79</b>
	<b>293.00</b>	<b>293.80</b>	<b>0.80</b>	<b>1.10</b>	<b>0.04</b>	<b>300</b>	<b>0.03</b>	<b>0.04</b>	-	<b>4.08</b>
	<b>295.00</b>	<b>296.00</b>	<b>1.00</b>	<b>1.10</b>	<b>0.04</b>	<b>305</b>	<b>0.12</b>	<b>0.14</b>	<b>30</b>	<b>4.35</b>
TBDD079	189.91	197.00	7.09	0.61	0.12	177	0.01	0.02	1069	7.55

**Table 3 - Significant assay results from drilling at the C2 Prospect.**

*Note: Samples were collected as 1m split samples for RC drill hole and half core samples for diamond drill holes. Nickel and copper values have been assayed using ICP-AES mixed acid digest. Some very high Platinum and Palladium values have been assayed using the Fire Assay Method (FA40) with ICP-AES Quantification. Significant assay results are tabulated if Ni >= 0.40%, over a minimum 2m interval and 1m if Ni >=1.0%. Maximum internal waste allowed is 2m.*

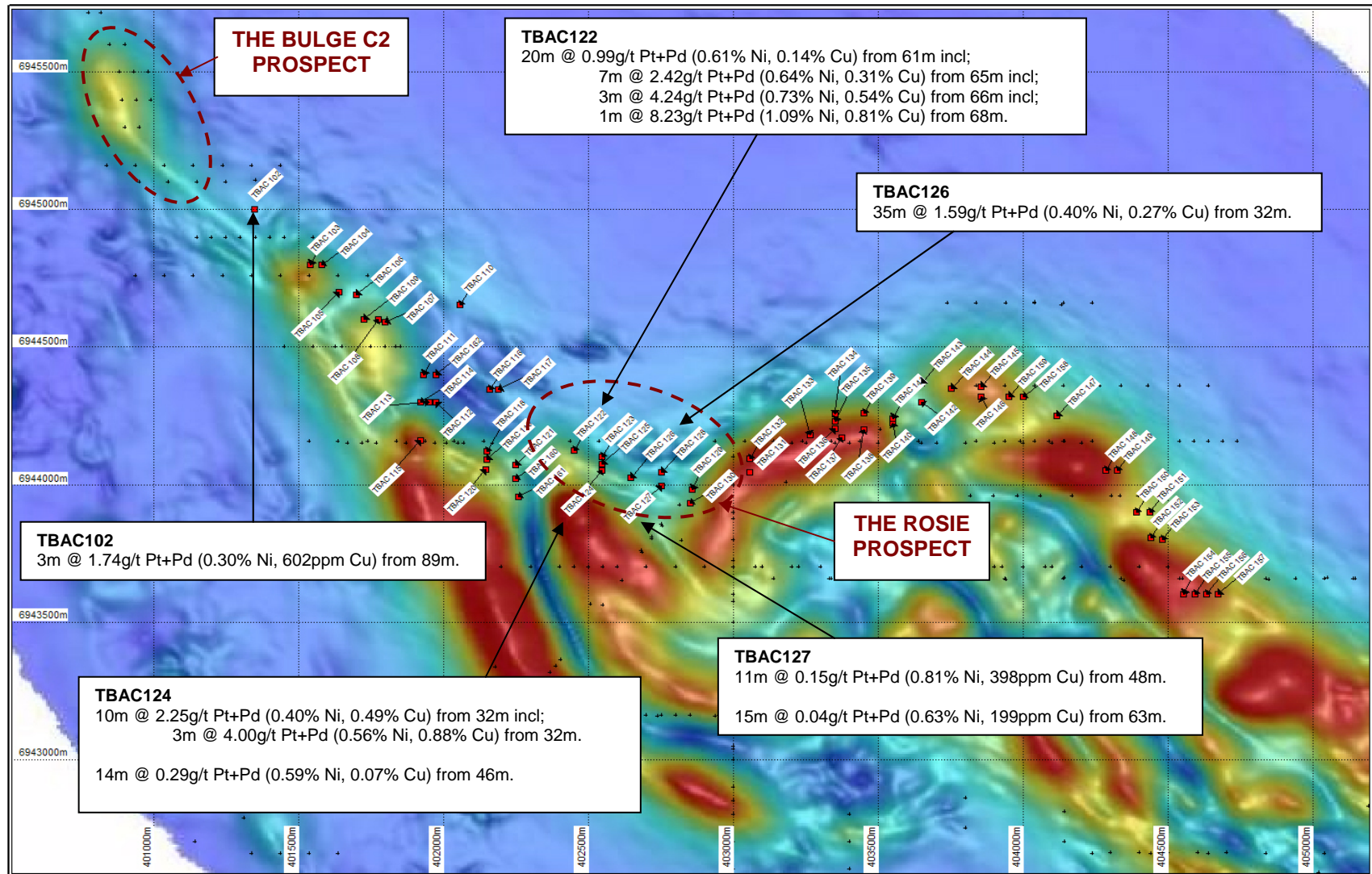
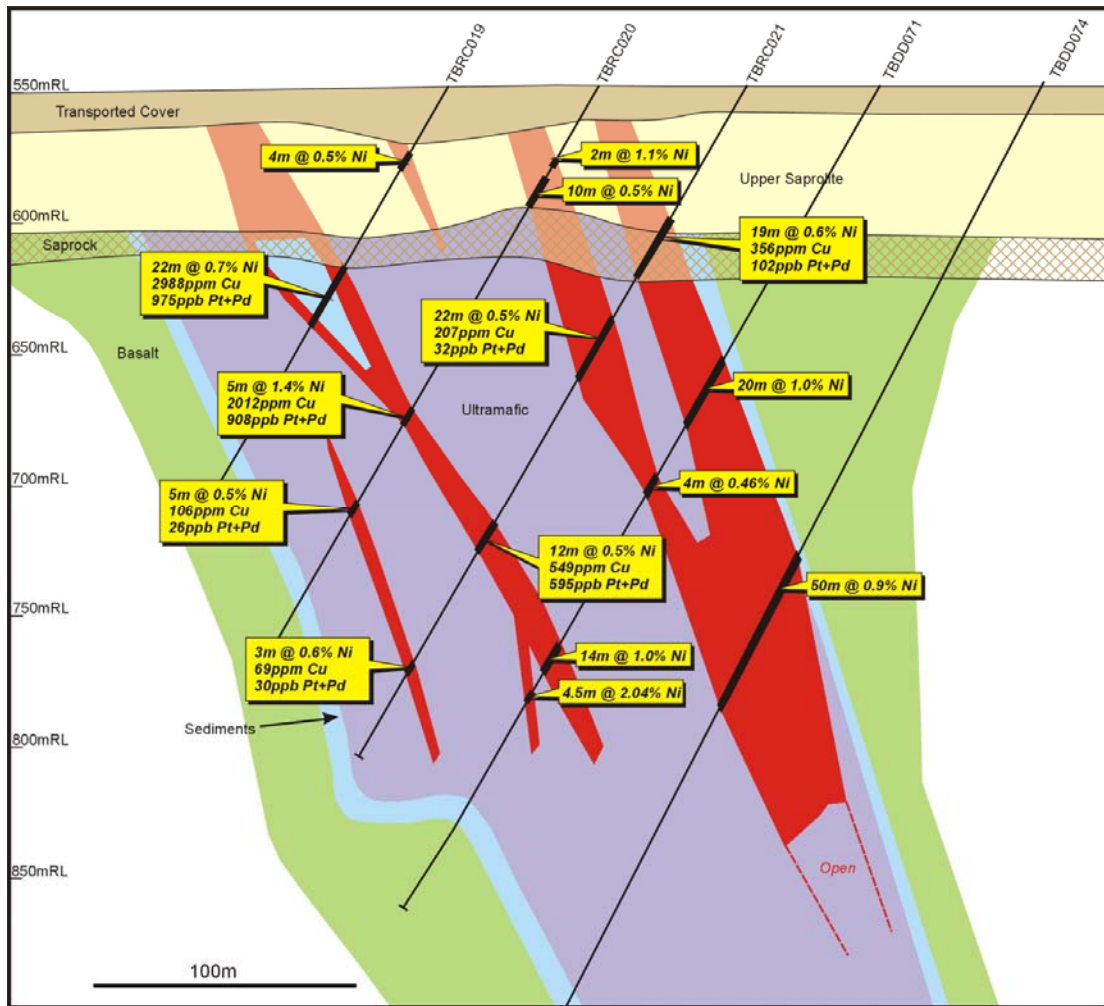


Figure 7 – The “Bulge C2” and the “Rosie” Nickel Sulphide Prospects with Rosie discovery drill intercepts.



**Figure 8 - The Bulge C2 section 6945400N with geology and significant intersections >0.4 Ni.**

Disseminated mineralisation (~0.7% Ni) was intersected in all four diamond holes over widths of 7-14m, coincident with the eastern sediment/ultramafic contact zone (Dip 65 degrees east) and within the ultramafic unit on the eastern side "Eastern Zone". Two, minor semi-massive accumulations of pentlandite were observed in TBDD077 with a maximum grade of 7.36% Ni over 4cm at 247.38m. The true extent of the disseminated mineralisation is yet to be determined, as many of the intervals sampled to date have ended in anomalous mineralisation. It is thus planned to sample and analyse additional drill core intervals to determine their upper and lower extents of the mineralisation.

There was no obvious mineralisation within the Central zone of the ultramafic. Minor occurrences of disseminated and foliation parallel sulphides stringers were observed toward the western contact zone. These intervals were 4-6m wide up to 0.5% Ni, generally off contact approximately 20m, from the western sediment contact (Dip 56 degrees east). Further sampling is still required at the western contact zone in some of the holes.

TBRC076 was planned as the pre-collar for the deepest planned diamond hole on section 6945300N, however the hole lifted excessively and had to be abandoned. Hence the plunge of the system has not been adequately tested. An updated long section interpretation is currently being compiled.

DHEM was completed utilising the IGO the high-powered transmitter. This resulted in excellent quality data with multiple anomalous responses. Unfortunately, responses in all holes can be attributed to the known sediment distribution, and the sediments also limit the distances the DHEM surveys would be able to detect any other conductors present off-hole.

This drilling has confirmed the continuity of disseminated mineralisation of the eastern zone over 600m of strike. The extra sampling needs to be completed and all relevant data compiled before the next stage of exploration at C2 can be determined. Drill hole locations of the latest drilling at the Rosie and C2 Prospects are included in Table 4.

Prospect	HOLE_ID	Easting	Northing	Azimuth	Dip	Depth
Rosie	TBRC069	402450	6944190	180	60	250
Rosie	TBRC070	402550	6944110	180	60	250
Rosie	TBRC071	402650	6944085	180	60	300
Rosie	TBRC073	402750	6943855	0	60	202
Rosie	TBRC074	402560	6944030	0	60	250
Rosie	TBRC075	402650	6943860	0	60	208
Rosie	TBDD080	402550	6943888	0	62	234
C2	TBDD076	401065	6945300	270	60	351.7
C2	TBDD077	401180	6945300	270	60	439
C2	TBDD078	401238	6945300	270	60	460
C2	TBDD079	401252	6945200	270	60	253
C2	TBRC076	401295	6945300	270	60	244

**Table 4 - Drill hole locations and orientations for recently completed program.**

## POTASH PROJECTS

### The Colluli Potash Project

The Colluli Potash Project is located in the Danakil Depression region of Eritrea approximately 200kms south east of the capital Asmara and comprises 906km<sup>2</sup> (Figure 9).

The Colluli 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 sylvinitic with average grades of 12.5% K<sub>2</sub>O 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% K<sub>2</sub>O) at depths to the top of the horizon at 390m.

The Danakil Depression has a 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 from 1958 – 1968 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.

In Figure 10 to the immediate south of the Colluli Potash Project in yellow, the area of extensive work that has been conducted at the Musley and Crescent potash deposits in Ethiopia by the former Ralph M. Parsons Company from 1958 – 1968 is shown. At Musley historic resources were defined which are now in part owned by Sainik Coal Mining Pvt. and Allana Resources Inc. (TSX.V AAA). Allana has defined a 43-101 Compliant Inferred resource of 105 million tonnes @ 20.8% composite grade KCl from their portion of the historic resource area. These resources occur approximately 15 km south of the Colluli Potash Project in Ethiopia.

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.

The first site visit to Colluli was conducted in September and then subsequent visits have been made in October and November to conduct reconnaissance exploration ahead of the planned diamond drilling program. Initial findings have been very positive and a detailed plan for drilling and related infrastructure has been implemented. South Boulder has plans to drill up to 2,000m in 4 or 5 diamond holes as part of a confirmatory program. If successful, the program will provide enough data to compile an initial geological resource model to facilitate some early stage engineering studies.

The original plan was to commence drilling before the end of 2009 however due to delays with extended lead times for drilling muds and equipment the timing has been pushed back.

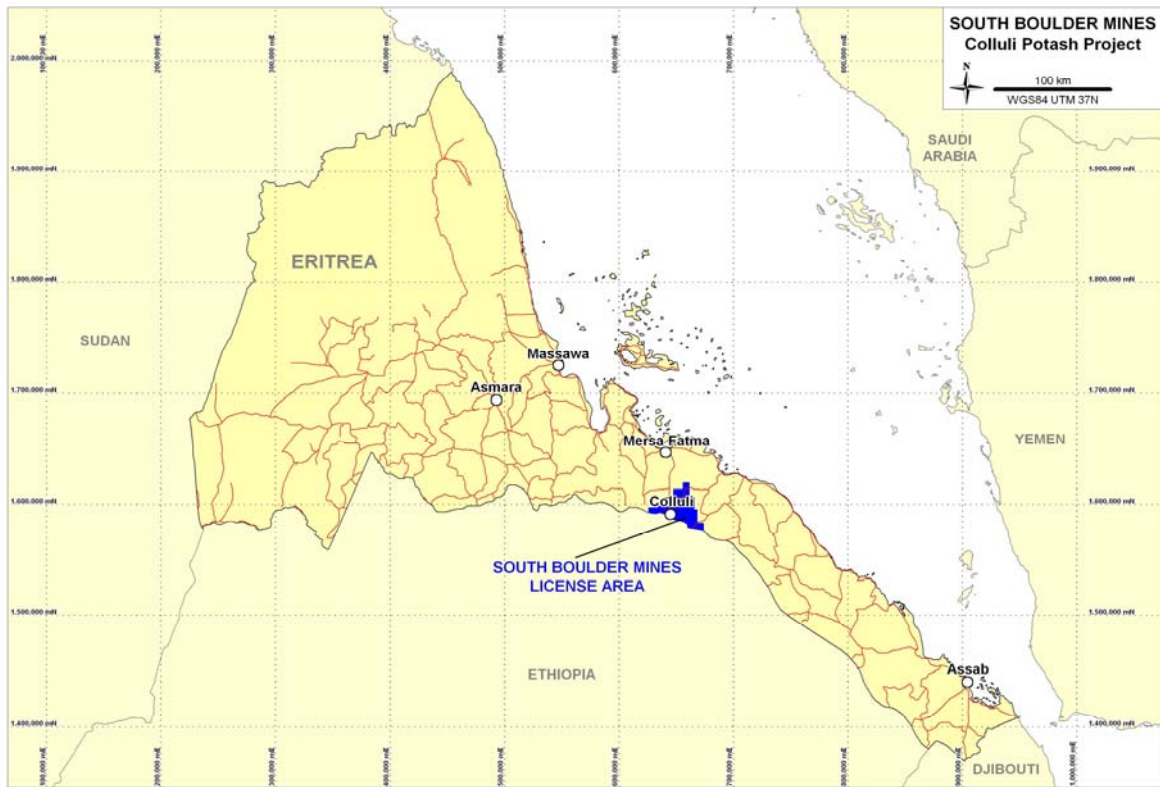


Figure 9 – Location of the Colluli Potash Project Eritrea.

South Boulder believes there is significant potential to discover and define similar resources at the Colluli Potash Project. The Musley deposit is the most analogous deposit to the mineralisation identified at Colluli and therefore provides South Boulder with a realistic exploration target within the project area.

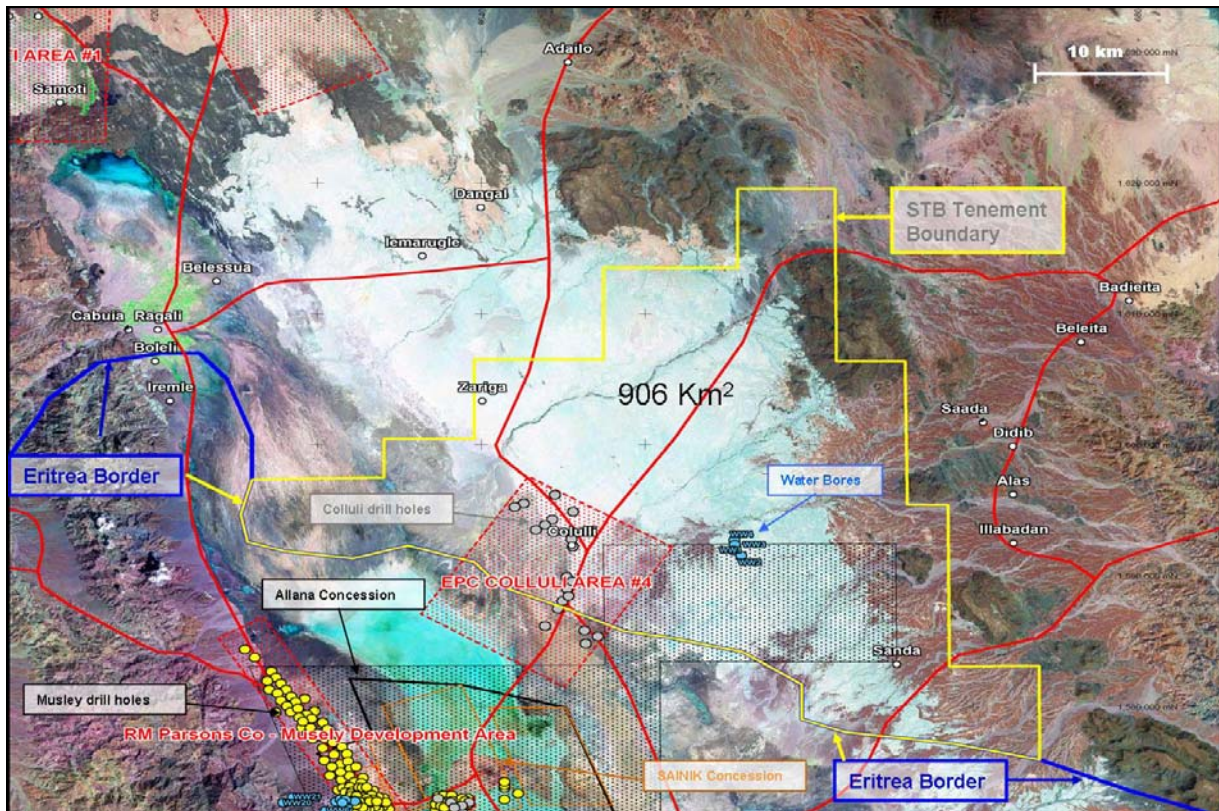


Figure 10 – Colluli Potash Project. Exploration license – yellow (southern boundary is coincident with Eritrea Border), Colluli Potash Project drill hole collars – grey dots, Musley Potash deposit drill collars – yellow dots, local roads – red line, former EPC exploration areas – red stipple, former Ralph M. Parsons Co. exploration areas – black stipple, Eritrea Border – blue.

## The Lake Disappointment East Potash Project

During the period the progress at the Lake Disappointment East project (E45/3122) has been protracted and slow due to negotiations between the Western Desert Lands Council (WDLAC) and Reward Minerals Ltd (ASX: RWD) who are the beneficial owner of the Lake Disappointment potash resource located immediately west of South Boulder's Project.

Reward Minerals Ltd "Reward" (ASX: RWD) had their application for a mining lease over potash resources located at Lake Disappointment rejected in May 2009 by the National Native Title Tribunal. Subsequently an application by Reward to the Federal Attorney General to overrule the decision was also rejected in July 2009. Further to this Reward announced to the ASX on the 7<sup>th</sup> of December 2009 that the WDLAC Board does not wish mining development to take place at Lake Disappointment.

An exploration access agreement has been negotiated between South Boulder and the Traditional Owners of the area, that sets the framework for exploration and the next stage is to conduct site based heritage surveys prior to non-ground disturbing and ground disturbing exploration. At this stage, South Boulder is unsure when access to the ground will be possible, however the Company remains committed to the Project.

## PORTFOLIO DEVELOPMENT AND CORPORATE

South Boulder has a policy of constantly reviewing its project and equity portfolios with a view to adding or realising value. Due to prevailing global financial conditions over the last year rationalisation of the project portfolio has been important to ensure the company focuses on core projects and is well funded to add value.

The company is in the process of evaluating options to divest its portfolio of non-core assets. These include the Cardabia and the Georgina Basin phosphate projects. Discussions are well advanced with 3<sup>rd</sup> parties over divestment of these assets. South Boulder will continue to implement a policy of reviewing acquisitions both within Australia and offshore and will inform shareholders if and when an acquisition is tendered.

The equity portfolio of listed exploration companies derived from divestment of non-core exploration assets is valued at ~ AUD \$1.6m. The portfolio is under regular periodic review in order to determine opportunities for divestment to add to funds for working capital. During the period 175,000 Montezuma Mining Company Limited shares were sold for \$44,606. Subsequent to the end of the period 575,000 IMX Resources NL shares were sold for \$264,340 and 12,490 Atlas Iron Limited shares were sold for \$24,829. Additionally South Boulder purchased an additional 750,000 shares in Buxton Resources Limited for a consideration of \$52,500 and 2,000 shares in unlisted private company Doray Minerals Limited for a consideration of \$2,000. These subsequent transactions will be tabled in the quarterly cash flow report for the March quarter.

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

Company Name	Stock Exchange	No of fully paid Shares	20c/25c Options	Option Expiry Date
IMX Resources NL	ASX	750,000		
Montezuma Mining Company Ltd	ASX	3,975,000	1,037,500	31/08/2011
Buxton Resources Limited	ASX	1,000,000	750,000	30/06/2012
Avonlea Minerals Limited	ASX	400,000		
Uranex NL	TSX	700,000		
Continental Nickel	TSX	121,200		
Auvex Resources Ltd (25c)	Private		1,000,000	
Doray Minerals Limited	Private	10,000		

## Non Renounceable Rights Issue and Shortfall Placement

During the period and subsequent to it, a non-renounceable 1 for 10 rights issue and shortfall placement was completed. A total of \$1,114,159 was raised at 20cents per share. The total number of listed securities of South Boulder Mines is now 61,378,738. \$396,000 subsequently came into the bank account shortly after the end of the period.

## **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. South Boulder is also listed on the Frankfurt, Munich and Berlin Stock Exchanges. The relevant codes are SO3.F, SO3.MU and SO3.BE respectively, and can be accessed via Yahoo Finance.

### **More information:**

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*This ASX release has been compiled by Lorry Hughes using information on exploration results supplied by South Boulder and in the case of the Duketon Nickel JV, Independence Group who are the operator of the Duketon Nickel JV. Lorry Hughes is a member of the Australian Institute of Mining and Metallurgy. Mr Hughes is a geologist and he 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 consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.*