Presentation to Shareholders

Paul Donaldson, Chief Executive Officer

South Boulder Mines Ltd  AGM, 29 November 2013

Safe, Simple, Sustainable
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COMPETENT PERSONS
The information in this presentation that relates to Exploration Results and Mineral Resources is based on information compiled by Greg Knox using estimates supplied by South Boulder Mines Ltd under supervision by Ercosplan. Dr Henry Rauche and Dr Sebastiaan Van Der Klauw are co-authors of the JORC and NI43-101 compliant resource report. Greg Knox is a member in good standing of the Australian Institute of Mining and Metallurgy and Dr.s’ Rauche and Van Der Klauw are members in good standing of the European Federation of Geologists (EurGeol) which is a “Recognised Overseas Professional Organisation” (ROPO). A ROPO is an accredited organisation to which Competent Persons must belong for the purpose of preparing reports on Exploration Results, Mineral Resources and Ore Reserves for submission to the ASX. Mr Knox, Dr Rauche and Dr Van Der Klauw are geologists and they have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the “Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Knox, Dr Rauche and Dr Van Der Klauw consent to the inclusion in the report of the matters based on information in the form and context in which it appears.
## Corporate Overview

### Company Share Information

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary Shares on Issue</td>
<td>128.0M</td>
</tr>
<tr>
<td>Unlisted Options ($0.20 - $2.00)</td>
<td>16.1M</td>
</tr>
<tr>
<td>Performance Shares (unvested)</td>
<td>1.1M</td>
</tr>
<tr>
<td>Market Cap (A$0.22 / Share)</td>
<td>$28M</td>
</tr>
<tr>
<td>Cash (A$)</td>
<td>$12M</td>
</tr>
<tr>
<td>Top 40 Shareholders</td>
<td>68%</td>
</tr>
</tbody>
</table>

### Major Shareholders

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Boulder Management</td>
<td>14.0%</td>
</tr>
<tr>
<td>Sprott Asset Management</td>
<td>12.8%</td>
</tr>
<tr>
<td>Meridian Capital International Fund</td>
<td>9.0%</td>
</tr>
</tbody>
</table>
Background

• Since exploration commenced in 2010, over 1 billion tonnes of mineralised potassium bearing salts have been identified
• Mineralised material consists of three forms of potassium bearing salts (sylvinit, carnallite and kainite) – these salts are capable of producing potash products (potassium chloride and potassium sulphate) and magnesium sulphate
• All products are suitable for the agricultural industry as fertiliser ingredients
• The recovery of all forms of mineralised material is critical to project economics and long term competitiveness of the operation
• The chemical and mineralogical variation of the salts throughout the resource makes extraction of these products complex
Background

- A number of processing options have been under examination, including solar ponds, flotation and hot leaching.
- There is potentially value associated with other non-potassium salts within the resource, including rock salt, gypsum and magnesium chloride – these salts represent potential long term, low margin products that support the project economics.
- The focus remains on potassium salts for project start up.
- Results from the processing review are expected prior to the end of the calendar year.
Presentation Overview

SECTION 1  Highlights for the Year

SECTION 2  Changes in the Market and Outlook

SECTION 3  Colluli Project and the Year Ahead
Highlights

1. Joint Venture agreement finalised with ENAMCO
2. Processing review
3. Resource review
4. Mine planning review
5. Completion of logistics study
The joint venture agreement was finalised with ENAMCO in Nov 2013

STB and Enamco will each own 50% of the Colluli Mining Share Company (CMSC)

CMSC can borrow up to 70% debt to fund the project

30% equity to be provided by STB (as well as any shortfall of debt)

50% of STB equity contribution will be preferentially paid off by cash flows following third party debt servicing
**Key objective:** Understand the processing requirements for ALL potassium bearing salts within the resource.

1. What products can be brought to market other than potassium chloride (MOP)?
2. Can all potassium bearing salts can be processed through a single circuit?
3. What is the trade off (if any) between lower mining costs and higher processing costs associated with feeding a broader range of potassium salts into the process
Only 35% of the Colluli resource was included in the original mine plan.

**Multiple Products**

- The resource contains 4 different principal minerals
- Potash is most commonly produced from sylvinite, and the majority of work to date has focused on sylvinite:
  - The first scoping study (ESS-1) considered the potential to produce muriate of potash (MOP) from the sylvinite resource only
  - The second scoping study (ESS-2) considered the potential to produce MOP from both the sylvinite and carnallite resource
- Kainite is considered to have substantial economic potential and influences the long term scale of the operation
  - Kainite was not considered in the initial development studies
  - Studies now underway considering the potential to produce sulphate of potash (SOP) or SOP-Magnesia from the kainite resource

**Colluli Resource Breakdown (% of total KCl)**

- Sylvinite 15%
- Carnallite 19%
- Polysulphate 4%
- Kainite 61%

The remaining 65% of the resource is significant upside.
While Colluli’s capital intensity under the early studies was low...

**Note:** Capital Intensity = \$\text{capex/tonne/annum}
...room for improvement exists within operating costs

- Project iterations have been successful in lowering costs
- Inclusion of the full resource will minimise strip ratio and mining costs
- The tradeoff between processing costs and mining costs must be understood to determine the best processing infrastructure investment

Cash cost of production by producer  [Source: Marketrealist, Oct. 2013]
Including all salts minimises strip ratio and mining costs

- Resource is stratified with potassium bearing salts sitting on top of each other within the resource
- Mining all salts simultaneously will reduce strip ratio
- Kainite will have a material impact on mining strip ratio
Colluli has a significant geographical advantage...

The Colluli resource is favourably positioned to supply the world’s fastest growing markets.

Distances to Various KCl Consuming Markets (In Nautical Miles)
...and has the most favourable coastal access from the Danakil

The Colluli resource has the most favourable coastal access from the entire Danakil depression.

Key Infrastructure Locations

Colluli to Anfile Port (65km)
- Colluli is located ~65km from the proposed port and storage facilities at Anfile Bay
- Logistics costs are expected to be highly competitive compared with other potash Greenfield projects
- The logistics and port costs are estimated at a relatively competitive US$10/t
- Port facilities to accommodate Panamax size vessels

Ethiopian Projects to Dijbouti (~600km)
- Potash projects located in Ethiopia need to transport product 500–600km to Dijbouti
- For example:
  - Allana Potash to Tadjourah is 554km
  - Circum Minerals to Tadjourah is 580km
Other Key Activities Completed

- **In-country Freight and Logistics Study**: thorough review of in-country logistics options by the STB Asmara Office Team to validate FS numbers and evaluate alternate options to reduce CAPEX.

- **Resource Review**: review of the drill hole database, sampling and sample management practices to validate resource, resource composition and develop a block model.

- **Mine Planning**: comprehensive review of the mine plan and optimisation based on the resource block model.

- Continuation of feasibility work.
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Industry Dynamics and Changes

- In July 2013, Uralkali withdrew from the Belausian Potash Company (BPC), significantly changing the industry dynamics – the marketing cartels have managed price by regulating volume.

- As the cartel fragments in an oversupplied market, the price will converge to the marginal producer at the global volume demand – this will put substantial pressure on both high cost producers and new projects.

- In the longer term, the price will reflect the cost of new capacity plus a reasonable return on investment.

- STB maintains that long term potash prices will be around US$450 per tonne.
The current potash price reflects installed supply capacity and marginal production costs.
Supply and Demand (1)

Source: STB Supply/Demand
Market Growth

Potash market growth is supported by good fundamentals:

- Population growth
- Reduction in arable land available per head of capita
- Changing dietary preferences of developing economies

Arable Land per Head of Capita

Source: World Bank
Consumption and Disposable Income

(2005 real US$'000, PPP basis)

Emerging Economies

Developed Economies

Corn and Soybean

Meat

Electricity

Copper

Steel

Source: BHP Billiton
The potash market is expected to require additional capacity by 2021/22.
Changes in Demand (2015 - 2025)

- ROW
- China
- Brazil
- India
- Indonesia
- North America
- Malaysia
- CIS

MOP Demand (million tonnes)

- 2015
- 2025
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Immediate Priorities

• Complete the processing review studies – this work is expected to be complete by the end of the calendar year

• Continue discussions with potential investors and seek to secure strategic partner

• Complete the feasibility study based on the best processing option and balance the scale against commercial risk

• Examine the market potential of other products within the resource, considering the unique nature of the resource and the minerals that must be mined to access the potassium salts (focusing on rock salt and magnesium chloride)
Markets for these products are well established.

### Potential Markets for Various Resource Mineralisation

<table>
<thead>
<tr>
<th>Mineral Present at Colluli</th>
<th>Colluli Resource</th>
<th>Global Market Context</th>
</tr>
</thead>
<tbody>
<tr>
<td>rock salt (NaCl)</td>
<td>+ 650Mt</td>
<td>300Mtpa global salt market</td>
</tr>
<tr>
<td>halite (NaCl)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>bischofite (MgCl₂)</td>
<td>+200Mt</td>
<td>6 – 7Mtpa global market</td>
</tr>
<tr>
<td>anhydrite</td>
<td>Avg 4% (~40Mt)</td>
<td>187Mtpa Gypsum market</td>
</tr>
<tr>
<td>kieserite (MgSO₄)</td>
<td>40Mt</td>
<td>Established fertiliser segment</td>
</tr>
<tr>
<td>sylvinit (KCl)</td>
<td>111Mt</td>
<td></td>
</tr>
<tr>
<td>carnallite (KCl.MgCl₂.6H₂O)</td>
<td>309Mt</td>
<td>60Mtpa market</td>
</tr>
<tr>
<td>kainite (KCl.MgSO₄.3H₂O)</td>
<td>597Mt</td>
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Questions
Annual General Meeting
29 November 2013