

SOUTH BOULDER MINES LIMITED

ABN 56 097 904 302

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2010

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2010 and any public announcements made by South Boulder Mines Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

SOUTH BOULDER MINES LIMITED

31 DECEMBER 2010

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SOUTH BOULDER MINES LIMITED

31 DECEMBER 2010

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of South Boulder Mines Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Terrence Grammer

Lorry Hughes

Liam Cornelius

REVIEW AND RESULTS OF OPERATIONS

Financial

A summary of consolidated revenues and results for the half-year by operating segments is set out below:

	2010	
	Revenues	Results
	\$	\$
Australia	3,330	(574,339)
Eritrea	-	(541,891)
Unallocated items	3,258,923	1,373,611
Consolidated entity revenues and profit	<u>3,262,253</u>	<u>257,381</u>

Exploration activities

The company continues to be involved in the exploration for company making opportunities. South Boulder is currently focused on three primary projects: The Duketon Gold Project W.A.; The Duketon Nickel Project W.A.; and the Colluli Potash Project in Eritrea.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of directors.



Lorry Hughes

Managing Director

Perth, 9 March 2011



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The Directors
South Boulder Mines Ltd
PO Box 970
West Perth WA 6872

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2010 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 9 March 2011



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

SOUTH BOULDER MINES LIMITED**31 DECEMBER 2010****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Half-year	
	2010	2009
	\$	\$
REVENUE		
Interest received	65,043	48,560
Revenue from mining properties	3,330	358,000
Fair value gains on financial assets	3,193,880	492,192
EXPENDITURE		
Depreciation expense	(21,609)	(5,016)
Salaries and employee benefits expense	(81,234)	(22,838)
Exploration expenditure	(1,119,560)	(601,014)
Corporate expenses	(80,607)	(51,176)
Consulting expenses	(32,697)	(18,401)
Administration expenses	(124,739)	(48,129)
Share based payment expense	(1,479,500)	(439,035)
Other expenses	(64,926)	(6,407)
PROFIT/(LOSS) BEFORE INCOME TAX	257,381	(293,264)
Income tax	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF SOUTH BOULDER MINES LIMITED	257,381	(293,264)
Basic earnings/(loss) per share (cents)	0.4	(0.5)
Diluted earnings/(loss) per share (cents)	0.3	(0.5)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

SOUTH BOULDER MINES LIMITED**31 DECEMBER 2010****CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	31 December 2010 \$	30 June 2010 \$
CURRENT ASSETS		
Cash and cash equivalents	4,499,222	3,853,118
Trade and other receivables	7,091,292	41,938
Financial assets at fair value through profit or loss	5,004,507	2,061,032
TOTAL CURRENT ASSETS	16,595,021	5,956,088
NON-CURRENT ASSETS		
Plant and equipment	228,289	139,469
TOTAL NON-CURRENT ASSETS	228,289	139,469
TOTAL ASSETS	16,823,310	6,095,557
CURRENT LIABILITIES		
Trade and other payables	209,433	139,536
TOTAL CURRENT LIABILITIES	209,433	139,536
TOTAL LIABILITIES	209,433	139,536
NET ASSETS	16,613,877	5,956,021
EQUITY		
Issued capital	20,367,305	11,446,330
Reserves	6,468,325	4,988,825
Accumulated losses	(10,221,753)	(10,479,134)
TOTAL EQUITY	16,613,877	5,956,021

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

SOUTH BOULDER MINES LIMITED

31 DECEMBER 2010

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Issued capital	Options Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
BALANCE AT 1 JULY 2009	8,762,171	1,177,990	(6,140,726)	3,799,435
Loss for the period	-	-	(293,264)	(293,264)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	(293,264)	(293,264)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	819,176	-	-	819,176
Employee share options	-	439,035	-	439,035
BALANCE AT 31 DECEMBER 2009	9,581,347	1,617,025	(6,433,990)	4,764,382
BALANCE AT 1 JULY 2010	11,446,330	4,988,825	(10,479,134)	5,956,021
Profit for the period	-	-	257,381	257,381
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	257,381	257,381
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	8,920,975	-	-	8,920,975
Employee share options	-	1,479,500	-	1,479,500
BALANCE AT 31 DECEMBER 2010	20,367,305	6,468,325	(10,221,753)	16,613,877

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

SOUTH BOULDER MINES LIMITED

31 DECEMBER 2010

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Half-year	
	2010	2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	(1,160,355)	(559,642)
Payments to suppliers and employees	(309,817)	(109,556)
Proceeds on sale of mining interests	-	50,000
Interest received	56,953	42,442
Payments for other financial assets at fair value through profit or loss	(70,478)	(78,000)
Proceeds on sale of financial assets at fair value through profit or loss	324,213	72,298
Net cash used in operating activities	(1,159,482)	(582,458)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(115,389)	(126,651)
Net cash used in investing activities	(115,389)	(126,651)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	1,920,975	819,176
Net cash provided by financing activities	1,920,975	819,176
 Net increase in cash and cash equivalents	 646,104	 110,067
Cash and cash equivalents at the beginning of the half-year	3,853,118	2,509,126
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	4,499,222	2,619,193

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

SOUTH BOULDER MINES LIMITED

31 DECEMBER 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by South Boulder Mines Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2010, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2010. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

SOUTH BOULDER MINES LIMITED

31 DECEMBER 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board considers the business from both a functional and geographic perspective and has identified two reportable segments, dividing the core function of mineral exploration between the Australia and Eritrea segments.

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the half-year ended 31 December 2010 is as follows:

	Australia Half-year		Eritrea Half-year		Total Half-year	
	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$
Segment revenue	3,330	358,000	-	-	3,330	358,000
<i>Reconciliation of segment revenue to Group revenue</i>						
Interest revenue					65,043	48,560
Fair value gains on financial assets					3,193,880	492,192
Total revenue					3,262,253	898,752
Segment results	(574,339)	(87,073)	(541,891)	(155,940)	(1,116,230)	(243,013)
<i>Reconciliation of segment results to net profit/(loss) before tax</i>						
Amounts not included in the segment result but reviewed by the Board:						
Depreciation					(21,609)	(5,016)
Interest revenue					65,043	48,560
Fair value gains on financial assets					3,193,880	492,192
Administration and corporate charges					(384,203)	(146,952)
Share-based payment expenses					(1,479,500)	(439,035)
Net profit/(loss) before tax					257,381	(293,264)

SOUTH BOULDER MINES LIMITED

31 DECEMBER 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION (continued)

	Australia		Eritrea		Total	
	31 December 2010 \$	30 June 2010 \$	31 December 2010 \$	30 June 2010 \$	31 December 2010 \$	30 June 2010 \$
Segment assets and liabilities						
Segment operating assets	-	7,233	18,955	-	18,955	7,233
<i>Reconciliation of segment operating assets to total assets</i>						
Other corporate and administration assets					16,804,355	4,945,334
Total assets					<u>16,823,310</u>	<u>4,952,567</u>
Segment operating liabilities	37,562	82,886	-	-	37,562	82,886
<i>Reconciliation of segment operating liabilities to total liabilities</i>						
Other corporate and administration liabilities					171,871	105,299
Total liabilities					<u>209,433</u>	<u>188,185</u>

SOUTH BOULDER MINES LIMITED

31 DECEMBER 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE

	2010 Shares	2010 \$	2009 Shares	2009 \$
Issues of ordinary shares during the half-year				
Cash received in advance of share issue	-	-	-	819,176
Issued for cash	3,500,000	7,000,000	-	-
Issued on exercise of options	6,541,950	1,920,975	-	-
	10,041,950	8,920,975	-	819,176

	Number of options	
	2010	2009
Movements of options during the half-year		
Exercised at 20 cents, on or before 24 March 2011	(390,000)	-
Exercised at 20 cents, on or before 30 November 2012	(750,000)	-
Exercised at 20 cents, on or before 30 June 2014	(1,150,000)	-
Exercised at 20 cents, on or before 31 March 2015	(500,000)	-
Exercised at 25 cents, on or before 31 August 2010	(450,000)	-
Exercised at 25 cents, on or before 31 March 2011	(710,000)	-
Exercised at 30 cents, on or before 31 March 2011	(600,000)	-
Exercised at 35 cents, on or before 31 July 2013	(1,020,000)	-
Exercised at 50 cents, on or before 19 August 2010	(1,071,950)	-
Expired on 19 August 2010, exercisable at 50 cents	(3,050)	-
Issued, exercisable at 75 cents, on or before 30 June 2015	5,000,000	-
Expired on 29 November 2010, exercisable at 25 cents	-	(500,000)
Issued, exercisable at 20 cents, on or before 30 June 2014	-	9,550,000
	(1,545,000)	9,050,000

NOTE 4: CONTINGENCIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 5: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2010, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

SOUTH BOULDER MINES LIMITED

31 DECEMBER 2010

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that South Boulder Mines Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Lorry Hughes
Managing Director
Perth, 9 March 2011



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Independent Review Report to the Members of South Boulder Mines Ltd

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for South Boulder Mines Ltd for the half-year ended 31 December 2010.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2010 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of South Boulder Mines Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of South Boulder Mines Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2010 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay

Graham Swan
Partner

Dated 9 March 2011



Chartered Accountants

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under the Professional Standards Act 1994 (NSW).