



SOUTH BOULDER MINES LIMITED

ABN 56 097 904 302

INTERIM FINANCIAL REPORT

**FOR THE HALF YEAR ENDED
31 DECEMBER 2011**

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 2011 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.

TABLE OF CONTENTS	PAGE
Corporate Directory	3
Directors' Report	4
Lead Auditor's Independence Declaration	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10
Directors' Declaration	14
Independent Auditors' Review Report to the Members	15

CORPORATE DIRECTORY

DIRECTORS

Terry Grammer

Chairman

David Lawrence Hughes

CEO & Managing Director

Liam Cornelius

Executive Director

Chris Gilchrist

Non-Executive Director

COMPANY SECRETARY

Dennis William Wilkins

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AUDITORS

Rothsay Chartered Accountants

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PERTH WA 6000

SOLICITOR

Wright Legal

1 / 103 Colin Street

WEST PERTH WA 6005

AUSTRALIAN COMPANY NUMBER

ACN 097 904 302

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ASX Code (STB); Berlin (SO3-Ber); Frankfurt

Code (SO3-Fra), OTC (SBMSY)

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 2011.

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

Chris Gilchrist (appointed 14 October 2011)

REVIEW AND RESULTS OF OPERATIONS

Financial

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

	2011	
	Revenues	Results
	\$	\$
Australia	10,000	(1,169,735)
Eritrea	-	(2,170,107)
Unallocated items	383,101	(850,878)
Consolidated entity revenues and profit	393,101	(4,190,720)

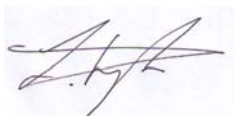
Exploration activities

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 5.

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



Lorry Hughes

Managing Director

Perth, 2 March 2012

*R*OTHSA Y

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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 2011 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 ^{2nd} March 2012



Chartered Accountants

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Half-year	
	31 December 2011	31 December 2010
	\$	\$
REVENUE		
Interest received	301,150	65,043
Revenue from mining properties	10,000	3,330
Fair value gains on financial assets	-	3,193,880
Other income	81,951	-
EXPENDITURE		
Depreciation expense	(21,823)	(21,609)
Salaries and employee benefits expense	(43,790)	(81,234)
Exploration expenditure	(3,349,843)	(1,119,560)
Corporate expenses	(111,250)	(80,607)
Consulting expenses	(72,124)	(32,697)
Administration expenses	(193,641)	(124,739)
Share based payment expense	-	(1,479,500)
Fair value losses on financial assets	(773,581)	-
Other expenses	(17,769)	(64,926)
(LOSS)/PROFIT BEFORE INCOME TAX	(4,190,720)	257,381
Income tax	-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF SOUTH BOULDER MINES LIMITED	(4,190,720)	257,381
Basic (loss)/earnings per share (cents)	(4.6)	0.4
Diluted (loss)/earnings per share (cents)	(4.6)	0.3

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	31 December 2011 \$	30 June 2011 \$
CURRENT ASSETS		
Cash and cash equivalents	11,034,362	10,970,886
Trade and other receivables	188,089	130,276
Financial assets at fair value through profit or loss	2,136,682	3,565,785
TOTAL CURRENT ASSETS	13,359,133	14,666,947
NON-CURRENT ASSETS		
Plant and equipment	272,039	231,820
TOTAL NON-CURRENT ASSETS	272,039	231,820
TOTAL ASSETS	13,631,172	14,898,767
CURRENT LIABILITIES		
Trade and other payables	475,333	159,501
TOTAL CURRENT LIABILITIES	475,333	159,501
TOTAL LIABILITIES	475,333	159,501
NET ASSETS	13,155,839	14,739,266
EQUITY		
Issued capital	25,793,098	23,185,805
Reserves	6,468,325	6,468,325
Accumulated losses	(19,105,584)	(14,914,864)
TOTAL EQUITY	13,155,839	14,739,266

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Issued capital	Options Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
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
BALANCE AT 1 JULY 2011	23,185,805	6,468,325	(14,914,864)	14,739,266
Loss for the period	-	-	(4,190,720)	(4,190,720)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	(4,190,720)	(4,190,720)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	2,607,293	-	-	2,607,293
BALANCE AT 31 DECEMBER 2011	25,793,098	6,468,325	(19,105,584)	13,155,839

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Half-year	
	31 December 2011	31 December 2010
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	(3,049,222)	(1,160,355)
Payments to suppliers and employees	(411,536)	(309,815)
Proceeds on sale of mining interests	10,000	-
Interest received	290,334	56,953
Payments for other financial assets at fair value through profit or loss	(101,750)	(70,478)
Proceeds on sale of financial assets at fair value through profit or loss	757,272	324,213
Net cash used in operating activities	(2,504,902)	(1,159,482)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(62,042)	(115,389)
Net cash used in investing activities	(62,042)	(115,389)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	2,607,293	1,920,975
Net cash provided by financing activities	2,607,293	1,920,975
Net increase in cash and cash equivalents	40,349	646,104
Cash and cash equivalents at the beginning of the half-year	10,970,886	3,853,118
Effects of exchange rate changes on cash and cash equivalents	23,127	-
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	11,034,362	4,499,222

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated 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 2011 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*.

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 2011, 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 2011.

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 2011. 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.

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 2011 is as follows:

	Australia Half-year		Eritrea Half-year		Total Half-year	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Segment revenue	10,000	3,330	-	-	10,000	3,330
<i>Reconciliation of segment revenue to Group revenue</i>						
Interest revenue					301,150	65,043
Fair value gains on financial assets					-	3,193,880
Foreign exchange gains					81,951	-
Total revenue					393,101	3,262,253
Segment results	(1,169,735)	(574,339)	(2,170,107)	(541,891)	(3,339,842)	(1,116,230)
<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					(21,823)	(21,609)
Interest revenue					301,150	65,043
Foreign exchange gains					81,951	-
Fair value (losses)/gains on financial assets					(773,581)	3,193,880
Administration and corporate charges					(438,575)	(384,203)
Share-based payment expenses					-	(1,479,500)
Net (loss)/profit before tax					(4,190,720)	257,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION (continued)

	Australia		Eritrea		Total	
	31 December 2011 \$	30 June 2011 \$	31 December 2011 \$	30 June 2011 \$	31 December 2011 \$	30 June 2011 \$
Segment assets and liabilities						
Segment operating assets	55,352	25,008	205,647	157,635	260,999	182,643
<i>Reconciliation of segment operating assets to total assets</i>						
Other corporate and administration assets					13,370,173	14,716,124
Total assets					13,631,172	14,898,767
Segment operating liabilities	331,539	54,701	-	-	331,539	54,701
<i>Reconciliation of segment operating liabilities to total liabilities</i>						
Other corporate and administration liabilities					143,794	104,800
Total liabilities					475,333	159,501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE

	2011 Shares	2011 \$	2010 Shares	2010 \$
Issues of ordinary shares during the half-year				
Issued for cash	-	-	3,500,000	7,000,000
Issued on exercise of options	9,620,000	2,607,293	6,541,950	1,920,975
	9,620,000	2,607,293	10,041,950	8,920,975

	Number of options	
	2011	2010
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	(1,100,000)	(750,000)
Exercised at 20 cents, on or before 30 June 2014	(3,900,000)	(1,150,000)
Exercised at 20 cents, on or before 31 March 2015	(3,000,000)	(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	(520,000)	(1,020,000)
Exercised at 50 cents, on or before 19 August 2010	-	(1,071,950)
Exercised at 75 cents, on or before 30 June 2015	(1,100,000)	-
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
	(9,620,000)	(1,645,000)

NOTE 4: CONTINGENCIES

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

NOTE 5: SUBSEQUENT EVENTS

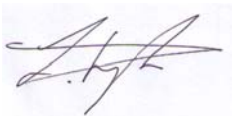
No matter or circumstance has arisen since 31 December 2011, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 13 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 2011 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, 2 March 2012

ROTHSAY

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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 2011.

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 2011 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 2011 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

2nd March 2012



Chartered Accountants

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