ARROWHEAD
BUSINESS AND INVESTMENT DECISIONS

Due Diligence and Valuation Report

Arrowhead Code:	25-01-03
Coverage initiated:	15 Sep 2010
This document:	17 February 2011
Fair share value bracket:	AS$6.25 to AS$29.95
Share price on date:	AS$4.60 [i]

Analyst

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Saravanan Sekar

Company:	SOUTH BOULDER MINES
Ticker:	ASX: STB
Headquarters:	West Perth, Australia
Managing Director:	Mr. Lorry Hughes
Website:	www.southbouldermines.com.au

Market Data

52-Week Range:	AS$0.26 to AS$4.69[ii]
Average Daily Volume:	537,994[iii]
Market Cap. on date:	AS$365.63M

Financial Forecast Data (in AS$)

	'11E	'12E	'13E	'14E	'15E
High profit/ (loss) million	(6.2)	(6.3)	(22.7)	(61.7)	547.7
High EPS cents	(9.2)	(8.2)	(26.5)	(65.0)	527.3
Low profit/ (loss) million	(6.2)	(6.3)	(22.7)	(58.7)	(101.8)
Low EPS cents	(9.2)	(8.2)	(26.5)	(61.8)	(98.0)

Fiscal Year (FY)

1st July – 30th June

Summary

South Boulder Mines Limited is an Australian-listed exploration and development company focusing on multiple gold, nickel and fertilizer prospects primarily located in Western Australia and Eritrea in North East of Africa. One of South Boulder's main areas of focus is on its Duketon Greenstone Belt projects which contain the exciting new Rosie Ni-Cu-PGE discovery. The company owns 100% of all gold prospects and participates in a farm-out Joint Venture with Independence Group NL (earning 70%) for nickel sulphide prospects within the same area.

South Boulder Mines Ltd has a 100% interest in the Colluli Potash Project located in the Danakil Depression region of Eritrea (Africa), approximately 200km south east of the Capital Asmara.

In January 2011, South Boulder announced the maiden JORC/43-101 compliant resource estimate for the Colluli Potash project. It reported a Measured, Indicated and Inferred resource of about 548MT @ 19% KCl including 119MT @ 23% KCl (total contained potash of 102MT) located at <100m depth. It plans to increase the exploration target to 750MT – 1250 MT @ 18-20% KCl including 450MT – 750MT @ 20-23% KCl in the coming quarters.

South Boulder is currently conducting an engineering scoping study to ascertain the optimum potash processing capacity from 1MT to 10MT per annum. Arrowhead believes that this is a significant landmark which reduces the resource risk and improves the upside potential for the company.

South Boulder also has three (90-100%) owned fertilizer exploration projects in Western Australia. Given due diligence and valuation estimations based on discounted cash flow method, Arrowhead believes that South Boulder mines limited fair share value lies in the AS$6.25 to AS$29.95 bracket.[iv] This valuation is based solely on the Duketon Nickel and Eritrean Potash project and does not take account of the potential value of the company's Terminator Gold prospect. We have also presented a comparable valuation based on Enterprise Value/resource and Enterprise Value /proposed capacity to ascertain the value the Nickel and Potash prospects respectively.

See important disclosures on page 26 of this report.

Company Presentation

Incorporated in 2001, South Boulder Mines Limited (ASX: STB) is involved in acquisition, exploration and development of quality resource projects in Western Australia and Eritrea. The company has outstanding projects in Nickel, Gold and Potash and is currently conducting resource confirmations and definition drilling ahead of the feasibility studies. The company has a 100% interest in the Colluli Potash Project located in the coastal Danakil Depression region of Eritrea (Africa) approximately 200km south east of the Capital Asmara. The company believes the project has the potential to host a world class potash deposit and is assessing this potential through drilling and scoping studies. South Boulder has a farm-out Joint Venture agreement with Independence Group NL allowing Independence Group to earn 70% of the nickel rights on selected South Boulder tenements within the Duketon Greenstone Belt by completing a Bankable Feasibility Study. The company has three primary nickel targets, The Bulge, The Bulge Regional and German Well. The company believes that The Bulge Rosie discovery is the best new greenfields discovery on the globe and the Duketon Nickel Project could contain a new nickel province. The Duketon Belt is located 120 kilometers north of Laverton in Western Australia and is considered highly prospective for gold, nickel sulphide and base metal mineralization. South Boulder's gold prospects are all located within the under-explored Duketon Greenstone Belt. The company also has various fertilizer projects in Western Australia including the Lake Disappointment Potash Project in the Gibson Desert and the Cardabia Phosphate Project in the Carnarvon Basin.

South Boulder Mines asset portfolio includes: [v]

Fertilizers (including Potash) - (100%)

South Boulder Mines Ltd has a 100% interest in the recently acquired Colluli Potash Project located in the Danakil Depression region of Eritrea (Africa) approximately 200km south east of the Capital Asmara. Additionally South Boulder's 90-100% owned potash and phosphate fertilizer projects are located in Western Australia including the Lake Disappointment Potash Project in the Gibson Desert and the Cardabia Phosphate Project in the Carnarvon Basin. The Georgina Basin Phosphate Project is located in the Northern Territory. These projects are not currently the focus of exploration activity and are being divested.

- **Nickel**

Duketon Nickel Venture - (ASX: IGO earning 70%)

The project covers approximately 100 strike kilometers of ultramafic rich stratigraphy in the Duketon Greenstone Belt – considered highly prospective for Ni-Cu- PGE mineralization. South Boulder signed a Joint Venture Agreement with Independence Group holding 70% of the nickel metal rights on tenements held by South Boulder within the Duketon Project by delivery of a Bankable Feasibility Study "BFS" within 5 years of the grant of the relevant tenement.

- **Gold**

Duketon Gold Project (100%)

The Duketon Greenstone Belt approx.1500 sq.km contains highly prospective geological sequences and mineralized structures. Numerous structures are known to contain significant gold mineralization and this is demonstrated by the approximately +4M ounces of unmined gold resources currently defined to date within the belt. ASX listed Regis Resources (ASX:RRL) are currently developing the +100,000oz p.a Moolart Well Gold Mine and have recently announced the maiden JORC Resource for their new Garden Well Gold discovery. These deposits are located proximal to South Boulder's Gold Project.

South Boulder Mines' portfolio and company premiums

- The company is involved in acquisition, exploration and development of quality resource projects in Western Australia and Eritrea. The company has outstanding projects in Nickel, Gold and Potash and is currently conducting resource confirmation and definition drilling ahead of the feasibility studies at the Colluli Potash Project and at the Duketon Nickel Project.
- South Boulder Mines has an 100% interest in the Colluli Potash Project located in the Danakil Depression region of Eritrea (Africa) approximately 200km south east of the Capital Asmara. The company believes the project has the potential to host a world class potash deposit and recent chemical analysis of drill core has confirmed the presence of world class shallow potash. Approximately 4.5km2 of potash mineralization consisting of sylvinite, carnallite and kainitite has been defined to date from depths as shallow as 28.68m. The Project is located ~70kms from the coast and can utilize solar evaporation which will significantly reduce capital and operating costs compared to most potash projects globally.
- The company recently published a maiden JORC/43-101 compliant Mineral Resource Estimate at the end of 2010 which confirmed the potential for a highly significant potash development at the Colluli Potash Project. The Measured, Indicated and Inferred resources located at <100m depth was about 548Mt @ 19% KCl including 119Mt @ 23% KCl (total contained potash of 102Mt).
- South Boulder has a farm-out Joint Venture agreement with Independence Group NL allowing Independence Group to earn 70% of the nickel sulphide rights on South Boulder tenements within the Duketon Greenstone Belt by completing a Bankable Feasibility Study within 5 years of the grant of the relevant tenement. The company has been successful with the discovery of extensive sulphide nickel at the C2 and Rosie Prospects. Scoping Study activities and drilling is continuing to evaluate the construction of a mine with such intercepts as 5.20m @ 9.13% Ni, 1.09% Cu, 0.21% Co and 7.09g/t PGE's.
- The company is currently focused on the exploration of assets in Western Australia and Eritrea which are in the initial resource estimation stage. Significant proven resources have been defined near the target zones by other companies. Allana Potash Corp currently has a 43-101 Compliant Inferred Resource of 105 million tonnes (20.8% composite grade KCl) in Ethiopia near the Eritrean border. Regis Resources has a 1.5 million ounce Moolart Well Gold Project currently being developed in Duketon Belt.
- South Boulder Mines has three (90-100%) owned potash and phosphate fertilizer projects in Western Australia and The Northern Territory, the Lake Disappointment Potash Project (100%), the Cardabia Phosphate Project (100%) and the Georgina Basin Phosphate Project in the Northern Territory (90%).
- The Management and Governance team is composed of highly experienced geologists and accomplished and accomplished practitioners of mining project finance and regulatory issues.
- The company has had encouraging results from the initial drilling samples at its 100% owned Terminator Gold Prospect within the Duketon Gold Project in Western Australia.
- The company has strong cash position to internally fund to conduct the exploration capex requirements
  Arrowhead BID feels there is significant opportunity for price stability, to growth, in Potash and Nickel through the next 10 years, given foreseeable supply and demand factors. There are indications of a good future in terms of marketability and demand. For details, see *Technologies and Markets* section on pages 5-10 of the report.

South Boulder Mines' portfolio and company risks

- South Boulder Mines' forecast for revenue and operating margins are significantly dependent upon prices of Potash, Nickel and Gold.
- Its complete portfolio is concentrated in the exploration and resource estimation stage, which induces a considerable project development and financial risk from 2011 to 2017 and most likely a couple more years after that.
- South Boulder Mines' stated capital expenditure (the feasibility and ultimate cost of the capital expenditure agenda) will have to be confirmed in the future with the given market conditions for financing.
- Exploration and operational risk as a long-term potential depends significantly on the company's ability to find economically feasible resources.
- Foreign exchange risks as expenses are incurred mainly in US dollars, Australian dollars, Euro and Eritrean Nakfa, while sales are priced in US dollars.
- Political and economic risks from changes in Eritrea's political and legal system might affect ownership or operation of company assets.

See important disclosures on page 26 of this report.

South Boulder Mines' corporate strategy

- Increase value to shareholders through acquisition, exploration and development of its quality resource projects in Western Australia and Eritrea.
- Expand the exploration target of potash to 750MT – 1250 MT @ 18-20% KCl including 450MT – 750Mt @ 20-23% KCl and target to produce 1mt -1.5mt per annum by 2015 from the facility by competing the scoping and feasibility studies in the next two years. An engineering scoping study into the optimum potash processing capacity from 1MT – 10MT per annum is underway.
- Be a passive partner in the Duketon Nickel JV with Independence Group and earn the 30% Nickel interest once Bank Feasibility Study is completed by the partner and the production commences subsequently. South Boulder will also become a nickel sulphide explorer on a 100% basis on ground that is not in the Joint Venture.
- Continue to conduct targeted gold exploration programs on the Duketon Gold Project, such as exploring for extensions to the Terminator deposit and testing other high priority targets.
- Once key technical data is collected and a thorough assessment of the Colluli Potash Project is completed by South Boulder, options for separation of the potash asset into a dedicated potash entity will be evaluated. This may include an in specie distribution to South Boulder shareholders and a TSX or Hong Kong IPO listing or similar.

Key trends for Potash

Key drivers of Potash demand: The potash market is primarily driven by the rising population and the need for nutritious food as the per capita income increases in the emerging markets. As Potash plays an important role in improving yield, taste, and nutrient value of these key crops, the farmers in developing countries have started to address decades of unbalanced fertility practices, applying potash in greater quantities to catch up on years of under-application. After a temporary slowdown during the global economic downturn beginning at the end of 2008, potash consumption levels have begun to return to pre-crisis levels in most key markets. With long-term fundamentals firmly in place, the potash demand is expect to a return to near historical trend-line consumption of at least 55 million tonnes in the near term. [vi]

Potash market evolution: Arrowhead believes that Potash prices should be firmly supported by demand recovery in the near term. As grain prices trend higher and farmer economics improve, potash demand is expected to sustain at US$350-400 range in 2011.

Key trends for Nickel

Key drivers of Nickel demand: Changes in the nickel prices tend to correlate very closely with the level of nickel stocks at the LME. Therefore, Nickel prices are expected to rise only moderately in 2011, because substantial idle capacity at LME and new supply additions are expected to comfortably satisfy rising demand. However, they are likely to remain volatile due to the large stocking/destocking cycles that typify the stainless steel sector, which accounts for about two-thirds of nickel demand. This scenario should also hold over the next decade because of seemingly adequate supply capacity and the availability of a low cost substitute. As of February 7, 2011, Nickel three-month futures contract was trading US$25,470/T; the spot price was US$ 25,435/T.

Nickel market evolution: Currently Nickel is trading in US$18,000-27,000/T range. Given the current general climate of recovery and macro-economic environment, Nickel prices should be expected to stabilize in their current range in the mid term.

For details, see *Technologies and Markets* section on pages 5-10 of the report.

Technologies and Markets

Market trends: Potash geology and markets

Potash description and geology

The term "potash" refers to a group of potassium (K) bearing minerals and chemicals. The chemical symbol, K, comes from the Latin kalium which in turn, is derived from the Arabic word for alkali. Potassium is the seventh most abundant element in the Earth's crust, and is the third major plant and crop nutrient after nitrogen and phosphate. [vii]

Properties: Potash plays a critical role in the regulation of plant physiological functions: It strengthens cell walls, aids in water retention, improves disease resistance and boost nitrogen and phosphate absorption. Enhancing these functions results in improved plant quality and increased yields. [viii]

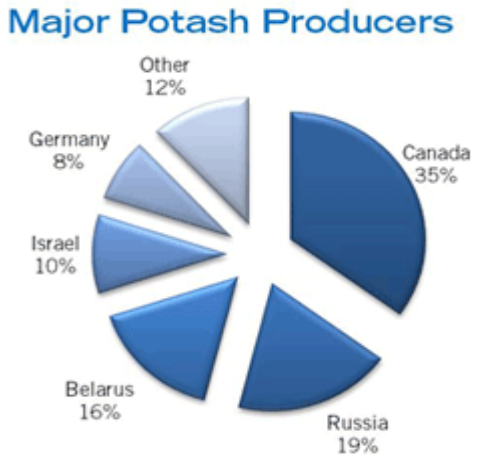
Potash sources and production

Sources: Potash fertilizers contain about 20 to 62% K2O (Potash).They consists of potassium in combination with chloride, sulfate, nitrate, and other elements. The common source for potash fertilizer include Muriate of potash (MOP), or potassium chloride (KCl) ;Sulfate of potash (SOP), or potassium sulfate (K2SO4);Sulfate of potash magnesia, or potassium-magnesium sulfate (K2SO4·2MgSO4); Saltpeter, or potassium nitrate (KNO3)

MOP is the most common potassium source used in agriculture, accounting for about 95% of all potash fertilizers used worldwide. Its nutrient composition is approximately 50% of Potassium and 46% of Chloride. [ix] Most potash is extracted by conventional underground mining methods. Solution mining is used when underground deposits are irregular and very deep. The other main production method involves the evaporation of brines in shallow salt lakes, followed by the harvesting of potassium minerals. Presently, more than 90% of the world underground potash comes from conventional whereas the total 70% of rock salt production is done by solution mining.

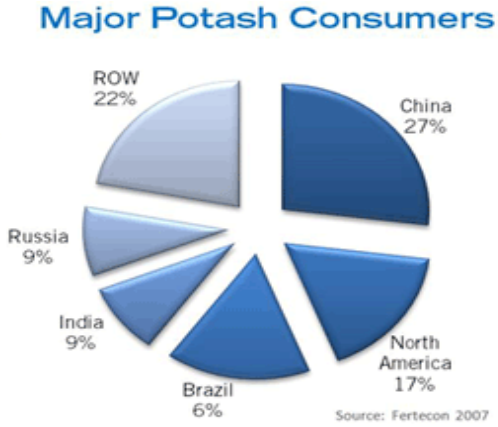
Production: Potash production is limited to only 12 countries around the world. The vast majority of global production comes from 3 producing nations: Canada, Russia and Belarus. Canada is the world's largest producer with the province of Saskatchewan hosting the country's epicenter of global potash production. The current potash market is estimated at 50 million tonnes annually and is projected to grow at a rate of 3-4%. Canada is the leading producer accounting for 35% followed by Russia 19%, Belarus 16%, Israel 10%, Germany 8% and Rest of the world 12%.[x]

Figure 1: Geographical production of Potash



Source Potash One http://www.potash1.ca/s/Fundamentals.asp

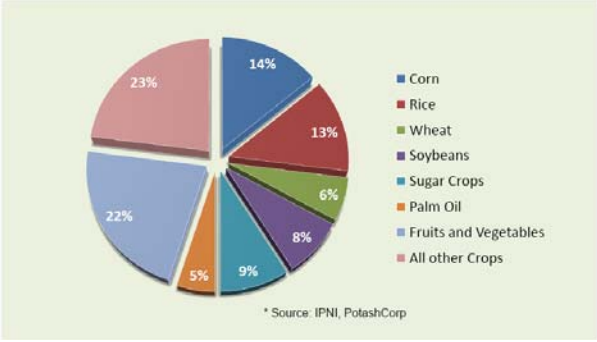
Figure 2: Geographical production of Potash



Potash Uses[xi]

Nearly 95% of all potash production goes into the agricultural sector where it is used as a plant nutrient. Typically as a component of N-P-K fertilizers or compound fertilizers which combine Potash with N (nitrogen) and P (Phosphate).

Figure 3 Potash uptake and use by crop



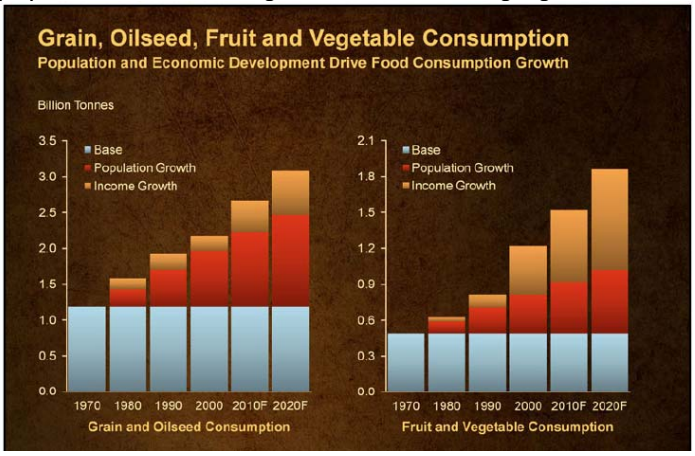
Source www.magindustries.com/cmsdocs/.../MagIndustries-on-Potash.pdf

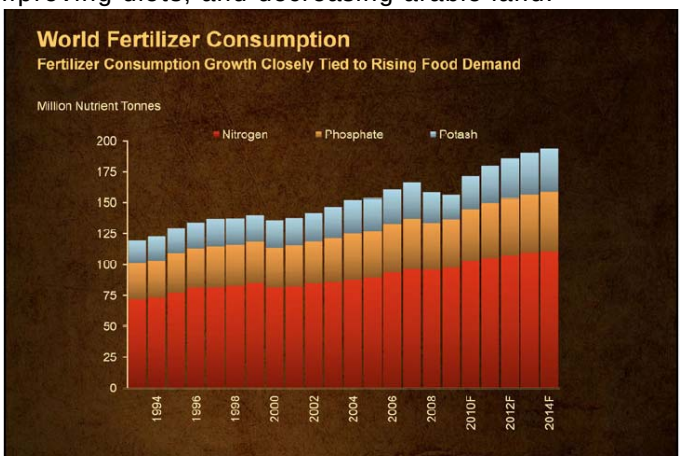
Substitutes[xii]: The role of potassium cannot be substituted by any other nutrient and potash has no commercial substitute as a potassium fertilizer source. Manure and Glauconite are low potassium sources that can be transported short distances to crop fields.

Potash Market: Demand, Supply and Outlook

During the commodity rally of 2003-2008, potash was one of the hottest commodities surging from $200 a ton to a staggering $1000 a ton in June of 2008. In 2009, the potash market suffered from low agricultural prices, obstinate farmers, and a deflationary environment due to large excess capacity within the industry. These factors have lowered the price of potash on world markets all the way down to around $350 a ton. [xiii]

Demand: The potash market has experienced rapid growth in the last decade primarily due to an increased demand for food, fiber and feed. This trend directly correlates to its basic fundamentals: increasing global population, increasing incomes in emerging markets, improving diets, and decreasing arable land.





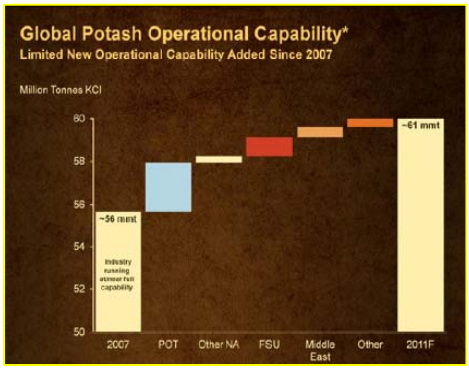
Source Potash Corp September 2010 investor presentation

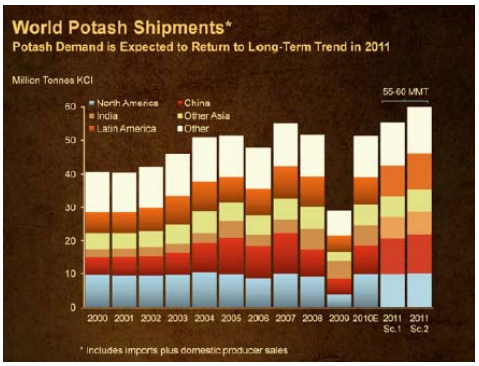
Potash is used as a major agricultural component in 150 countries. The largest importers of potash are the heavily populated countries of China, India and Brazil. Asian nations produce only 3.1 million tonnes while consuming 23.1 million tonnes. The state of potash producing infrastructure is in decline as about 85% of the world's facilities are more than 25 years old.

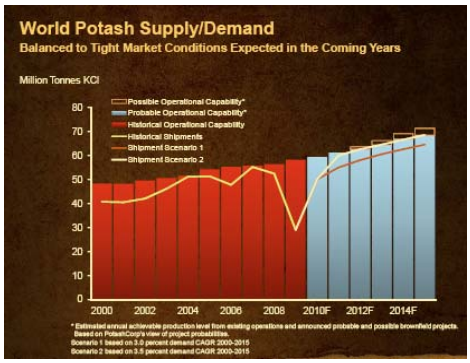
The current potash market is estimated at 50 million tonnes annually and is projected to grow at a rate of 3-4%. The United States remains one of the largest net consumers producing only 1.2 million tonnes/year while consuming 5.2MMT/year.[xiv]

Potash Corp, the largest Potash player in the world is buoyed about the transition that took hold in 2010, when global potash shipments reached an estimated 52 MT. It believes that this is only the beginning of the rebound and that shipments in 2011 could reach 55-60 MT, depending on how aggressively farmers and fertilizer dealers move to replenish depleted inventories in the soil and supply chain. The company asserts that potash has been under-applied in a number of key developing markets, but today these regions have growing economies, increasing demand for higher-quality food and greater ability to make the necessary investment in potash. Global potash production capabilities, however, are limited and bringing a greenfield mine into production is a seven- to 10-year proposition. [xv]

Supply: In 2007, the industry operated full out and produced about 55 million tonnes. Since then, only limited new capacity has come online – most of it has been through the expansions in Saskatchewan. Based on what the industry produced in 2007 and it is estimated that the current global operational capability to be between 58-60 million tonnes. Over the next five years, approximately 12 million metric tonnes of additional global capability is expected to be added wherein Potash Corp would be responsible for more than half of the global total. Even with all announced brownfield projects coming on stream, it is believed that the market fundamentals are in place for a tight market. Historically, potash demand -has had an average annual growth rate of approximately 3.5 %. Following the unprecedented decline in demand that occurred in 2009, there need to be subsequent inventory build up to offset the deficit.[xvi]







Source Potash Corp December 2010 investor presentation

Potash Corp currently estimates the global potash operational capability at 61 MT; it expects the supply to remain under pressure throughout 2011. Given the tightening fundamentals, prices to all markets have begun to move higher. This has taken effect more quickly in the US, as market-focused farmers and fertilizer buyers secured the potash needed to capitalize on strong agricultural returns. Potash Corp sees the potential for similar trends in offshore spot and contract markets as the year progresses. [xvii]

Price outlook: The potash market is primarily driven by the rising population and the need for nutritious food as the per capita income increases in the emerging markets. As Potash plays an important role in improving yield, taste, and nutrient value of these key crops, the farmers in developing countries have started to address decades of unbalanced fertility practices, applying potash in greater quantities to catch up on years of under-application. After a temporary slowdown during the global economic downturn beginning at the end of 2008, potash consumption levels have begun to return to pre-crisis levels in most key markets. With long-term fundamentals firmly in place, the potash demand is expect to a return to near historical trend-line consumption of at least 55 million tonnes in the near term. Arrowhead believes that Potash prices should be firmly supported by demand recovery in the near term. As grain prices trend higher and farmer economics improve, potash demand is expected to sustain in the range of US$350-400 in 2011.

Market trends: Nickel geology and markets

Nickel description and geology

Nickel (symbol Ni, atomic weight 58.71, atomic number 28) is a lustrous, silvery-white metal discovered in 1751.

Properties: Nickel has a melting point of 1453°C, relatively low thermal and electrical conductivities, high resistance to corrosion and oxidation, excellent strength and toughness at elevated temperatures, and is capable of being magnetized. It is attractive and very durable as a pure metal, and alloys readily with many other metals.

Nickel sources and production

Sources: The bulk of the nickel mined comes from two types of ore deposits: laterites; and sulfides. Currently 50% of production comes from sulfide sources. Laterite nickel ore accounts for about two thirds of the world's nickel resources but is generally not used for producing refined pure nickel because of its low nickel content, which ranges between 1 – 2%. Open pit methods are utilized to exploit laterite, while sulfides are exploited utilizing underground methods. For these reasons, though laterite nickel processing is more expensive, the cost of exploitation is cheaper than that of sulfide nickels.

Production: In 2007, worldwide primary production of Nickel stood at 1.42MMT. This production was 24% higher than in 2002. Russia is the leading producer accounting for 19% followed by Canada 16%, Australia 11%, Indonesia 9%, New Caledonia 7%, Colombia 6%, China 5%, Brazil 5% and Rest of the world 25%. It is believed that most of the nickel on Earth is concentrated in the planet's core.

Figure 4: Geographical production of Nickel

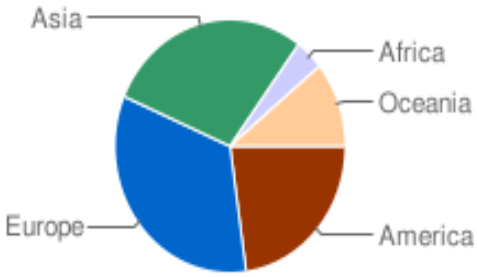
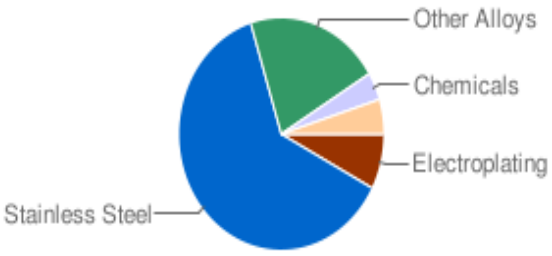


Figure 5: Nickel consumption by first use



Source: London Metals Exchange http://www.lme.co.uk/nickel_industryusage.asp

Nickel Uses

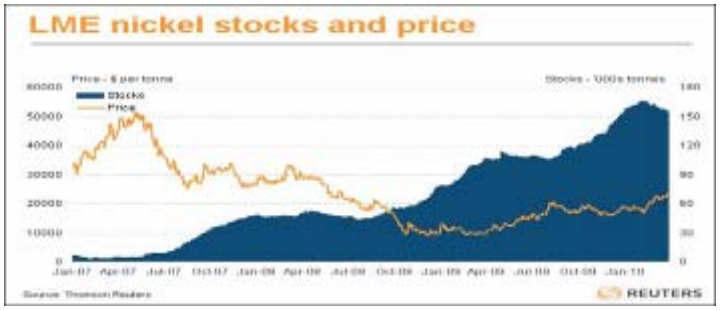
Nickel is used primarily to make stainless steel and many other corrosion resistant alloys. Copper-nickel alloy tubing is used in desalination plants. Nickel is used in coinage and for armor plating. When added to glass, nickel gives a green color. Nickel plating is applied to other metals to provide a protective coating. Finely divided nickel is used as a catalyst for hydrogenating vegetable oils. Nickel is also used in ceramics, magnets, and batteries.

Substitutes: Nickel pig iron can be used as a substitute for nickel in stainless steel production and was used in China to offset high nickel prices in 2007. However, this process is, not sustainable if nickel prices are below US$24,000/T.[xviii] Nickel-free specialty steels are sometimes used in place of stainless steel within the power-generating and petrochemical industries. Titanium alloys or specialty plastics can substitute for nickel metal or nickel-based alloys in highly corrosive chemical environments. Cost savings in manufacturing lithium-ion

batteries allow them to compete against NiMH in certain applications, and the technological trend indicates that this should be increasingly the case.

Nickel Market: Demand, Supply and Outlook

Since 2000, the price of Nickel has shown considerable volatility. Until 2003, the price of Nickel remained below US$10,000/T. The price, however, breached US$14,000/T in 2005 and then escalated dramatically through 2006 before peaking at an average of US$52,179/T in May 2007. Nickel prices then declined until the end of 2008, when the average cash price in December hit a low of US$9,678/T. The fall in nickel prices was largely due to a collapse in demand and an increase in LME nickel inventories. Owing to the global economic recovery, nickel prices, in early 2009, began to once again climb and by August 2009 the price for a tonne of refined nickel had once again touched US$20,000/T. Since then, the price has hovered between US$15,000/T and US$27,000/T.



Demand: Demand for nickel is predominantly driven by stainless steel production, which accounts for around two-thirds of total nickel consumption, and is correlated with the general state of the global economy. The demand for stainless steel has increased significantly over the past decade, due to rapid industrialization in countries such as China, Russia and India. China is responsible for the highest increase in nickel consumption, with an annual average growth rate of almost 25%. China alone now accounts for almost 25% of world nickel demand compared with 4% in 1995.[xix]

The Economist Intelligence Unit estimates that growth in nickel consumption will be 5.2% in 2011 and will largely depend on China's stainless steel export market.[xx] In the medium to long term, demand should continue to grow on the back of growth in BRIC (Brazil, Russia, India and China) countries. Anglo American forecasted a CAGR growth of 3.6 % from 2008 through 2020.[xxi]

Supply: Due to the global economic meltdown, output of nickel declined sharply in 2009 as some major producers cut mine production to stabilize prices. For the first three quarters of 2009, nickel mine production fell by 18% year-on-year, while primary production was down by 6%. While production of nickel declined in 2009, Inventory at the LME built up steadily. At the end of December 2009, official stocks at LME warehouses totaled in excess of 150,000T. To put this into perspective, when nickel prices surged to above US$50,000/T, LME stocks totaled 4,700T.[xxii] As at 07 February, 2011, official LME stocks were 132,828T.[xxiii]

Looking ahead, projected nickel supplies appear to be more than adequate, in view of large idle capacity and a stream of new projects due to start production this year and the next few years. Anglo American forecasted that longer-term robust demand growth will require additional new capacity of ~500,000T/year by 2020.[xxiv] Newer projects will largely consist of laterites, which is likely to ramp up average production costs. The Economist Intelligence Unit estimated 2010 production at 1.4m T, a rise of 5.9% year on year, increasing by a further 7.5%, to 1.5m T, in 2011.

Price outlook: Changes in the nickel prices tend to correlate very closely with the level of nickel stocks at the LME. Therefore, Nickel prices are expected to rise only moderately in 2010, because substantial idle capacity at LME and new supply additions are expected to comfortably satisfy rising demand. However, they are likely to remain volatile due to the large stocking/destocking cycles that typify the stainless steel sector, which accounts

for about two-thirds of nickel demand. This scenario should also hold over the next decade because of seemingly adequate supply capacity and the availability of a low cost substitute. As of February 7, 2011, Nickel three-month futures contract was trading US$25,470/T; the spot price was US$ 25,435/T.

Key variables which enter into South Boulder Mines revenue and valuation estimations

- **Variable 1 –** Forecast price of Potash for 2011-2025: US$350-400/T in 2011; CAGR of 3.0% through 2012-2025.
- **Variable 2 –** Forecast price of Nickel for 2011-2025: US$20,000/T to US$22,000/T in 2011, CAGR of 2.0% through 2012-2025.
- **Variable 3 –** Hypothesis for annual production at Colluli Potash Project: annual production to be in the range of 1.0-1.5 MTPA.
- **Variable 4 –** Hypothesis for production commencement at Colluli Potash Project to start post 2015 to 2017 once the development is completed.
- **Variable 5 –** Hypothesis for annual production at Duketon Nickel JV Project 2015-2025: annual production to range between 2,250 to 2,500 T
- **Variable 6 –** Hypothesis for capital expenditure at Colluli Potash Project for the period 2013-2017 to range from US$500M to US$750M.
- **Variable 7 –** US$/AUS$ exchange rate: 1.0 to 1.40

News

- **South Boulder Mines maiden JORC Resource of 102Mt potash at Colluli:** On January 19, 2011, the company announced the establishment of the highly anticipated maiden JORC for the Colluli Potash deposit in Eritrea, and did not disappoint the company's shareholders. It has further increased the recently increased exploration target by 18-20% KCl to 750 million-1.25 billion tons. This maiden resource represents the first stage of a mining engineering study into the optimum production capacity from open pit mining. The company also added that production will be relatively straight forward, as potash is contained within potash minerals, which can be processed using standard techniques.

- **South Boulder Mines increases exploration target at Colluli:** On January 4, 2011, the company increased the exploration target to 500-750 million tons of potash ores from 300-500 million tons for South Boulder Mines after continued drilling success at the Colluli Potash Project in Eritrea. The exploration target is from the surface to 100 meters depth. Diamond drilling at Colluli has defined a 9km square area, with extensive mineralization intersected, with the company adding it considers open in all directions.
- **Sprott Asset Management increases stake in South Boulder Mines:** On December 17, 2010, the company announced that Sprott Asset Management has further purchased further 3.5 million of its shares at $2 per share, increasing its holding to 18.5% from 15.1%. Sprott has been a strong supporter of South Boulder, increasing its stake in both August and June last year.

Listing information

South Boulder Mines was listed on the ASX Exchange, with ticker STB in October 2003.It is also listed in Frankfurt and Berlin with ticker codes of SO3-Fra and SO3-Ber.

Contacts

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Phone: +61 8 6315 1444; Fax: +61 8 9486 7093;

Key variable analysis

Variable 1 – Forecast price of Potash for 2011-2025

Arrowhead believes that secular increase in the per capital income of the emerging market and supportive crop economics would be primary driver for fertilizers and Potash in the coming years. Based on this forecast and on hypothesis for an average of price stability, Arrowhead forecasts that a comfortably low estimate for 2011 prices of Potash should be US$350/T, whereas a prudent high estimate should be US$400/T. The price should grow through 2012-2021 with a +3.0% CAGR.

Variable 2 – Forecast price of Nickel for 2011-2025

Arrowhead believes that changes in the nickel prices tend to correlate very closely with the level of nickel stocks at the LME. Therefore, Nickel prices are expected to rise only moderately in 2011, because substantial idle capacity at LME and new supply additions are expected to comfortably satisfy rising demand. Arrowhead forecasts that a comfortably low estimate for 2011 prices of Nickel should be US$20,000/T, whereas a prudent high estimate should be US$22,000/T. The price should grow through 2012-2021 with a +2.0% CAGR.

Variable 3 – Hypothesis for annual production at Colluli Potash Project 2015-2017+

Arrowhead believes that once South Boulder completes its resource estimation and engineering studies at its Colluli project in Eritrea, it would start constructing a mining which would have a annual production in the range of 1.0 -1.5 MTPA. Arrowhead also believes that the cash cost using most probably open-cut mining should be in the lower quartiles of global comparable values. The relatively low anticipated capital and cash costs are a function of important key factors such as;

- Project is ~70kms from the coast;
- The mineralization identified is extensive and has been defined from 28.68m depth and is predominantly less than 100m deep. This makes it one of the shallowest buried evaporite deposits in the world;
- The mineralization is of economic grades;
- Open cut, underground or solution mining techniques are available to exploit the resource;
- The solar evaporation method is available in the processing route;
- Geothermal energy use has strong potential;
- No known environmental issues.

The cash cost is expected to be US$55/T through 2011-2021 with a +2.0% CAGR, with the recent drill results confirming extensive mineralization at shallow depths.

Variable 4 – Hypothesis for commencement of production from Colluli Potash

Based on discussion with management, Arrowhead considers that the production could earliest by end of 2015 and latest by end of 2017.

Variable 5 – Hypothesis for annual production at Duketon Nickel JV Project 2015-2025

Arrowhead considers that annual production estimates from the Duketon Nickel JV range from 2,250 to 2,500T. Once the project becomes operational in 2015 Arrowhead assumed a cash cost of US$9,000/T.

Variable 6 – Hypothesis for capital expenditure at Colluli Potash Project 2013-2017

Arrowhead believes that once South Boulder completes its engineering studies at its Colluli, it would incur a capital expenditure of about US$500 to US$750MM in development costs. We also believe that the spending would be uniform over the period to construct the mine to extract Potash using open-cut mining.

Variable 7 – US$/AUS$ exchange rates

Since South Boulders' forecast revenues are extremely sensitive to the forecast international prices of Potash and Nickel, which are priced in US$, and since South Boulder is listed in Australia, the currency factor is important. US$/AUS$ exchange rates of 1.0 are the benchmark for a low value, while a high value estimate is at 1.40.

Assets & Projects[xxv]

Potash Mining project in Eritrea

South Boulder Mines Interest: **100%**

Asset summary: **Prospective Potash Mine**

Target commodities: **Potash**

Access

The project is located ~70kms south of the shallow water port of Mersa Fatma and less than 200kms south east of the deep water port of Massawa.

Location

Located in the Danakil Depression region Eritrea approximately 200km south east of the Capital Asmara.

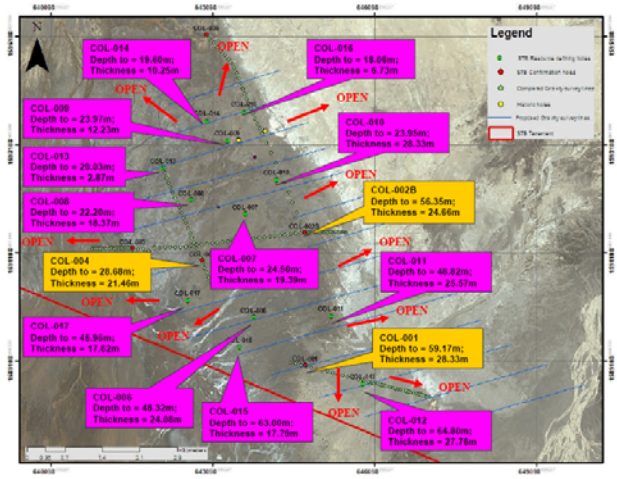
Regional geology

The 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 Danakil Depression or Afar Depression is a product of a tectonic triple junction (the Afar Triple Junction), where the spreading ridges that form the Red Sea and the Gulf of Aden emerge on land and meet the East African Rift. The central meeting place for these three pieces of Earth's crust is around Lake Abbe. The Afar Depression is one of two places on Earth where a mid-ocean ridge can be studied on land, the other being Iceland.

Prospect geology and mineralization

The Danakil Depression has ancient 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 between 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 drilling at the Colluli Potash Project.

The project is located ~70km south of the shallow water port of Mersa Fatma and less than 200km south east of the deep water port of Massawa.



South Boulder has undertaken detailed data compilation and has conducted diamond drilling, to confirm the historic potash mineralization and to collect samples for preliminary metallurgical test work. Historic work defined two potash layers containing sylvinite and the carnallite.

South Boulder recently announced the completion of an initial JORC and 43-101 compliant Measured, Indicated and Inferred Mineral Resource Estimate located at < 100m depth for the Colluli Potash Deposit. The total Measured, Indicated and Inferred resource comprises sylvinite, carnallite and kainite ores of 547.62Mt @ 18.58% KCl with a higher grade portion of sylvinite and carnallite ores of 119.21Mt @ 23.14% KCl which has a total in-ground value of ~ US$40.5bn using US$ 400/t KCl. Further it expects to increase the exploration target to 750MT – 1.25BT @ 18-20% KCl; Includes 450Mt – 750Mt @ 20-23% KCl.

Resource Category	Tonnes (MT)	Grade (% KCl)	Potash (MT)
Inferred	340.86	18.58	63.34
Indicated	173.37	18.57	32.20
Measured	33.39	18.56	6.20
Resources	547.62	18.58	101.73

As per the recent drilling results confirmed by South Boulder, 17 shallow diamond holes has been drilled at Colluli, defining mineralization over and ~ area of 10km2.Of these only 3 holes (Col-001, 002 and 004) with assay results, have been used to calculate the initial resource tonnage and

grade. Mineralisation is currently open in all directions and a near term resource upgrade is expected on receipt of outstanding assay results from holes 006 – 017

Mineralisation Types	Tonnes (MT)	Grade (% KCl)	Potash (MT)
Sylvinite Measured	6.24	23.10	1.44
Sylvinite Indicated	32.28	23.12	7.46
Sylvinite Inferred	64.86	23.21	15.06
Upper Carnallite Measured	0.99	22.87	0.23
Upper Carnallite Indicated	5.10	22.87	1.17
Upper Carnallite Inferred	9.74	22.87	2.23
Total Sylvinite & U.Carnallite	119.21	23.14	27.58

This maiden resource represents the first stage of a mining engineering study into the optimum production capacity from open pit mining. The study will investigate a range of production scenarios from 1MT – 10MT p.a.

The current potash resource is located from between 22.20m to 64.80m below surface confirming Colluli as the worlds' shallowest buried potash deposit. All potash is contained within potash minerals that can be processed using standard techniques

The potential to utilize solar evaporation and open-cut mining techniques make the project very attractive to South Boulder. These factors coupled with the relatively shallow nature of the mineralization could lead to relatively cheap capital and operating costs if a deposit is defined.

South Boulder originally applied for the license in May 2008 as part of an open tender process and won the right to negotiate terms for an exploration license agreement in June 2009. The minimum expenditure requirements of the license includes USD $500,000 in the first year and on application for a mining license, the Eritrean government is entitled to a 10% free-carried interest. The government, after delivery of a Bankable Feasibility Study (BFS), has the right to purchase an additional 30% equity participation interest in any mining project and up to a 3.5% royalty on salts.

At Musley to the immediate south of Colluli in Ethiopia, an historic resource, which is not JORC compliant (Mengitsu and Fentaw, 2000) was defined from the historic work conducted by the Ralph M. Parsons company from 1958-68.

The resource is now partly owned by Sainik Coal Mining Pvt. and Allana Resources Inc. (TSX.V: AAA). Allana has defined a 43-101 compliant resource utilizing historic holes that comprises 105Mt @ 20.8% KCl. South Boulder is of the opinion that at the current stage of exploration, the Musley deposit is the most analogous deposit to the mineralization identified at Colluli to date and therefore provides South Boulder with a realistic exploration target elsewhere within the Project.

The company expects to define a potential target of 1 MT - 10MT per annum operation with a capital cost of US$500M-US$750M and mine life exceeding 20 years.

Musley Deposit studies suggest that it is amenable to open-cut mining and the mineralogy can support the production of both SOP and MOP.

South Boulder believes the project has the potential to host a world class potash deposit and is committed to assessing this potential. South Boulder has set up a local branch office in Asmara including the recruitment of local administration and geological staff in order to support exploration. The scoping study results are planned to be completed in mid 2011.The drilling is expected to resume in late January with a second rig planned to be onsite in early February

Activity	Timing
Initial Resource and prefeasibility	In Progress – mid 2011
Definition drilling	10-12 hole confirmation by around Dec 2010 then conduct met test work
43-101 compliant resource	Completed in December 2010
Scoping Study	Complete by mid 2011
Feasibility study	Commence Mid 2011.
Metallurgy, hydrology, geotechnical studies	Commence Mid 2010.
Planned start of development	In 2013-15 years from completion of studies.
Initial Resource and prefeasibility	In Progress – mid 2011

Duketon Nickel JV in Australia

South Boulder interest: **Diluting to 30% on BFS**

Asset summary: **Mineral exploration prospect**

Target commodity**:** **Nickel**

Location

The Joint Venture area covers approximately 100 strike kilometers of ultramafic rich stratigraphy in the Duketon Greenstone Belt.

Regional Geology

Situated between the Windarra nickel discovery and the Collurabbie discovery, it is considered highly prospective for nickel, copper and platinum group elements.

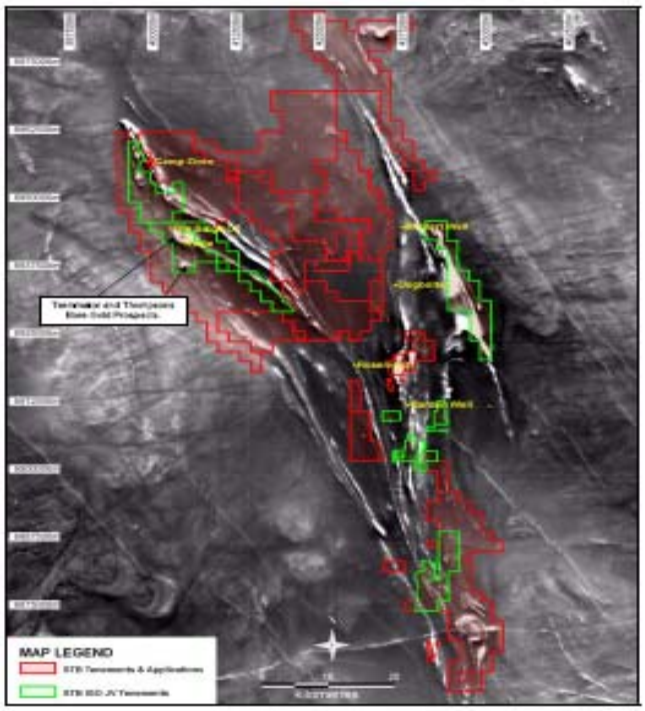
Prospect geology and mineralization

In 2004, South Boulder signed a farm-out Joint Venture agreement with Independence Group NL. The agreement allows Independence to earn 70% of the nickel rights on South Boulder tenements within the Duketon Greenstone Belt by completing a Bankable Feasibility Study within five years.

The Duketon Nickel Joint Venture (DNJV) covers ultramafic rich stratigraphy in the Duketon Greenstone Belt which is considered highly prospective for N-Cu-PGE disseminated and massive sulphide mineralization.

South Boulder has three primary nickel target areas, The Bulge, The Bulge Regional and German Well. Nickel sulphide mineralization within the Duketon Greenstone Belt is highlighted by the recent Collurabbie discovery by Falcon Minerals Ltd and BHP Billiton Ltd to the north of the Duketon Project; and by the recently revived Windarra nickel mine to the south.

Most attention has been directed towards the new discoveries of the Bulge C2 and the Bulge Rosie Prospects. Massive, stringer, matrix and disseminated nickel sulphides with associated copper, cobalt and significant platinum group elements (PGE's) have been intersected in drilling. South Boulder owns 100% of the gold and base metal rights over the Duketon Nickel JV tenure and the surrounding tenure.



South Boulder owns 100% of the gold and base metal rights over the Duketon Nickel JV tenure and the surrounding tenure as per the map attached.

The Bulge Rosie and C2 Prospects

The prospect is within E38/1537, approximately 100km northwest of Laverton. The Duketon JV partners have confirmed the nickel prospectivity of the belt by the discovery of an extensive area of massive, matrix, stringer and disseminated magmatic Ni-(Cu-PGE) within the Bulge ultramafic.

Since March 2009 drilling intensive programs were conducted at The Bulge culminating in the discovery of the Rosie and C2 Deposit. During Q4 2010, the exploration drilling and scoping study work continued as planned to evaluate the potential for an open pit mine at the C2 and an underground mine at the Rosie Ni-Cu-PGE Prospects. The drilling has continued to intersect highly encouraging massive sulphides as we as significant zones of brecciated, stringer and disseminated sulphides.

Diamond drilling during Q4 2010 consisted of 3 holes designed to target extensions to the Ni-Cu-PGE sulphide mineralisation at the Rosie Prospect including the outstanding down-hole intercept from hole TBDD098 of 5.20m @ 9.1% Ni, 1.1% Cu, 0.2% Co and 7.1g/t PGE's from 599.71m

The three holes were designed to intersect the central axis of an interpreted channel feature hosting the Rosie massive sulphide mineralisation. All three holes intercepted highly encouraging nickel sulphide mineralisation and a four hole follow-up program commenced in January 2011. The mineralisation is still considered open in most directions and the deposit requires substantial drilling in the coming periods to evaluate it effectively.

The results for the initial three holes were as follows;

- Hole TBDD099 (Hole A) intersected downhole intervals of; 5.58m @ 1.54% Ni, 0.44% Cu, 0.04% Co and 2.32g/t 6PGE's from 470.42m
- Hole TBDD099W1 (Hole B) intersected down-hole intervals of; 5.00m @ 2.04% Ni, 0.61% Cu, 0.06% Co and 1.09g/t 6PGE's from 550.00m
- Hole TBDD099W2 (Hole C) intersected down-hole intervals of; 4.03m @ 1.21% Ni, 0.52% Cu, 0.04% Co and 3.63g/t 6PGE's from 609.87m

The mineralisation intercepted was predominantly disseminated and breccia style with minor massive sulphide encountered in TBDD099W1. The style of mineralisation is suggestive of remobilized sulphides possibly flanking a mineralised channel position. Down hole TEM logging was able to be completed and modeled from all three holes and indicate that the strongest mineralisation in the immediate area is located between TBDD099W1 and TBDD098

The massive nickel sulphide mineralisation intersected in hole TBDD098 has an ultramafic hanging-wall and sediment-free basaltic footwall, and is interpreted to represent a classic Komatiitic lava channel. However, the high copper, cobalt and platinoid assays are atypical of known lava channel nickel sulphides in Western Australia.

The mineralisation discovered thus far at Rosie was not detectable using conventional surface TEM techniques however IGO proprietary DHTEM (downhole) methods have proven to be a highly effective tool in targeting massive sulphide mineralisation. The potential for further mineralisation is supported by DHTEM survey results from a number of holes and these will be the subject of further interpretation and testing in the coming periods. Other than The Rosie and C2 Prospects, much of the highly prospective ultramafic belts have not been effectively tested for Ni-Cu-PGE sulphide mineralization at depth.

Since the discovery substantial planning and preparation for a major drill out of the C2 and Rosie deposits has been completed. On the 11th of October it was announced that drill had re-commenced with an initial three diamond holes to target multiple high conductance down hole TEM (DHTEM) conductors above and below the best intersection (shown on long section). The success of the JV partners DHTEM geophysical logging and modeling has been excellent to date and lead to the initial discovery.

Independence has finalized detailed technical and logistical plans for a significant follow-up drilling program that will involve drilling out the Rosie Prospect on a broad 100m X 50m pattern with some additional infill holes. Further to this the prospective corridor between Rosie and C2 will be drilled to determine the potential to host further mineralization.

The program is likely to involve 3-4 drilling rigs with the new data to provide sufficient information to compile robust resource estimates from which a scoping study and mine design will be evaluated. An underground mine will be envisaged at Rosie and an open cut mine will be envisaged at C2.

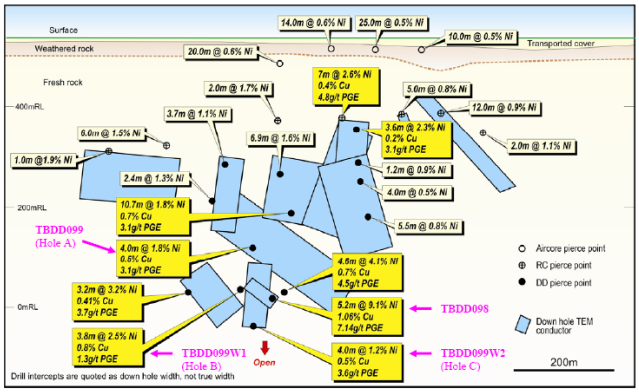
Work completed to date includes;

- Planning a drill program designed to take Rosie and C2 to Inferred Resource status;
- Preparation of a Mineralization Report and lodgment of Mining Lease Application;
- Preparation of a POW application for Exploration base camp;
- Commencement of baseline Environmental Studies;
- Application for a Mining Lease to Department of Mines;
- Engagement of Aboriginal Heritage consultants;
- Preliminary mineralogical studies to aid future metallurgical test work.

The deposits are ~2km apart and the mineralization at both prospects is considered open in most directions. The mineralization at Rosie is currently outlined over an approximate strike length of 750m and comprises massive, matrix, stringer and disseminated sulphides.

The mineralization at C2 is currently defined over ~ 700m strike length and a dip extent of up to 300m within 3 zones. The C2 mineralization currently

comprises disseminated and minor matrix and stringer sulphides and is considered to have potential to host massive sulphides. The best intercept at the C2 Prospect is 50m @ 0.92% Ni including 37m @ 1.05% Ni. There are zones of higher grade mineralization up to 3.34% Ni.



German Well Prospect

The German Well prospect covers an ultramafic unit located on the eastern flank of The Project area towards the northern end of E38/1825. Previous work by the Joint Venture has identified a TEM anomaly in close proximity to highly anomalous geochemistry in Aircore drilling (max 0.43% Ni, 306ppm Cu, 55ppb Pt+Pd).This target was tested in October 2010 by a single RC hole, and results are awaited.

The Robinson Prospect

The Robinson Prospect is located within E38/1511 between the Camp Oven and Bulge Prospects. Ground TEM geophysical surveys were completed over 11 strike km of covered ultramafic stratigraphy. A total of 93km of line data was collected, identifying 6 bedrock conductors.

Five of these bedrock conductors are considered to be indicative of sedimentary horizons. The sixth conductor ("Anomaly B") is closely associated with a magnetic anomaly and is considered to be indicative of sulphides. Anomaly B is a high priority target which will be drilled as soon as access issues are resolved and a suitable drill rig sourced.

Current drilling program

In Nov 2010, South Boulder Mines, together with JV partner Independence Group NL (ASX: IGO), announced that drilling at the Rosie Ni- Cu-PGE Prospect has intersected further highly encouraging massive sulphides as well as significant zones of brecciated, stringer and disseminated sulphides.

On 6th December, 2010, the company announced results at its wedge hole TBDD099W1.Hole TBDD099W1 (Hole B) intersected down-hole intervals of;

- 5.00m @ 2.04% Ni, 0.61% Cu, 0.06% Co and 1.09g/t 6PGE's from 550.00m including;
- 3.83m @ 2.48% Ni, 0.75% Cu, 0.07% Co and 1.21g/t 6PGE's from 551.17m and a higher grade interval of;
- 1.20m @ 4.73% Ni, 1.10% Cu, 0.15% Co and 2.99/t 6PGE's from 552.52m.

The lower mineralization zone appears to be consistent over a strike length of at least 250m and is open in most directions. In general nickel grades at Rosie consistently appear to have higher grades at depth.

The current drilling program if effective is a precursor of a larger drilling and scoping study into the economic parameters of a mining project comprising an underground mine at Rosie and an adjacent open pit mine at C2.

- Scoping study activities completed to date include.
- Completion of a flora survey as part of an Environmental Baseline Study.
- POW approvals for resource drilling at Rosie and C2.
- Exploration base camp approvals;
- Water extraction license.
- Engagement of Aboriginal Heritage consultants and preparation for an Aboriginal heritage survey to commence in October.

In addition to this, preliminary mineralogical studies to aid future metallurgical test work were completed in the Q42010 and demonstrated favourable metallurgical parameters.

Duketon Gold Project in Australia

South Boulder interest in Project: **100%**

Asset summary: **Mineral exploration prospect**

Target commodities: **Gold and base metals**

Location

The Duketon Gold Project comprises ~1,500km2 of exploration applications and licenses in the Archaean Duketon Greenstone Belt. The Project is located ~80kms north of Laverton in Western Australia. The project is prospective for gold and base metals.

The recent Terminator and Thompsons Bore discoveries lie between the Rosie nickel discovery and another nickel discovery (C2) to the north.

Regional Prospectivity

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 Belt contains highly prospective geological sequences and mineralized structures.

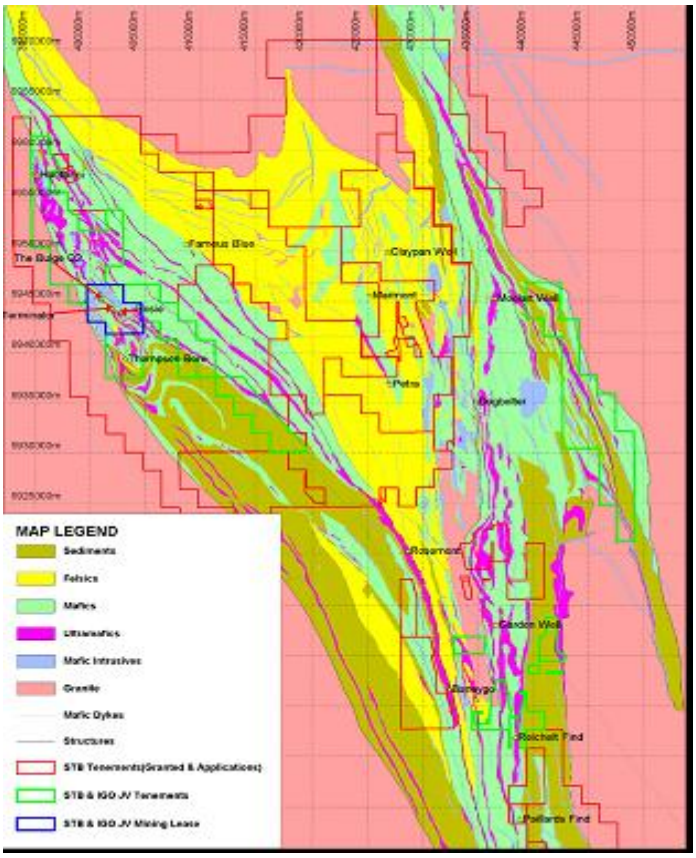
Numerous structures are known to contain significant gold mineralization and this is demonstrated by the approximately +4M ounces of un-mined gold resources currently defined to date within the belt. In addition the +1.5M ounce Moolart Well Gold Project is currently being developed by Regis Resources NL "Regis" (ASX: RRL). Once operational this will be the only mining operation in the Duketon Belt.

Additionally Regis has recently announced a maiden JORC compliant resource for the new Garden Well Gold Deposit at 1.2M ounces. South Boulder has exploration licenses along strike from this new discovery. Recent drilling by Regis has returned RC intersections including 73m @ 3.61g/t, 50m @ 2.36g/t and 18m @ 6.28g/t.Terminator Gold Prospect within the Duketon Gold Project in Western Australia.

The recent development in the belt announced by Regis and A1 Minerals are under consideration and will likely have a very positive impact on the future of the Duketon Belt.

The Terminator Prospect

The Terminator Prospect was discovered during a geochemical aircore drilling program on E38/1537 during September 2009. The Prospect is located ~1.4km south of the Bulge C2 Nickel Deposit.



Early stage aircore results included TBAC013 – 10m @ 1.16g/t from 1m; TBAC014 – 31m @ 1.07g/t from 1m including 8m @ 2.68g/t from 1m), TBAC019 – 41m @ 0.61g/t from 1m; TBAC024 – 60m @ 1.3g/t from 2m including (10m @ 4.25g/t from 3m), TBAC025 – 8m @ 8.38g/t from 72m.

Follow-up RC drilling returned an individual highest grade assay of 1m @ 28.60g/t from 155m depth in RC hole STBTRC001. The high grade intercept was within a broader intercept of 12m @ 4.31g/t from 154m and also within 5m @ 9.60g/t from 154m.

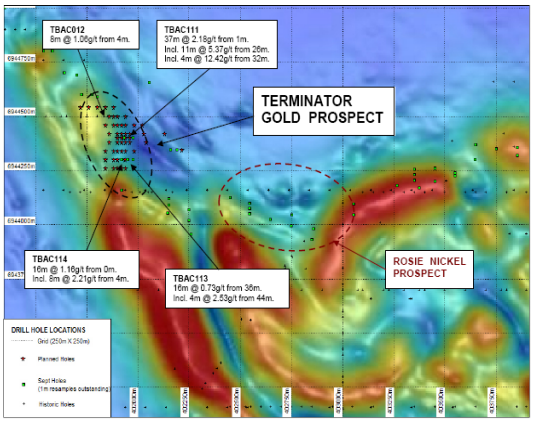
Seven RC holes were completed and it was determined that all holes except STBTRC001 appear to have missed the main lode. The mineralization appears structurally complex and may involve a significant change of interpreted strike direction. These concepts will be test with further drilling once a full interpretation and compilation of regional datasets is undertaken.

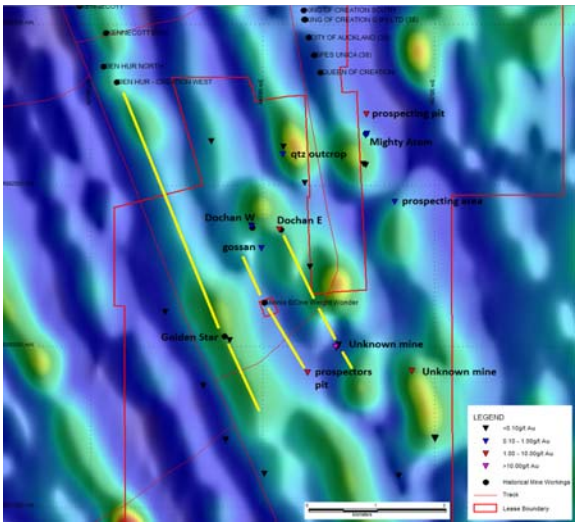
South Boulder has stated that all holes hit very broad intercepts of low grade gold mineralization and the broadly anomalous gold signature continues to provide encouragement for the Terminator Gold Project to host a significant gold deposit.

The mineralization identified from aircore drilling is currently well defined over ~400m of strike and is open is all directions. The Terminator Prospect occurs within a broader anomalous zone over 3kms which has to date only been very lightly tested by a handful of reconnaissance drill holes.

Current Progress

Numerous highly prospective targets exist within the company's extensive tenure. The company advises that over the next 12 months significant Close spaced magnetic surveys will be conducted prior to end of Dec 2010 that cover large areas to the north of Terminator and to the West of the Moolart Well Mine to help facility target generation and geochemical drill planning. Exploration The Mistake South Prospect is located ~10kms south along strike from the Garden Well Prospect and immediately south of the Erlistoun/Mistake deposits.





The Mistake South Prospect is located ~10kms south along strike from the Garden Well Prospect and immediately south of the Erlistoun/Mistake deposits.

The Terminator Prospect

Reconnaissance work has located historical workings and drill hole locations of the Golden Star and Dochan deposits in E38/1535. Preliminary 3-D modeling of these deposits has shown that the deposits are open along strike and at depth. Data compilation of an extensive RAB drilling database with untested anomalous results is underway.

Historical RC drill intercepts at Golden Star include 20m @ 5.26g/t, 14m @ 2.46g/t and 6m @ 4.32g/t Au. Historical RAB intercepts at Dochan include 8m @ 2.24g/t, 4m @ 2.92g/t and 1m @ 22.88g/t Au.

During Q42010, work was focused on targeting extensions to known mineralisation and gaining a better understanding of the structural complexities of the deposit. It is intended to conduct further RC drilling at Terminator and the Terminator extended area in a combined Duketon Regional Gold exploration program. Details of timing and approvals of the program are currently being finalised.

Other Exploration Projects in Western Australia

Fertilizer : Cardabia (Western Australia – Non Core)

South Boulder's 100% owned Cardabia Phosphate Project is located approximately 200 kilometers north-north east of Carnarvon, Western Australia The Project comprises three contiguous exploration license applications E08/1850, E08/1855, E08/1856 covering around 1,384 square kilometers of prospective phosphate bearing stratigraphy within the northern Carnarvon Basin. A review of available data has outlined excellent results by previous explorers with grades of up to 49% Phosphate, and numerous grades within the 25% - 30% Phosphate range from +5 millimeter samples fraction obtained from drilling. The project area contains extensive phosphate-rich nodules from surface hosted within Late Cretaceous contact zones between the Gearle Siltstone - Toolonga Calcilutite and Toolonga Calcilutite - Korojon Calcarenite. South Boulder's immediate exploration target will be to locate depressions along the White Peaks Syncline which is considered favorable for the economic accumulations of phosphate nodules.

Fertilizer :The Four Lakes Potash Project (Western Australia – Non Core)

The 100% owned "Four Lakes" project consists of Lake Disappointment, Lake Burnside, Gwenneth Lakes and Lake Tobin. The first two lakes are located in the "Little Sandy Desert" north of Lake Carnegie; the latter two are located deep within in the Great Sandy Desert of Western Australia. The projects are remote and require considerable logistics to support field based exploration. Access to main roads and ports will be via the Canning Stock Route to Wiluna/Esperance or via the Telfer road to Port Hedland.

The project areas contain target lacustrine systems covering in excess of 80 square kilometers of prospective drainage prospective for brine entrained potash and surficial uranium deposits. The Lake Disappointment Project is also prospective for Telfer style gold and copper mineralization.

Fertilizer : Southern Georgina Phosphate Project (Northern Territory – Non Core)

STB has 90% of the phosphate, base metal and uranium rights for 3 tenements (EL26380, EL25982, and EL25983) in the Northern Territory comprising ~3,000km2. Additionally South Boulder holds 10% of the manganese rights. Tenement expenditure is being met by Auvex Resources Pty Ltd.

The tenements are located in Cambrian sedimentary sequences in the Southern part of the Georgina Basin. This basin contains Australia largest phosphate deposits. The prospective sequences are predominantly Cambrian age (498-492 Ma). Most historic work in the area concentrated on diamonds and Pb-Zn mineralization. However a number of stream sediments were assayed for phosphate, the maximum assay being 456 ppm P2O5. The highest available rock chip is 1396 P2O5 ppm. Both these occurrences occur in the Cambrian sandstone and shales. Little other work has been undertaken for phosphate.

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

companyName	Stock Exchange	No of fully paid Shares	20c/25c Options	Option Expiry Date
IMX Resources NL	ASX	495,000		
Montezuma Mining companyLtd	ASX	3,975,000	1,037,500	31/08/2011
Buxton Resources Limited	ASX	1,410,000	750,000	30/06/2012
Avonlea Minerals Limited	ASX	400,000		
Uranex NL	ASX	700,000		
Continental Nickel	TSX	121,200		
Auvex Resources Ltd (25c)	Private		1,000,000	

Management and Governance

The Management and Governance team is composed of highly experienced geologists and accomplished practitioners of mining project finance and regulatory issues.

David "Lorry" Hughes — **Managing Director**

Mr Lorry Hughes BSc. MAusIMM, is a Geologist with +18 years industry experience and has been Managing Director of the companysince May 2008. Mr Hughes has held management positions on exploration and operational mining projects for Energy Metals Ltd, CSA Australia and Energy Resources Australia. His industry experience was gained from various gold mines and exploration prospects in the NE goldfields of Western Australia while working for Plutonic/Homestake, Aberfoyle and Mt Grace. Additionally he has been involved on overseas exploration and mining projects in Malaysia, Indonesia and Africa.

Terry Grammer — **Executive Chairman**

Mr Terry Grammer is a geologist with a history of exploration success over his +35 year career. He is credited with the discovery of the Cosmos Nickel mine W.A. for which he received the joint prospector of the year award in 2000. Mr Grammer was also a founding member of Western Areas NL which is focused on mining and developing the Forrestania Nickel Project in W.A.

Liam Cornelius — **Executive Director**

Liam graduated from Curtin University of Technology with a B.App.Sc in Geology. Liam has been involved in the exploration industry within Australia and Africa for +18 years. Whilst specializing in gold he has experience with a wide range of commodities including nickel, copper, platinum and uranium. As a founding member of South Boulder Mines Ltd, Liam has played a key role in outlining areas of interest for the Company. In addition to project generation and providing guidance to the board on future directions, his responsibilities have included public relations and fund raising.

Dennis Wilkins — **Company Secretary**

Dennis is the principal of DWCorporate, a specialist provider of corporate services to the resources sector. Dennis is a qualified accountant (B.Bus) who has been a director, company secretary, or acted in a corporate consulting capacity, to listed resource companies for over 20 years. Dennis was Finance Director and companySecretary for Lynas Corporation Limited, for a period of five years. He also spent five years working for a leading merchant bank in the United Kingdom, together with resource postings to Indonesia, South Africa and New Zealand in managerial roles.

Value

The Fair Market Value for all of South Boulder Mines' shares stands at AS$396.63 million to AS$2380.8 million.

The Fair Market Value for one of South Boulder Mines' publicly traded shares stands at AS$6.25 to AS$29.95

South Boulder Mines' Balance Sheet Forecast

CONSOLIDATED BALANCE SHEET — *all figures in '000 AUS$, unless stated differently* — *Low bracket estimates*

year ending Jun30	2010A	2011E	2012E	2013E	2014E	2015E	2016E
Total current assets	5,956	9,298	5,448	29,426	13,898	30,706	47,073
Total Non-current assets	139	2,613	5,113	164,191	337,653	528,372	730,532
TOTAL ASSETS	**6,096**	**11,911**	**10,562**	**193,617**	**351,551**	**559,078**	**777,605**
Total current Liabilities	140	42	64	30	131	65	157
Total Non-current Liabilities	-	-	-	200,000	410,000	710,000	1,110,000
TOTAL LIABILITIES	**140**	**42**	**64**	**200,030**	**410,131**	**710,065**	**1,110,157**
Total Shareholder's Equity	5,956	11,869	10,498	(6,413)	(58,580)	(150,987)	(332,552)
TOTAL LIABILITIES & EQUITY	**6,096**	**11,911**	**10,562**	**193,617**	**351,551**	**559,078**	**777,605**

Important information on Arrowhead methodology

The principles of the valuation methodology employed by Arrowhead BID are variable to a certain extent depending on the subsectors in which the research is conducted, but all Arrowhead valuation research possesses an underlying set of common principles and a generally common quantitative process.

With Arrowhead Commercial and Technical Due Diligence, Arrowhead extensively researches the fundamentals, assets and liabilities of a company, and builds solid estimates for revenue and expenditure over a coherently determined forecast period.

Elements of past performance such as price/earning ratios, indicated as applicable, are present mainly for reference purposes. Still, elements of real-world past performance enter the valuation through their impact on the commercial and technical due diligence.

Elements of comparison such as multiple analyses have been integrated in to the valuation on a project-by-project or asset-by-asset basis. We have presented the comparables method based on Enterprise Value per Resource (AUS$) as a secondary measure of fair value for the Nickel Project and the Enterprise Value per Capacity for the Potash project.

Enterprise Value Estimation: Nickel Project

We have identified peers for South Boulder in Australia and Canada as a reasonable proxy to ascertain a suitable Enterprise value based on the grade of the resource.

Nickel Comparables

		Resource (T)			Grade %				
Company	Ticker	Proved & Probable	Measured &Indicated(Incl. 2P)	Inferred	Measured &Indicated(Incl. 2P)	Inferred	Cummulative	Enterprise Value (EV) (A$M)	EV/ Resource (A$)
Independence	IGO	51,800	77,800	16,100	5.50	5.80	5.55	834	10,717
Mirabela Nickel	MBN	726,000	780,000	691,250	0.60	0.79	0.69	1,380	1,769
Panoramic	PAN	144,100	187,620	67,936	2.00	1.33	1.82	380	2,023
Western Areas	WSA	184,440	300,360	53,460	4.16	3.63	4.08	1,443	4,805
Mincor Resources	MCR	50,200	119,535	31,280	3.66	4.00	3.73	220	1,842
Minara Resources	MRE	219,000	271,000	12,000	1.02	0.96	1.02	645	2,379
Crowflight	CML	52,524	42,184	296,196	1.53	1.01	1.07	49	1,163
Victory Nickel	NI	25,200	447,242	125,645	0.58	0.55	0.57	40	89
Hard Creek Nickel	HNC	-	695,012	510,818	0.22	0.20	0.21	37	53
Mustang Minerals	MUM	53,276	56,510	4,170	0.55	0.25	0.53	17	297
Duluth Metals	DM	-	1,100,076	566,838	0.20	0.21	0.20	260	237
Liberty Mines	LBE	5,660	14,688	5,295	1.26	1.48	1.32	67	4,571
First Nickel	FNI	21,000	128,250	30,000	0.45	0.38	0.44	91	706
URSA Major	UMJ	39,032	14,020	12,706	0.49	0.57	0.53	12	825

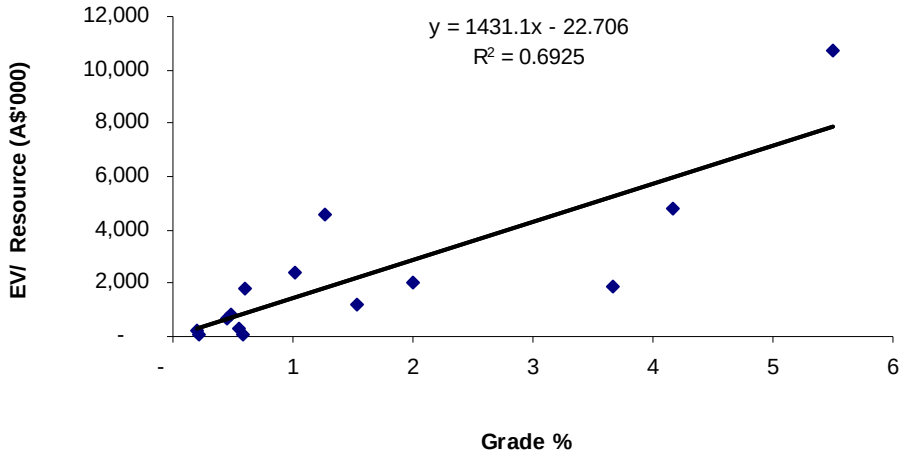
STB Rosie Project Nickel Estimate (LOW; HIGH)			
Input	Low	High	
Length (Strike Area)	750	750	m
Depth (Strike Area)	400	400	m
True Width	2.5	3.0	m
Nickel Ore density	3.0	3.0	T/m3
Est. Nickel Ore ('000)	2,250	2,700	T
Grade	2.0%	2.5%	
Est. Total Nickel Resource	45,000	67,500	T
STB 30% Interest	**13,500**	**20,250**	**T**
Life of Mine (Years)	20	20	
Total Ni Production/Yr	2,250	3,375	T

Rosie Project Nickel Estimate (Sensitivity)						
		True Width (m)				
		2.00	2.50	3.00	3.50	4.00
Nickel Grade %	1.5%	8,100	10,125	12,150	14,175	16,200
	2.0%	10,800	13,500	16,200	18,900	21,600
	2.5%	13,500	16,875	20,250	23,625	27,000
	3.0%	16,200	20,250	24,300	28,350	32,400
	3.5%	18,900	23,625	28,350	33,075	37,800

We have estimated the resource at Rosie by considering the mineralization area of an approximate strike length of 750m and a dip extent of about 400m currently outlined by the company for defining resources. We estimate a potential of about 2.7 million tonnes of Nickel Sulphite ore considering a true width of 3m and density of 3t/m3. At an assumed 2.0% grade the, Rosie project would contain 45,000t of Nickel which would attribute about 13,500t towards South Boulders' 30% interest.

The companies' share of Nickel is would range between 13,500 and 20,250 t considering a conservative Nickel range of 2.0-2.5% Nickel grade and true width between 2.5-3.5m.

Nickel Project Enterprise Value Estimate



Based on a regression analysis, we observe that there is a significant correlation (R-Squared ~70%) between Enterprise Value (EV) / resource and the grade of the resource. We have estimated the Enterprise Value of South Boulder's resource based on the regression equation represented in the chart.

Nickel Project Valuation Bracket

Value Bracket	Grade %	Estimated EV/Resource (A$'000)	Contained Tonnes	Attributed EV (A$M)	Value/ Share (AS$)
Low	2.0	2,839	13,500	38.33	0.48
High	2.5	3,555	20,250	71.99	0.91

The Nickel project on a stand alone basis has an estimated current Enterprise Value bracket of A$38.33M and AS$71.99M which would imply a fair value bracket of AS$ 0.48 to AS$ 0.91 on a per share basis.

Enterprise Value Estimation: Potash Project

The Potash peers for STB have been screened based on the various stages of mining:

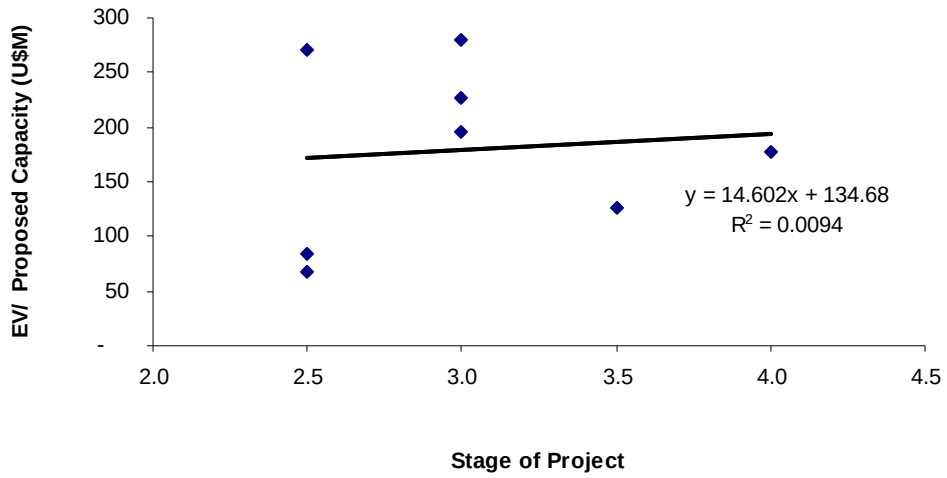
- Drilling , Seismic Activity & Resource definition
- Permitting, Licensing ,Scoping & Pre-feasibility
- Feasibility & Engineering Studies
- Mine construction & Plant development
- Potash production

Potash Comparables

company	Ticker	Current Stage	Measured & Indicated (Incl. 2P) MT	Inferred tonnes MT	Measured & Indicated (Incl. 2P) Grade %	Inferred Grade %	Mining Type	Enterprise Value (EV) (US$M)	Proposed Capacity (mtpa)	EV/ Capacity (US$)	EV/ Resource (US$)
South Boulder Mines	STB	3.0	207	18.56	341	18.6%	Open-cut	$339	1.5	229	$628
Allana	AAA	3.0	-	-	105	20.8%	Solution	$281	1.0	279	$2,661
Encanto Potash	EPO	2.5	12	25%	12	25.0%	Solution	$137	2.0	69	$5,596
Western Potash Corp	WPX	2.5	174	19%	560	19.5%	Solution	$208	2.5	90	$305
IC Potash	ICP	2.5	701	-	353	15.6%	Solution	$162	0.6	279	$159
Amazon Mining	AMZ	3.0	149	-	105	11.5%	Thermo	$215	1.1	210	$912
Potash One	KCL	3.5	216	31%	859	23.8%	Solution	$361	2.9	127	$339
MagMinerals	MAA	4.0	33	17%	1,700	12.1%	Solution	$106	0.6	177	$61

Code	Project Phase
1	Drilling , Seismic Activity & Resource definition
2	Permitting, Licensing ,Scoping & Pre-feasibility
3	Feasibility & Engineering Studies
4	Mine construction & Plant development
5	Potash production

STB current value emerges from its exploration interest in the Nickel and the Potash projects. These projects are currently in the various stages of pre-production including resource identification and pre-feasibility study. We have identified peers in the various pre-production stages of potash production to ascertain a suitable Enterprise value per productive capacity based on the current stage of the project.



Based on a regression analysis, we observe that there is weak significant correlation between EV/installed capacity and the stage of the project due the quality of resource and the depth. We have estimated the Enterprise Value of South Boulder's proposed capacity based on the regression equation represented in the above chart. The relationship would be stronger in the coming quarters as the potash companies define their resources appropriately in 2011

Value Bracket	Stage	Estimated EV/Capacity (A$'000)	Proposed Capacity	Attributed EV (A$M)	Value/ Share (AS$)
Low	3.0	172	1.5	257.54	3.24
High	4.0	186	1.5	279.45	3.52

The Potash project on a stand alone basis has an estimated current Enterprise Value bracket of A$257.54M and AS$279.45M which would imply a fair value bracket of AS$ 3.24 to AS$ 3.52 on a per share basis.

Arrowhead BID Fair Market Value Bracket

The Arrowhead Fair Market Value is given as a bracket. This is based on quantitative key variable analysis, such as key price analysis for revenue and cost drivers or analysis and discounts on revenue estimates for projects, especially relevant to those projects estimated to provide revenue near the end of the chosen forecast period. Low and high estimates for key variables are produced as a tool for valuation.

In principle an investor who is comfortable with the high-brackets of our key variable analysis will align with the high-bracket in the Arrowhead Fair Value Bracket, and likewise in terms of low estimates. The investor will also take into account the company intangibles – as presented in the first pages of this document in the analysis on strengths and weaknesses and on other essential company information. These intangibles serve as supplementary decision factors for adding or subtracting a premium in the investor's own analysis.

The bracket should be understood as a tool provided by Arrowhead BID for the reader of this report and the reader should not solely rely on this information to make his decision on any particular security. The reader must also understand one the one hand that global capital markets contain inefficiencies, especially in terms of information, and that on the other hand corporations and their commercial and technical positions evolve rapidly: this present edition of the Arrowhead valuation is for a short to medium-term alignment analysis (one to twelve months). The reader should refer to important disclosures on page 26 of this report.

Information on the South Boulder Mines Mining Incorporated valuation

Time horizon: The Arrowhead fair valuation for South Boulder is based on a discounted cash flow method. The time period chosen for the valuation is ~180 months (June 2010- May 2025). Because of the high discount factor used, the years 2017-2025 are heavily discounted and have a marginal effect on the valuation. They are included to present a full project cycle situation.

Underlying Business Plan: South Boulder Mines' aims at defining the potash resource at Eritrea and target at producing 1mt -1.5mt per annum completing the development between 2015 and 2017. Be a passive partner in the Duketon Nickel JV with Independence Group and earn the 30% Nickel interest once Bank Feasibility Study is completed by the partner and the production commences subsequently. Define the Gold resource by conducting exploration and scoping studies at the 100% interest Gold Terminator project in Duketon Nickel belt concurrently while the Potash project is being explored.

Terminal Value: Terminal Value is estimated to depend on a terminal growth rate of 0%, representing an increasing marginal cost of stripping the deep layers of the open pit mine type and declining grades.

Prudential nature of valuation: It should be noted that this Arrowhead Fair Value Bracket estimate is a relatively prudential estimate, as it discounts the eventuality of South Boulder acquiring and producing from any other projects than the Nickel and Potash project before 2025.

Key variables: The upper and lower bounds in the estimation correspond to the extreme positions taken by the following key variables:

- **Variable 1 –** Forecast price of Potash for 2011-2025: US$350-400/T in 2011; CAGR of 3.0% through 2012-2025.
- **Variable 2 –** Forecast price of Nickel for 2011-2025: US$20,000/T to US$22,000/T in 2011, CAGR of 2.0% through 2012-2025.
- **Variable 3 –** Hypothesis for annual production at Colluli Potash Project: annual production to be in the range of 1.0-1.5 MTPA.
- **Variable 4 –** Hypothesis for production commencement at Colluli Potash Project to start post 2015 to 2017 once the development is completed.
- **Variable 5 –** Hypothesis for annual production at Duketon Nickel JV Project 2015-2025: annual production to range between 2,250 to 2,500 T
- **Variable 6 –** Hypothesis for capital expenditure at Colluli Potash Project for the period 2013-2017 to range from US$500M to US$750M.

- **Variable 7 –** US$/AUS$ exchange rate: 1.0 to 1.40

Analyst certifications

I, Thomas Renaud, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and the subject company.

Important disclosures

Arrowhead Business and Investment Decisions, LLC received fees in 2010 from South Boulder Mines Mining for researching and drafting this report and for a series of other services to South Boulder Mines Mining including distribution of this report and networking services.

Aside from certain reports published on a periodic basis, the large majority of reports are published by Arrowhead BID at irregular intervals as appropriate in the analyst's judgment.

Any opinions expressed in this report are statements of our judgment to this date and are subject to change without notice.

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, any of the financial or other money-management instruments linked to the company and company valuation described in this report, hereafter referred to as "the securities", may not be suitable for all investors.

Investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Investors are advised to gather and consult multiple sources of information while preparing their investment decisions. Recipients of this report are strongly advised to read the *Information on Arrowhead Methodology* section of this report to understand if and how the Arrowhead Due Diligence and Arrowhead Fair Value Bracket integrate alongside the rest of their stream of information and within their decision taking process.

Past performance of securities described directly or indirectly in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from any of the financial securities described in this report may rise as well as fall and may be affected by simple and complex changes in economic, financial and political factors.

Should a security described in this report be denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the security.

This report is published solely for information purposes, and is not to be considered as an offer to buy any security, in any state.

Other than disclosures relating to Arrowhead Business and Investment Decisions, LLC, the information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete statement or summary of the available data.

Arrowhead Business and Investment Decisions, LLC is not responsible for any loss, financial or other, directly or indirectly linked to any price movement or absence of price movement of the securities described in this report.

DCF Valuation

Figures are in thousands AUS$, unless indicated otherwise.

WACC

Risk-free rate	5.61%	xxvi
Beta	1.56	xxvii
Risk premium	6.0%	xxviii
Additional Risk Premium	0.0%	xxix
Cost of Equity	14.97%	
Terminal Growth Rate	0%	xxx

KEY VARIABLES

	Potash Prices 2011-2021	Nickel Prices 2011-2021	Potash Capacity (mtpa)	Prod. Start	Capex US$M	Ni JV Prod. (T)	US$ / AUS$
Max value	$400.00 +3.0%p.a	$22,000 +2.0%p.a	1.5	2015+	500	2,500	1.40
Min value	$350.00 +3.0%p.a	$20,000 +2.0%p.a	1.0	2017+	750	2,250	1.00

Time Period --->	0.42	1.42	2.42	3.42	4.42	5.42	6.42	7.42	8.42	9.42
Year beginning 1st July	**2011E**	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**
FCFE (High)										
Net cash from operation	(2,778)	(2,588)	(27,390)	(81,823)	668,724	533,424	365,012	490,404	527,670	567,935
Capital Expenditure	(2,000)	(2,000)	(210,000)	(210,000)	(210,000)	(210,000)	(210,000)	(21,000)	(21,000)	(21,000)
Net Debt Addition	-	-	200,000	210,000	300,000	400,000	100,000	(50,000)	(100,000)	(100,000)
Free Cash Flow to Equity	**(4,778)**	**(4,588)**	**(37,390)**	**(81,823)**	**758,724**	**723,424**	**255,012**	**419,404**	**406,670**	**446,935**
Discount Factor	0.94	0.82	0.71	0.62	0.54	0.47	0.41	0.36	0.31	0.27
Present Value of FCF	**(4,508)**	**(3,765)**	**(26,689)**	**(50,802)**	**409,734**	**339,803**	**104,186**	**149,038**	**125,696**	**120,154**
FCFE (Low)										
Net cash from operation	(2,778)	(2,588)	(27,390)	(77,418)	(137,721)	(233,656)	192,634	216,936	246,335	157,073
Capital Expenditure	(2,000)	(2,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(15,000)	(15,000)	(15,000)
Net Debt Addition	-	-	200,000	210,000	300,000	400,000	100,000	(50,000)	(100,000)	(100,000)
Free Cash Flow to Equity	**(4,778)**	**(4,588)**	**22,610**	**(17,418)**	**12,279**	**16,344**	**142,634**	**151,936**	**131,335**	**42,073**
Discount Factor	0.94	0.82	0.71	0.62	0.54	0.47	0.41	0.36	0.31	0.27
Present Value of FCF	**(4,508)**	**(3,765)**	**16,140**	**(10,814)**	**6,631**	**7,677**	**58,274**	**53,992**	**40,594**	**11,311**

In the model, the valuation is continued to the year 2025, from which point the terminal value is established[1]

ARROWHEAD DCF FAIR VALUE BRACKET

	High	Low	
Terminal Value (TV)	5,138,660	1,606,915	
Present Value of TV	687,738	215,063	
Present Value of FCF	**1,687,195**	**275,879**	
Present Value of FCF + TV	**2,374,933**	**490,942**	
+ Cash	3,853	3,853	xxxi
+ Financial investment	2,061	2,061	
- Disc. Factor for fin. investment	0.0%	0.0%	
Cash and marketable securities	**5,914**	**5,914**	
Equity Value Bracket	**2,380,847**	**496,856**	
Shares on issue	79,486	79,486	xxxii
Fair Share Value Bracket	**AUD 29.95**	**AUD 6.25**	
Current Market Price	AUD 4.60	AUD 4.60	
Current Market Cap. (AUS$)	365.63M	365.63M	
Target Market Cap. Bracket (AUS$)	2,380.8M	496.9M	

Notes

i Source: Yahoo! Finance retrieved 17th February 2011

ii 52weeks to 17th February 2011 Source: Yahoo! Finance retrieved 17th February 2011

iii 3month average volume Source: Yahoo! Finance retrieved 17th February 2011

iv Arrowhead Business and Investment Decisions Fair Value Bracket – AFVBTM. See information on valuation on pages 21-27 of this report and important disclosures on page 26 of this report.

v Source of information http://www.southbouldermines.com.au/projects/project_overview/

vi Source of information http://www.potashcorp.com/news/1005/

vii Source of information http://www.westernpotash.com/about-potash

viii Source of information http://www.westernpotash.com/about-potash

ix Source of information http://www.potash-info.com/potassium/potassiuminfertilisers/potassiuminfertilisers.htm

x Source of information http://www.potash1.ca/s/Fundamentals.asp

xi Source of information http://www.westernpotash.com/about-potash

xii Source of information http://www.westernpotash.com/about-potash

xiii Source of information http://www.westernpotash.com/about-potash

xiv Source of information http://www.potash1.ca/s/Fundamentals.asp

xv Source of information http://www.potashcorp.com/news/1008/

xvi Source of information http://www.potashcorp.com/investors/

xvii Source of information http://www.potashcorp.com/news/1077/

xviii Source: http://www.wikinvest.com/commodity/Nickel.

xix Source: eResearch Corporation; http://www.crownmin.com/files/NickelReportFebruary2009.pdf.

xx Economist Intelligence Unit Source: http://gfs.eiu.com/Article.aspx?articleType=cfh&articleId=907274475

xxi Source: Anglo-American; http://www.angloamerican.co.uk/aa/investors/presentations/2009pres/barro_alto_visit/barro_alto_visit.pdf.

xxii Source: http://www.resourceinvestor.com/News/2010/1/Pages/Demand-to-return-to-nickel-market-in-2010.aspx.

xxiii Source: http://www.lme.com/nickel.asp

xxiv Source Anglo-American; http://www.angloamerican.co.uk/aa/investors/presentations/2009pres/barro_alto_visit/barro_alto_visit.pdf.

xxv Source: South Boulder Mines Resources disclosures. – As all other information on location and geology of the assets.

xxvi 10 year-Australian treasury on 15th February 2011. Source: www.bloomberg.com.

xxvii The 1.56 beta used in the valuation is the beta for the company. Source: Capital IQ

xxviii Source: Arrowhead BID estimate.

xxix Source: Arrowhead BID estimate.

xxx Source: Arrowhead BID estimate.

xxxi Cash position at the end of the June 2010.

xxxii Shares Outstanding 79,486. A/O 09-Feb-2010 Source Appendix 3B.