

Date: 8th September, 2014

Note to: Joseph Kibugu
Greg Regaignon
Mauricio Lazala

From: Paul Donaldson, CEO South Boulder Mines (STB)

Subject: Response to Asmarino Independent, 28th August, 2014

Dear sirs,

Thankyou for your invitation to respond to the article published by the Asmarino Independent with regard to the Colluli Potash project in Eritrea. The Colluli potash project is 100% owned by the Colluli Share Mining Company which is a 50:50 joint venture company between South Boulder Mines and the Eritrean National Mining Company (ENAMCO).

My response to the specific allegations in the article is as follows:

1. Neither South Boulder Mines nor the Colluli Mining Share Company (joint venture owner of the Colluli Project) has initiated any roadworks for the Colluli project.
2. The Eritrean Ministry of Energy and Mines is a key project stakeholder and is regularly given project updates with regard to the Colluli project. The Ministry provides critical guidance on approval processes and is regularly informed of project delivery timelines.
3. Project development is being overseen by the Colluli Mining Company board which acts collaboratively to ensure timely development of the project and compliance with the jurisdictional regulatory requirements.
4. South Boulder Mines has an effective working relationship with ENAMCO and in country government stakeholders.
5. All works conducted to date in relation to the Colluli project have been allocated on the basis of competitive tendering processes against defined scopes of work.
6. No suggestion or innuendo has been to South Boulder Mines to exit the Colluli project in favour of another company.
7. Similar allegations were made against the Bisha Mining Share Company and were refuted by independent audit.
8. The Eritrean government does not allow Mining companies to employ people in National Service.

In summary, we reject the statements that have been made in the article.

Yours Sincerely



Paul Donaldson
Chief Executive Officer, South Boulder Mines