

BROKEN HILL PROSPECTING LIMITED

(Incorporated in New Zealand)
NZ Company Number: 322887
NZ Financial Services Provider Number FSP32949
ABN: 83 003 453 503 (Australia)

HALF YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Six months interim period ended 31 December		
	2016 \$	Up / Down	Movement %
Revenue from operating activities	54,768	Up	134
Loss from ordinary activities after tax attributable to members	403,985	Up	280
Net loss for the period attributable to members	403,985	Up	280

	Cents		
Loss per share – basic	0.28	Up	256
Loss per share – diluted	0.20	Up	282

Dividends	Amount per security	Franked amount per security at 30%
2017 interim dividend	-	-
2016 final dividend paid	-	-
Record date for determining entitlements to the interim dividend:	-	-

Brief explanation of any figures reported above or other items of importance not previously reported to the market:

Refer to the Directors' Report included in the interim financial statements for explanations.

Discussion and Analysis of the results for the six months ended 31 December 2016:

Refer to the Directors' Report included in the interim period financial report for commentary.

	Current Period	Previous corresponding period
Net Tangible Assets per ordinary share (NTA Backing)	0.94 cents	0.83 cents

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HALF YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

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COMPANY DIRECTORY

DIRECTORS F Creagh O'Connor (Chairman) Matthew G Hill Denis Geldard Geoffrey Guild Hill Chief Executive Officer Anthony (Trangie) Johnston	AUDITORS K.S. Black & Co. (ABN 48 117 620 556) Level 6 350 Kent Street Sydney NSW 2000																				
COMPANY SECRETARY Ian Morgan	BANKERS National Australia Bank, Sydney																				
REGISTERED OFFICE Ground Floor Nathan House 541 Parnell Road Parnell, Auckland 1052 New Zealand	SECURITIES LISTED Australian Securities Exchange (ASX): Code: BPL (shares) Code: BPLO (options)																				
AUSTRALIAN OFFICE Suite 1002, Level 10 171 Clarence Street Sydney 2000 NSW GPO Box 1546 SYDNEY NSW 2001 Phone: (+61 2) 9238 1170 Email: info@bhpl.biz <hr/> WEBSITE www.bhpl.biz TWITTER @BH_PL	SHARE REGISTRAR AUSTRALIA Computershare Investor Services Pty Ltd Level 5, 115 Grenfell Street Adelaide, South Australia 5001 Phone: 1300 556 161 (within Australia) (+61 3) 9415 4000 (outside Australia) www.computershare.com.au																				
INTERESTS IN MINING TENEMENTS HELD BY THE COMPANY AND ITS SUBSIDIARIES <table> <tr> <td>Mining Lease 86, Broken Hill NSW Australia</td><td>- 100%</td></tr> <tr> <td>Mining Lease 87, Broken Hill NSW Australia</td><td>- 100%</td></tr> <tr> <td>Exploration Licence 6622, Broken Hill NSW Australia</td><td>- 100%</td></tr> <tr> <td>Exploration Licence 8143, Broken Hill NSW Australia</td><td>- 100%</td></tr> <tr> <td>Exploration Licence 8308, Broken Hill NSW Australia</td><td>- 100%</td></tr> <tr> <td>Exploration Licence 8309, Broken Hill NSW Australia</td><td>- 100%</td></tr> <tr> <td>Exploration Licence 8310, Broken Hill NSW Australia</td><td>- 100%</td></tr> <tr> <td>Exploration Licence 8311, Broken Hill NSW Australia</td><td>- 50% (Joint Venture)</td></tr> <tr> <td>Exploration Licence 8312, Broken Hill NSW Australia</td><td>- 50% (Joint Venture)</td></tr> <tr> <td>Exploration Licence 8385, Broken Hill NSW Australia</td><td>- 50% (Joint Venture)</td></tr> </table>		Mining Lease 86 , Broken Hill NSW Australia	- 100%	Mining Lease 87 , Broken Hill NSW Australia	- 100%	Exploration Licence 6622 , Broken Hill NSW Australia	- 100%	Exploration Licence 8143 , Broken Hill NSW Australia	- 100%	Exploration Licence 8308 , Broken Hill NSW Australia	- 100%	Exploration Licence 8309 , Broken Hill NSW Australia	- 100%	Exploration Licence 8310 , Broken Hill NSW Australia	- 100%	Exploration Licence 8311 , Broken Hill NSW Australia	- 50% (Joint Venture)	Exploration Licence 8312 , Broken Hill NSW Australia	- 50% (Joint Venture)	Exploration Licence 8385 , Broken Hill NSW Australia	- 50% (Joint Venture)
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DIRECTORS' REPORT

The Directors present the following report including financial statements of Broken Hill Prospecting Limited (**Company**) for the six months ended 31 December 2016.

1. Directors

The names of the Directors of the Company during the half-year and up to the date of this report are:

Francis Creagh O'Connor	Non-Executive Chairman	Appointed 22 June 2000
Matthew Geoffrey Hill	Non-Executive Director	Appointed 14 March 2012
Denis Geldard	Non-Executive Director	Appointed 3 August 2015
Geoffrey Guild Hill	Non-Executive Director	Appointed 27 August 2015

2. Chief Executive Officer

Anthony (Trangie) Johnston Appointed 20 May 2016

3. Activities

The principal activity of Broken Hill Prospecting Limited (BPL) is exploration for cobalt and heavy mineral sands (zircon, rutile and ilmenite) in the Broken Hill district (NSW). The nature of the company's business has not changed during the period under review.

Broken Hill Prospecting Limited ("BPL") is pleased to provide the following summary on exploration activities undertaken at the Company's projects near Broken Hill. Additional information about the Company is available on BPL's website at www.bhpl.biz.

4. Thackaringa Cobalt Project, Broken Hill, NSW

Cobalt is a necessary metal for the production of the latest generation, high density Lithium-ion batteries. Due to its high run-time properties, the use of cobalt has risen dramatically as portable Li-ion battery usage accelerates and electric vehicles become a reality.

The majority of the world's cobalt production (98%) occurs as a by-product of copper and nickel mining. The world's largest supplier of cobalt (60%), the Democratic Republic of Congo, may be subject to increased political and economic turbulence with the potential to disrupt commodity exports.

Given this uncertain market future, BPL's Thackaringa Cobalt Project offers a rare potential future source of cobalt. Favourably located proximal to existing rail and road infrastructure and just 25km southwest of Broken Hill, the project comprises a large mineralised system of potentially world class scale.

During the reporting period, a significant metallurgical diamond drilling program commenced at the Thackaringa Cobalt project with eight (8) drill holes for a total of 1,483 metres (Photograph 1). Drilling targeted the three main zones of mineralisation at Pyrite Hill, Railway and Big Hill with results to support future scoping studies. Metallurgical studies will commence immediately following receipt of assays.

Diamond drilling is forecast to re-commence in January 2017 with an additional 1,500 metres to be completed. In addition, approvals were sought for a major reverse circulation (RC) drilling program designed to target resource growth through infill and extensional drilling of the upper (shallow) portions of the mineralised bodies and support future resource upgrades.

DIRECTORS' REPORT



Photograph 1. Mineralisation intersected by the first drill hole at Pyrite Hill completed in late 2016.

BPL entered a detailed farm-in joint venture agreement with Cobalt Blue (COB) to finance and undertake an extensive exploration and development program at Thackaringa. COB can earn 100% of the project if it completes a set of milestones before 30 June 2020. There are four stages to the farm-in.

- Stage 1 requires at least \$2 million to be spent on an approved, in-ground exploration program to define an Inferred Mineral Resource of 100 Mt and completion of a Scoping Study by 30 June 2017. In addition, COB will make an \$800,000 payment to hold a 51% beneficial interest in the project.
- Stage 2 requires COB to fund a minimum \$2.5 million in-ground exploration program to define an Indicated Mineral Resource and complete a Pre-feasibility Study of the technical, commercial and economic feasibility of development and mining of cobalt by 30 June 2018. That work would earn COB an additional 19% interest.
- Stage 3 stipulates COB can earn a further 15% interest in by 30 June 2019 if it spends a minimum \$5 million on an in-ground exploration program to define a Measured Mineral Resource and Ore Reserve and complete a Bankable Feasibility Study.
- Stage 4 enables COB to earn the final 15% interest in Thackaringa if it makes a decision to mine; procures necessary project approvals including financing; achieves financial close; and pays BPL \$7.5 million in cash no later than 30 June 2020.

BPL has also been granted a 2% net smelter royalty on all cobalt produced from the Thackaringa tenements for the life of the mine. It retains the base and precious metal exploration rights over the tenements, where it has previously actively explored for Broken Hill style mineralisation.

DIRECTORS' REPORT

5. Heavy Mineral Sands Projects, Murray Basin, NSW

BPL is targeting the establishment of a sustainable pipeline of high grade, low tonnage deposits amenable to processing through mobile plant equipment that could be deployed across the broader Murray Basin project area.

BPL has accumulated a substantial portfolio of Heavy Mineral Sands Projects (6 tenements) in the Murray Basin, NSW (Figure 1). Recent drilling and technical studies at three of these tenements was funded by a joint venture (JV) with Relentless Resources Limited (RRL). RRL has contributed a total of \$2M to earn a 50% interest in three Heavy Mineral Sands tenements (EL 8311, EL 8312 and EL 8385).

During the reporting period activities were focused on advancing the Copi North Pre-feasibility Study (PFS). Bulk metallurgical test work commenced with early encouraging results with clean separation of heavy minerals with slimes and oversize less than 2%. Engineering and plant design studies will commence in Q2 2017.

BPL is continuing to assess the exploration potential on its currently 100% held tenements outside of the Joint Venture, being EL8308 (Nanya North), EL8309 (Springwood) and EL8310 (Milkengay). Each tenement offers excellent opportunity for the delineation of high-grade, near surface heavy mineral sand deposits based on historical exploration data and regional analysis. BPL is seeking regulatory approvals to commence drilling in Q2 2017.

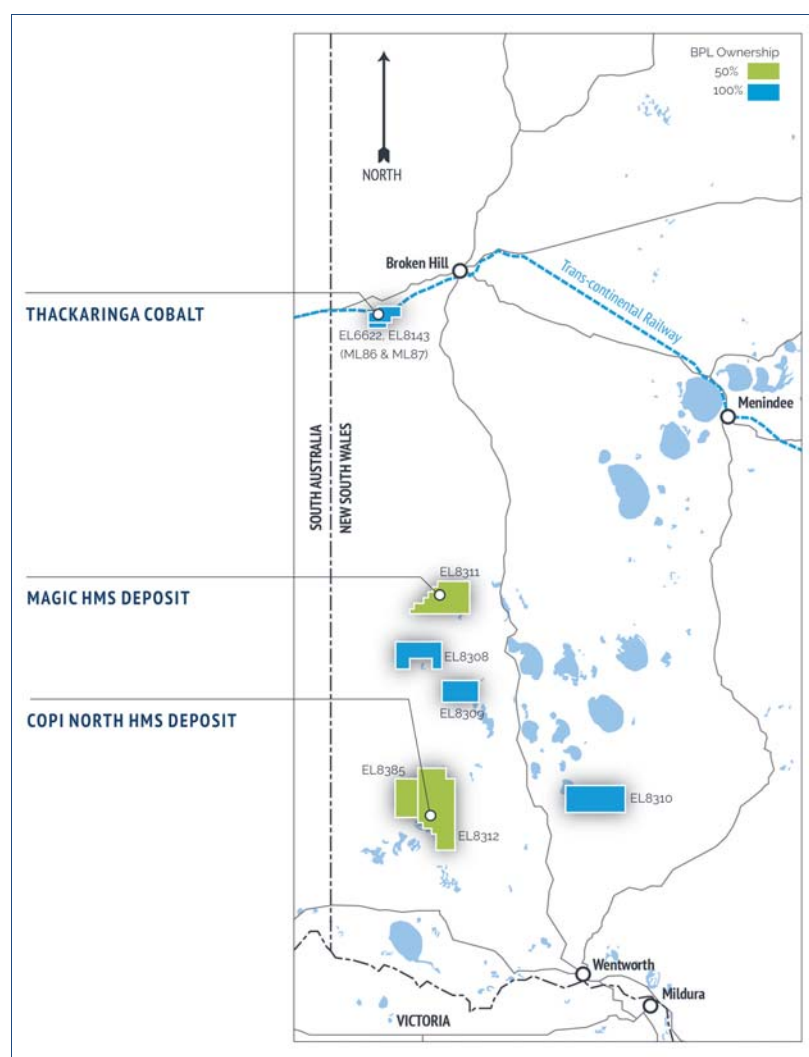


Figure 1. The Company's project portfolio with a significant exploration footprint in the NSW Murray Basin.

DIRECTORS' REPORT

6. Events after Balance Date

Cobalt Blue Holdings Ltd

In February 2017, the Company has successfully spun-off its Thackaringa Cobalt project through the listing of Cobalt Blue Holdings Ltd (ASX: COB) that will allow COB to focus on further exploration and development of the project. In return shareholders of the Company received a total of 35 million shares as part of the capital restructuring and distribution.

Broken Hill Minerals Joint Venture

BHM's management of the Mineral Sands Joint Venture (JV) with Relentless Resources Limited (RRL) came up for renewal on 22nd January 2017.

BHM's continuing management of the JV has been disputed by RRL and BHM is seeking to resolve the dispute through legal avenues.

BHM's 50% ownership of its share of the Joint Venture remains unchanged.

Apart from the above, there are no other material events subsequent to the end of the period that have not been reflected in the financial statements.

Signed for and on behalf of the Board



Geoffrey Hill, Director
16 March 2017



Anthony (Trangie) Johnston, CEO

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350 Kent Street
SYDNEY NSW 2000

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DRUMMOYNE NSW 2047

K.S. Black & Co.

ABN 48 117 620 558

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PO Box 2210
North Parramatta NSW 1750

**Lead Auditors Independence Declaration
Under Section 307C of the *Corporations Act 2001***

To the directors of Broken Hill Prospecting Limited and Subsidiaries:

I declare that, to the best of my knowledge and belief; in relation to the audit review of the half-year ended 31 December 2016 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit review; and
- no contraventions of any applicable code of professional conduct in relations to the audit review.


KS Black & Co
Chartered Accountants



Scott Bennison
Partner

Dated: 16/3/17
Sydney.

Phone 02 8839 3000
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Standards Legislation


CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	6 Months 31 December 2016 A\$	6 Months 31 December 2015 A\$
Interest received	14,768	9,792
Management fees	-	13,612
Other income	40,000	-
	54,768	23,404
Auditors' remuneration – auditing the accounts	(11,352)	(15,148)
Marketing & promotion	(23,061)	(15,715)
Employee expenses	(669,281)	-
Management fees	-	(54,486)
Accounting, secretarial, legal	(429,199)	(128,952)
Consulting fees	(34,301)	(5,860)
Administration expenses	(128,102)	(58,534)
Directors' fees	(54,595)	(38,805)
Rent & outgoings	(4,400)	(3,000)
Depreciation	-	(167)
Loss before income tax	(1,299,523)	(297,263)
Income tax benefit	-	-
Net loss	(1,299,523)	(297,263)
Other comprehensive income		
Profit on disposal of interest in joint venture tenements	125,209	521,159
Discount on acquisition of controlled entity	616,726	-
Total comprehensive income for the period	(557,588)	223,896
Net loss attributable to non-controlling interest	153,603	-
Comprehensive income attributable to members of Parent entity	(403,985)	223,896
(Loss) / Earnings per share		
Basic (loss) / earnings per share	(0.28) cents	0.18 cents
Diluted (loss) / earnings per share	(0.20) cents	0.11 cents

This statement is to be read in conjunction with the accompanying notes and the previous year's annual financial statements.

BROKEN HILL PROSPECTING LIMITED HALF YEAR REPORT 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Share capital A\$	Option reserve A\$	Accumulated losses A\$	Foreign currency translation A\$	Non- controlling interest A\$	Total A\$
2016						
Comprehensive income	-	-	(403,985)	-	(153,603)	(557,588)
Proceeds from share capital issued	857,124	-	-	-	-	857,124
Share issue costs	(33,866)	-	-	-	-	(33,866)
Share options written off	-	(40,000)	-	-	-	(40,000)
Share based payments	35,000	-	-	-	-	35,000
Non-controlling interest contribution	-	-	-	-	179,042	179,042
Movement in equity for the period	858,258	(40,000)	(403,985)	-	25,439	439,712
Equity at 1 July 2016	7,485,051	88,000	(3,328,161)	(477)	-	4,244,413
Equity at 31 December 2016	8,343,309	48,000	(3,732,146)	(477)	25,439	4,684,125
2015						
Comprehensive income	-	-	223,896	-	-	223,896
Proceeds from share capital issued	994,047	-	-	-	-	994,047
Share issue costs	(249,539)	-	-	-	-	(249,539)
Movement in equity for the period	744,508	-	223,896	-	-	968,404
Equity at 1 July 2015	5,831,688	133,200	(3,264,873)	(477)	-	2,699,538
Equity at 31 December 2015	6,576,196	133,200	(3,040,977)	(477)	-	3,667,942

This statement is to be read in conjunction with the accompanying notes and the previous year's annual financial statements.

BROKEN HILL PROSPECTING LIMITED HALF YEAR REPORT 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	31/12/2016 A\$	30/6/2016 A\$	31/12/2015 A\$
Equity				
Share capital	2	8,343,309	7,485,051	6,576,196
Foreign currency translation		(477)	(477)	(477)
Reserves		48,000	88,000	133,200
Accumulated losses		(3,732,146)	(3,328,161)	(3,040,977)
Total equity attributable to members of Parent entity		4,658,686	4,244,413	3,667,942
Non-controlling interest		25,439	-	-
Total equity		4,684,125	4,244,413	3,667,942
Represented by:				
Current assets				
Cash and cash equivalents		1,746,730	1,391,675	894,852
Receivables and prepayments		196,325	63,603	41,384
Total current assets		1,943,055	1,455,278	936,236
Non-current assets				
Property, plant & equipment	4	-	-	31
Intangible assets	7	3,292,588	2,864,932	2,633,409
Security deposits		125,000	125,000	125,000
Total non-current assets		3,417,588	2,989,932	2,758,440
Total assets		5,360,643	4,445,210	3,694,676
Current liabilities				
Trade and other payables		551,518	75,797	26,734
Total current liabilities		551,518	75,797	26,734
Non-current liabilities				
Provisions		125,000	125,000	-
Total non-current liabilities		125,000	125,000	-
Total liabilities		676,518	200,797	26,734
Shareholders' equity		4,684,125	4,244,413	3,667,942
Net tangible assets per security		0.94 cents	1.02 cents	0.83 cents

This statement is to be read in conjunction with the accompanying notes and the previous year's annual financial statements.

BROKEN HILL PROSPECTING LIMITED HALF YEAR REPORT 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	6 Months 31 December 2016 A\$	6 Months 31 December 2015 A\$
Cash flows from operating activities			
Interest received		14,768	9,792
Fees received		-	9,607
Payments to suppliers and employees		(811,469)	(325,493)
Net cash used in operating activities	3	(796,701)	(306,094)
Cash flows from investing activities			
Prospecting expenditure		(242,479)	(294,360)
Proceeds from disposal of joint venture interest		125,209	600,000
Net cash provided by/(used in) investing activities		(117,270)	305,640
Cash flows from financing activities			
Share capital issued		857,124	994,047
Shares issue costs		(33,866)	(213,384)
Controlled entity share capital issued net of costs		445,768	-
Net cash provided by financing activities		1,269,026	780,663
Net increase in cash and cash equivalents held		355,055	780,209
Cash and cash equivalents at the beginning of the period		1,391,675	114,643
Cash and cash equivalents at the end of the period		1,746,730	894,852
Cash comprises:			
Cash at bank		1,746,730	894,852

This statement is to be read in conjunction with the accompanying notes and the previous year's annual financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

General

Broken Hill Prospecting Limited (BPL) is a company incorporated in New Zealand and registered under the Companies Act 1993. BPL is an issuer for the purposes of the Financial Reporting Act 1993 and is listed on the Australian Securities Exchange (ASX).

The principal activity of the company and its subsidiaries (the "group") is minerals exploration.

The group consists of Broken Hill Prospecting Limited and its wholly-owned subsidiaries, Broken Hill Uranium Pty Ltd, Broken Hill Chemical Pty Limited, Broken Hill Minerals Pty Ltd and Cobalt Blue Holdings Ltd which was incorporated in August 2016.

These consolidated financial statements have been reviewed but not audited.

Reporting currency

The functional and presentation currency is Australian dollars.

Basis of preparation

These interim consolidated financial statements have been prepared in accordance with NZ IAS-34, Interim Financial Reporting and should be read in conjunction with the accounting policies set out in the annual financial statements for the year ended 30 June 2016.

These accounts have been prepared in accordance with generally accepted accounting practice in New Zealand and therefore also comply with International Financial Reporting Standards. For this purpose, BPL has designated itself as profit-oriented.

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis have been followed by the group.

Seasonality of operations

The results are unaffected to any significant extent by seasonal factors.

Changes in accounting policies: There have been no changes in accounting policies during the period. The accounting policies and method of computation applied during the previous year were applied on a consistent basis during the current period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Share capital

	31/12/2016 A\$	31/12/2015 A\$
Ordinary shares – 147,773,401 (2015: 124,255,177)	8,343,309	6,576,196

Movement in share capital	No. of shares	A\$
Share capital at 30 June 2016	136,674,521	7,485,051
Movements:		
August 2016 Share Purchase Plan	9,210,907	746,086
November 2016 Options exercised	1,387,973	111,038
November 2016 Share based payments	500,000	35,000
Share issue costs	-	(33,866)
	147,773,401	8,343,309

Movement in Options	No. of options	A\$
Options as at 30 June 2016	53,077,361	88,000
Movements:		
Employee options forfeited	(5,000,000)	(40,000)
November 2016 options exercised	(1,387,973)	-
Options as at 31 December 2016	46,689,388	48,000

All shares have equal voting rights and will share equally in dividends and surplus on winding up.

3. Reconciliation of operating cash flow & net income

	31/12/2016 A\$	31/12/2015 A\$
Comprehensive income attributable to members of Parent entity	(403,985)	223,896
Add non-cash items:		
Options forfeited	(40,000)	-
Net loss attributable to non-controlling interest	(153,603)	-
Depreciation	-	167
Profit on disposal of joint venture interest	(125,209)	(521,159)
Discount on acquisition of controlled entity	(616,726)	-
Share based payments	35,000	-
Controlled entity share based payments	350,000	-
Changes in assets and liabilities:		
(Increase)/decrease in receivables and prepayments	(114,205)	23,269
Increase/(decrease) in payables & accruals	272,027	(32,267)
Net cash used in operating activities	(796,701)	(306,094)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Property, plant & equipment

	31/12/2016	31/12/2015
	A\$	A\$
Opening balance	-	198
Additions at cost	-	-
Depreciation for the period	-	(167)
Total	-	31

5. Commitments

Tenements: in order to maintain current rights of tenure to exploration and mining tenements, the Company is required to meet minimum expenditure requirements.

Expenditure requirements for tenements	31/12/2016	31/12/2015
	A\$	A\$
Not later than 1 year	237,405	305,685
Later than 1 year but not later than 5 years	100,959	177,273
Total	338,364	482,958

6. Controlled entities*Interests in subsidiaries*

Name of Entity	Equity Held 2016	2015	Country of Incorporation
Broken Hill Uranium Pty Ltd	100.00%	100%	Australia
Broken Hill Chemical Pty Ltd	100.00%	100%	Australia
Broken Hill Minerals Pty Ltd	100.00%	100%	Australia
Cobalt Blue Holdings Ltd	77.78%	-	Australia

All subsidiaries are direct subsidiaries of the company and have the same balance date.

7. Intangible assets*Prospecting costs and mining tenements*

	6 months 31/12/2016	Year ended 30/6/2016	6 months 31/12/2015
Opening balance	2,864,932	2,494,492	2,494,492
Exploration & evaluation expenses	546,187	467,825	236,302
Less: Interest disposed	(118,531)	(97,385)	(97,385)
Closing balance	3,292,588	2,864,932	2,633,409

8. Contingent liabilities

There were no contingent liabilities at 31 December 2016 (31 December 2015: nil).

9. Seasonality of operations

The results are unaffected to any significant extent by seasonal factors.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

10. Segment information

During the current period, the group had only one business segment – mineral exploration within Australia.

11. Joint venture

Broken Hill Minerals Pty Ltd, a 100% subsidiary of BPL, is a participant in a joint venture agreement with Relentless Resources Limited (RRL) in order to fund and manage the company's advanced Heavy Mineral Sands (HMS) projects.

RRL committed to make staged payments totaling A\$2,000,000 to earn a 50% participating interest in the joint venture. During the period to 31 December 2016 RRL paid the final instalment of A\$500,000 earning an additional 10% in the Joint Venture. The interest of RRL therefore increased from 40% as at 30 June 2016 to 50% as at 31 December 2016. As at 31 December 2016 the Group has a 50% participating interest in the joint venture. For the period to 31 December 2016 the joint venture incurred total exploration and evaluation expenditure of A\$120,800.

In accordance with NZ IFRS 11 the group recognised a net gain of A\$125,209 from the disposal of the additional 10% interest in the joint venture.

12. Going concern

The financial report has been prepared on a going concern basis. BPL has raised sufficient funds to ensure that expected financial obligations can continue to be met for longer than 12 months.

BPL expects that the majority of exploration and evaluation expenses in the next financial year will be funded from joint venture partners. The validity of the going concern assumption in the longer term is dependent on the success of these initiatives.

13. Subsequent Events

Cobalt Blue Holdings Ltd

In February 2017, BPL successfully spun-off its Thackaringa Cobalt project through the listing of Cobalt Blue Holdings Ltd (ASX: COB) that will allow COB to focus on further exploration and development of the project. In return shareholders of the Company received a total of 35 million shares as part of the capital restructuring and distribution.

Broken Hill Minerals Joint Venture

BHM's management of the Mineral Sands Joint Venture (JV) with Relentless Resources Limited (RRL) came up for renewal on 22nd January 2017.

BHM's continuing management of the JV has been disputed by RRL and BHM is seeking to resolve the dispute through legal avenues.

BHM's 50% ownership of its share of the Joint Venture remains unchanged.

Apart from the above, there are no other material events subsequent to the end of the period that have not been reflected in the financial statements.

BROKEN HILL PROSPECTING LIMITED HALF YEAR REPORT 31 DECEMBER 2016

DIRECTORS' STATEMENT

The Directors of the company declare that:

1. The financial statements and notes, as set out in the half yearly report to 31 December 2016:
 - (a) comply with New Zealand International Accounting Standard 34, Interim Financial Reporting, and
 - (b) give a true and fair view of the economic entity's financial position as at 31 December 2016 and its performance and cash flows for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

Signed for and on behalf of the Board



Geoffrey Hill, Director
16 March 2017



Anthony (Trangie) Johnston, CEO

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SYDNEY NSW 2000

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Broken Hill Prospecting Limited and Subsidiaries

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Broken Hill Prospecting Limited and Subsidiaries, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the consolidated statement in changed in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the entity comprising the company at the half-year's end or from time to time during the half-year.

Directors' responsibility for the financial report

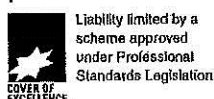
The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on *Review Engagements ASRE 2410 Review of a Financial Performed by Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* Including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Broken Hill Prospecting Limited and Subsidiaries, ASRE 2410 required that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Broken Hill Prospecting Limited and Subsidiaries, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Broken Hill Prospecting Limited and Subsidiaries is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- b) complying with Australian Accounting Standards *AASB 134 Interim Financial Reporting and Corporations Regulations 2001*

KS Black & Co
Chartered Accountants




Scott Bennison
Partner

Dated: 16/3/17

Sydney

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