



**BROKEN HILL PROSPECTING LIMITED**

(Incorporated in New Zealand)

NZ Company Number: 322887

NZ Financial Services Provider Number FSP32949

ARBN 003 453 503

ABN: 83 003 453 503 (Australia)

**INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018**

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## COMPANY DIRECTORY

<b>DIRECTORS</b> F Creagh O'Connor (Chairman) Anthony (Trangie) Johnston (Managing Director) Matthew G Hill Denis Geldard Geoffrey G Hill	<b>AUDITORS</b> Nexia Sydney Audit Pty Ltd Level 16 1 Market Street Sydney NSW 2000
<b>COMPANY SECRETARY</b> Ian Morgan	<b>BANKERS</b> National Australia Bank, Sydney Commonwealth Bank, Sydney
<b>REGISTERED OFFICE</b> Ground Floor Nathan House 541 Parnell Road Parnell, Auckland 1052 New Zealand	<b>SECURITIES LISTED</b> Australian Securities Exchange (ASX):  Code: BPL (shares) Code: BPLO (options)
<b>AUSTRALIAN OFFICE</b> Suite 1002, Level 10 171 Clarence Street Sydney 2000 NSW  GPO Box 1546 SYDNEY NSW 2001  Phone: (+61 2) 9238 1170 Email: info@bhpl.net.au	<b>SECURITIES REGISTRAR</b> <b>AUSTRALIA</b> 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)  <a href="http://www.computershare.com.au">www.computershare.com.au</a>
<b>WEBSITE</b> www.bhpl.net.au <b>TWITTER</b> @BH_PL	

### INTERESTS IN MINING TENEMENTS HELD BY THE COMPANY AND ITS SUBSIDIARIES

Tenement Name	Tenement Type and Number	Location	Group Ownership
Pine Ridge	Exploration Licence-EL6622*	Broken Hill NSW Australia	100%*
Felspar Creek	Exploration Licence-EL8143*	Broken Hill NSW Australia	100%*
Pyrite Hill	Mining Lease-ML86*	Broken Hill NSW Australia	100%*
Big Hill	Mining Lease-ML87*	Broken Hill NSW Australia	100%*
Broken Hill NW	Exploration Licence EL8775	Broken Hill NSW Australia	100%
Triple Chance	Exploration Licence EL8774	Broken Hill NSW Australia	100%
Main Line	Exploration Licence EL8773	Broken Hill NSW Australia	100%
Tyrell Ridge	Exploration Licence-EL6614	Mildura NSW Australia	100%
Tararra	Exploration Licence-EL8558	Mildura NSW Australia	100%
Central Para	Exploration Licence-EL8559	Mildura NSW Australia	100%
Euston South	Exploration Licence-EL8649	Mildura NSW Australia	100%
Euston North	Exploration Licence-EL8650	Mildura NSW Australia	100%
Birchip	Exploration Licence-EL006583	Victoria Australia	100%
Warrachnabeal	Exploration Licence-EL006584	Victoria Australia	100%
Ouyen	Exploration Licence-EL006585	Victoria Australia	100%
Dangalli North	Exploration Licence-EL6139	South Australia Australia	100%

\* These tenements are subject to the Thackaringa Joint Venture with Cobalt Blue Holdings Ltd ("COB"). BPL holds 100% legal interest and 30% beneficial interest, COB holds 0% legal interest and 70% beneficial interest.

## DIRECTORS' REPORT

### FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

The Directors present the following report including financial statements of Broken Hill Prospecting Limited (**Company** or **BPL**) for the six months ended 31 December 2018.

#### 1. *Directors*

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

F Creagh O'Connor	Non-Executive Chairman	Appointed 22 June 2000
Anthony (Trangie) Johnston	Managing Director	Appointed 18 January 2018
Matthew G Hill	Non-Executive Director	Appointed 14 March 2012
Denis Geldard	Non-Executive Director	Appointed 3 August 2015
Geoffrey G Hill	Non-Executive Director	Appointed 27 August 2015

#### 2. *Review of Operations*

Broken Hill Prospecting Limited (ASX: BPL) is an Australian exploration company focussed on the discovery and development of strategic mineral resources across two primary geographical areas; the Murray Basin Region (Heavy Mineral Sands) and the Broken Hill Region (base, precious and industrial metals, including the Thackaringa Cobalt & Base/Precious Metal Project).

Additional information about the Company is available on BPL's website at [www.bhpl.net.au](http://www.bhpl.net.au)

##### Heavy Mineral Sands (HMS), Murray Basin

BPL has commenced a new phase of low-cost mineral sands exploration in the Murray Basin of south-eastern Australia, using as a springboard the huge exploration investment already made by major companies since emergence of the basin in the 1990s as a world-class HMS province. The Company holds title over some of the most prospective exploration ground in NSW and VIC, areas that are close to infrastructure that is crucial to bring any HMS discovery into production (Figure 1).

There is considerable opportunity for valuable new discoveries by testing new geophysical targets, including interpreted extensions to known deposits, and through the follow up of isolated and/or poorly understood HM intercepts from historical drill programs. Exploration programs will require a relatively small component of targeted aircore drilling to test the most promising anomalies, with the ability to immediately infill adjacent to any high-grade intersections.

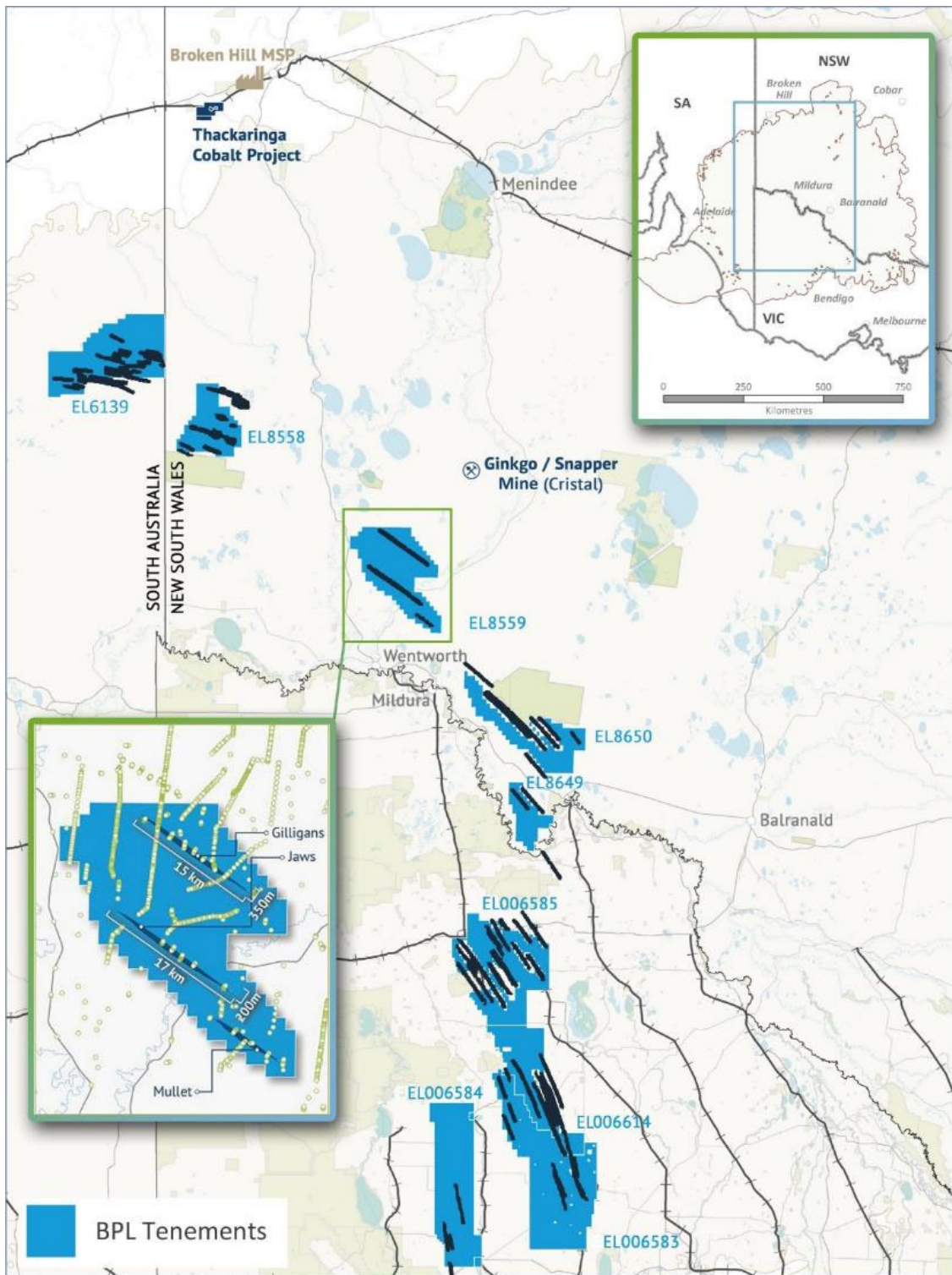


Figure 1. BPL has the largest tenement holding in the world class Murray Basin HMS province.

The Euston and Ouyen project areas present a significant exploration opportunity. Extensive drill hole datasets are available, largely the product of district scale work by Iluka Resources Ltd.

BPL aims to define and upgrade Mineral Resources at existing and newly discovered deposits on the NSW and VIC leases through a modest component of infill drilling, guided by the existing high-quality drilling databases and geophysics. The Company has previously JORC 2012 resources at the Jaws and Gilligans strandlines of the Central Para district in NSW. Once resources are estimated to the required standard,

projects can undergo internal assessment and ranking using economic parameters introduced by a new mobile production model adopted by BPL.

Although on-ground exploration has been deferred due to the prevailing drought conditions, significant progress was made with drill hole targeting which will greatly improve the efficiency of future drilling. Modern aeromagnetics data covering more than 60% of BPL's Victorian HMS tenements has been re-processed with state-of-the-art filters specifically developed for HMS exploration (Figure 2). 150 linear magnetic anomalies were interpreted in the filtered magnetics, with 43 regarded as having significant potential and prioritised for drill testing. The highest priority targets include:

- Extensions to the Pirro deposit mined by Iluka Resources.
- Extensions of the Gypsum and Temy strands south of Ouyen.
- Testing of the Roselyn and Curyo strandlines of the Curyo area.

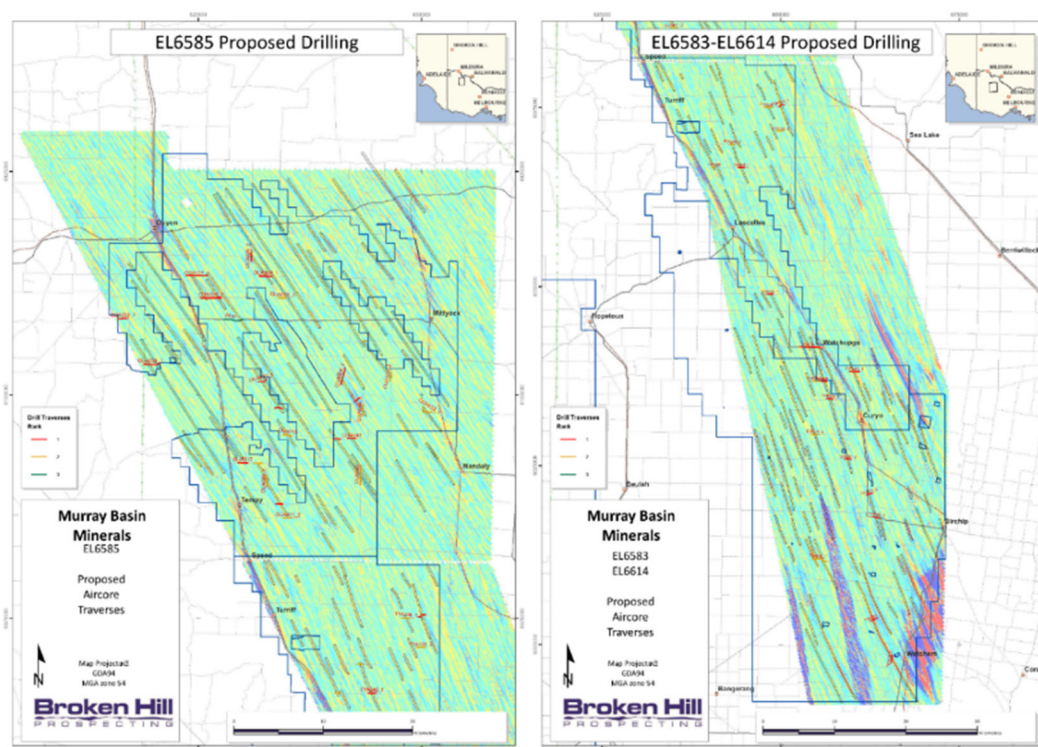


Figure 2. Interpreted magnetic anomalies for the Ouyen and Tyrrell Ridge HMS districts with high priority drill traverses.

### Broken Hill Exploration

BPL's exploration program in the Thackaringa and Broken Hill region was largely deferred at the request of landowners due to ongoing severe drought conditions and recent intense heatwaves across the area. Planned on-ground geophysical programs at the high priority Broken Hill style (Pb-Zn-Ag) Himalaya North and Pyramid Hill prospects on EL 6622 have been delayed. BPL staff are working closely with landowners and appreciate the difficulties of the current climate situation.

The Company's regional exploration program instead commenced on three exploration licences acquired in 2018 (Figure 3). The tenements cover under-explored Broken Hill and Thackaringa group rocks, with numerous base and precious metals, and industrial mineral prospects.

EL8773 (Main Line) contains Cu-Co mineralisation hosted in rocks of the Cues Formation (Thackaringa Group) at the historical Burt & Catterson's Prospect. As announced 4 October 2018, significant Copper-

Cobalt grades flagged by historical assay data at the prospect were confirmed with re-assayed results including:

- 4.7m at 690ppm Co and 0.18% Cu from 121.3m in 57BC-1;
- 5.5m at 0.34% Cu from 234.2m in 57BC-2

Three 1957 diamond drill holes have been geologically logged in detail, with mineralisation confirmed to be closely associated with blue quartz–garnet ‘lode’ horizons within the Fe-rich Cues Formation. The host metasediments are particularly garnet-rich with abundant disseminated pyrite. This improved understanding of the mineralisation and host sequence allows comparison with BPL’s targets on the Thackaringa leases (EL6622 and EL8143) and other regionally significant prospects as more data becomes available. Other deposits in Thackaringa Group rocks include the Big Hill, Pyrite Hill and Railway pyrite–cobalt deposits, the Pinnacles Pb–Zn–Ag orebody and Silver City Minerals Ltd’s Copper Blow project.

On-ground reconnaissance work is planned at the prospect in 2019 including geological traversing and sampling. The lode zone is open at depth and along strike — 3D interpretation and modelling of the drill hole and surface data will focus on generating viable drill targets.

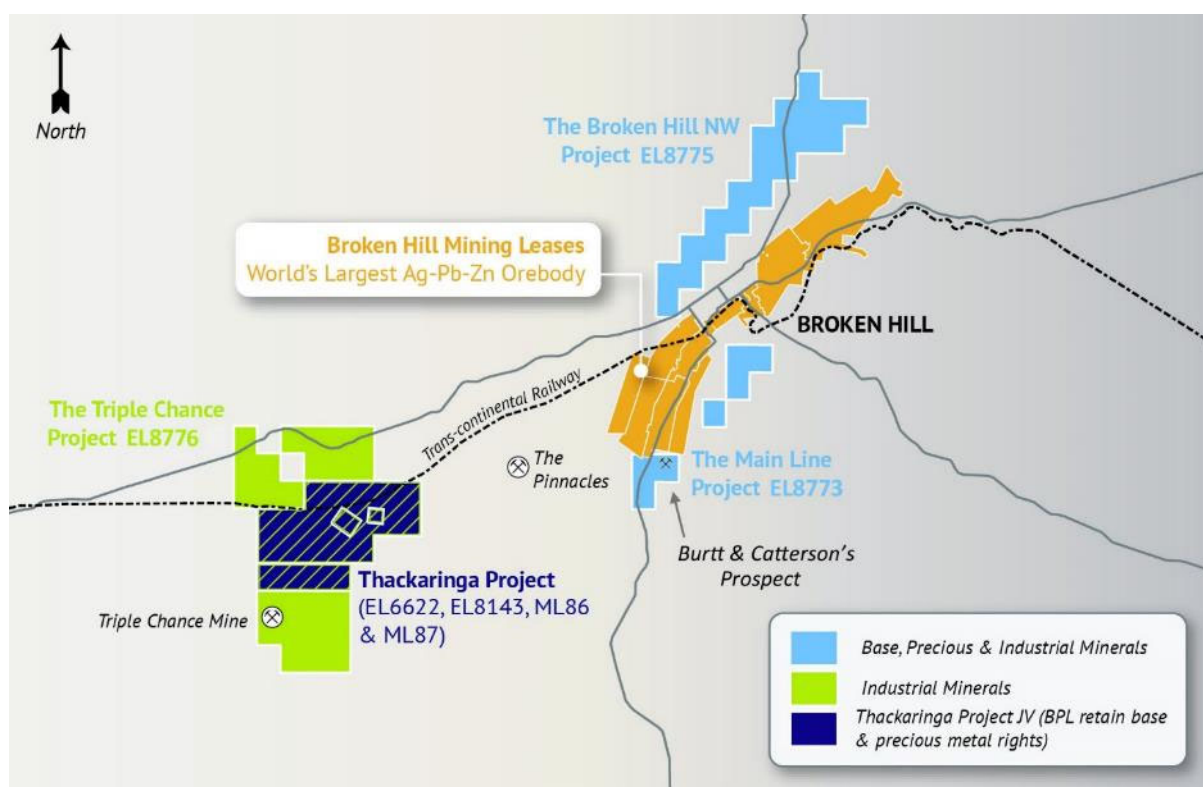


Figure 3. BPL’s tenement portfolio in the Broken Hill region

#### Thackaringa Cobalt Project Joint Venture (TJV)

Since the TJV Pre-feasibility Study (PFS) was released in July 2018, BPL has actively sought to negotiate a sensible and agreed path with Cobalt Blue Holdings Limited (COB) so that the Project can be advanced. Given the large common shareholder base between the companies, BPL will continue to do this and remains open to a commercial solution.

On 21 November 2018, BPL released a 4-Step Action plan to restore shareholder value and confidence in Thackaringa and to ensure the Project’s delivery. The Action Plan includes:

1. Appoint a respected, professional and independent manager.

2. Correct fundamental technical and commercial deficiencies in the Pre-Feasibility Study (PFS) released in July 2018 while taking into account current market conditions and the major correction in commodity prices in the battery space.
3. Jointly determine the appropriate scope and standard for the next stage of the Project.
4. Both companies utilising available cash resources effectively and living within our means to achieve these goals.

Seven disputes related to a number of TJV matters are currently under negotiation with COB, and include: the recent drilling campaign, role of COB as manager, dilution formula, stage 2 satisfaction, NSR calculation, 51% title transfer and dilution of BPL out of the TJV. These disputes are progressing through the dispute resolution process and remain unresolved.

COB released brief project updates on the 5 December 2018 and 16 January 2019 related to drilling and other technical programs. Due to a lack of TJV reporting by COB, BPL is unable to provide any further details on these programs, which are at the sole risk and cost to COB.

COB announced on the 16 January 2019 that it had completed 9,561 metres of a drilling campaign originally planned to exceed 15,000 metres. Drilling operations were paused as COB was unable to secure an extension to the land access agreement as it did not include BPL, as the 100% lease holder, in negotiations with the land owner. Extreme drought conditions have also imposed unprecedented pressure on the land and livestock.

To date drilling has focused mainly on infill at the Pyrite Hill deposit, with initial assays confirming continuity of mineralisation. Further assays are expected in March 2019, with an updated Mineral Resource estimate due by the end of Q1 2019.

Photograph: Drilling at Thackaringa Cobalt Project





**Table 1. Summary of COB's Milestones under the TJV Agreement**

	<b>Milestones</b>	<b>Status</b>
<b>Stage 1</b>	For COB to retain the 51% beneficial interest, then during the period commencing ending no later than 1 April 2018, COB must:	
	(i) Complete prior to 30 June 2017 a minimum \$2.0 million exploration program to define an Inferred / Indicated Mineral Resource of 54.5 million tonnes	Completed
	(ii) Complete after 30 June 2017 a further \$1.2 million exploration program to achieve an Indicated Resource of 40 million tonnes or such other tonnage as may be agreed unanimously by the JV committee	Completed
	(iii) Spend not less than \$0.2 million and not more than \$0.4 million to undertake an aerial geophysical survey of the JV mining tenements	Completed
	(iv) Expenditure under (ii) and (iii) in aggregate must be not less than \$1.4 million and not greater than \$1.6 million	Completed
	(v) Complete prior to 30 June 2017 a Scoping Study	Completed
<b>Stage 2</b>	For COB to earn an additional 19% interest, COB must have completed Stage 1 earning obligations during the period commencing on 1 July 2017 and ending no later than 30 June 2018:	
	(i) A \$2.5 million approved exploration program within the JV area	Conditionally approved by BPL
	(ii) Complete a Pre-feasibility Study	Conditionally approved by BPL
<b>Stage 3</b>	Stipulates COB can earn a further 15% interest 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.	COB elected not to proceed
<b>Stage 4</b>	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.	COB elected not to proceed
	BPL has also been granted a 2% net smelter royalty on all cobalt produced from the Thackaringa tenements for the life of the mine	Remains Valid

## Key ASX Announcements

This ASX announcement refers to information extracted from the following reports, which are available for viewing on BPL's website <http://www.bhpl.net.au>:

31 January 2018	<a href="#">Quarterly Activities and Cash Flow Report Dec 2018</a>
21 November 2018	<a href="#">CEO's Letter to Shareholders</a>
31 October 2018	<a href="#">Quarterly Activities and Cash Flow Report Sept 2018</a>
30 October 2018	<a href="#">Thackaringa Cobalt Project Update</a>
4 October 2018	<a href="#">New Assays Confirm Copper-Cobalt Mineralisation</a>
28 September 2018	<a href="#">Annual Report 2018</a>
20 August 2018	<a href="#">Broken Hill Exploration expansion &amp; Cobalt Update</a>
4 July 2018	<a href="#">Thackaringa Cobalt Project Pre-feasibility Study</a>

*The Company confirms it is not aware of any new information or data that materially affects the information included in the original market announcements, and, in the case of exploration targets, that all material assumptions and technical parameters underpinning the exploration targets in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings presented have not been materially modified from the original market announcements.*

### **3. Auditor's Independence Declaration**

We confirm that we have obtained the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* (Cth) which is set out on page 14.

### **4. Subsequent Events**

On 24 October 2018 COB (Cobalt Blue Holdings Limited) elected to withdraw from the stage earning process within the TJV (Thackaringa Joint Venture). Certain important ramifications flowed from that decision, including primarily:

1. The TJV crystallised as a BPL 30% beneficial/COB 70% beneficial joint venture, with BPL holding 100% of the legal interest in the TJV assets (the tenements).
2. Moving forward, the parties must either contribute to valid budgets and programmes pro-rata, or to dilute in accordance with the terms of the TJV.

COB subsequently called a TJVMC (TJV Management Committee) meeting held on 16 November 2018, at which a range of resolutions were improperly put and improperly passed by the TJVMC.

BPL's contends that those resolutions were of no force or effect.

On 16 November 2018, COB (Manager) issued a billing statement to BPL requiring BPL to contribute A\$1,499,784, which COB (Manager) represented to be BPL's 30% share of COB (Manager)'s anticipated expenditure for work programs at Thackaringa.

Notwithstanding COB and COB (Manager) claimed that A\$1,499,784 is payable by BPL, as the TJVMC resolutions were of no force or effect, BPL did not admit COB (Manager)'s bill as BPL's liability.

As at 31 December 2018, COB (Manager)'s A\$1,499,784 claim is not recorded by BPL as a liability (actual or contingent).

A number of significant disputes have subsequently developed between BPL and COB arising out of the above matters. Those disputes cover the following matters and are subject of formal 'disputes' under the TJV.

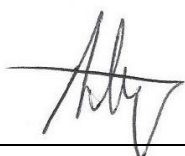
1	The summer 2018/2019 drilling programme
2	The TJV Manager's Role, which BPL contends is no longer validly held by COB
3	The dilution formula in the TJV and its incorrect application by COB
4	COB's compliance or otherwise with the Stage 2 earning commitment; in particular the validity of the PFS as JORC 2012 compliant
5	The calculation of BPL's royalty as set out in the PFS, which BPL contends is incorrect and understates the royalty
6	Claims by COB to be entitled to transfer of legal interest in the Thackaringa tenements, which BPL contends are incorrect
7	Claims by COB that BPL has been diluted out of the TJV, which BPL contend are incorrect

The disputes outlined above are described in summary only and there is a degree of overlap between some of the disputes. At this juncture, the disputes remain unresolved.

BPL's preference is to negotiate an agreed pathway through the disputes with COB, so that the Thackaringa Project can be advanced. Notwithstanding that preference, BPL's positions with regard to the disputed matters, have been assessed by its legal advisors, and in the absence of agreed outcomes BPL will defend its positions.

Apart from this, the Directors are not aware of any 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




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Anthony (Trangie) Johnston  
Managing Director




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Matthew Hill  
Director

Date: 13 March 2019

## Independent Auditor's Review Report to the members of Broken Hill Prospecting Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Broken Hill Prospecting Limited, which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Half-Year 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 Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2018 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, ASRE 2410 requires 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, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

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

## Conclusion

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

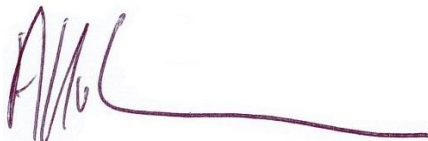
- i. giving a true and fair view of Group's financial position as at 31 December 2018 and of its performance for the period ended on that date; and
- ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial statements which indicates that the Group has incurred a net loss of \$852,376 and had operating cash outflows of \$587,259 during the period ended 31 December 2018. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.



**Nexia Sydney Audit Pty Ltd**



**Andrew Hoffmann**  
Director  
Sydney, NSW

13 March 2019

The Board of Directors  
Broken Hill Prospecting Limited  
GPO Box 1546  
SYDNEY NSW 2001

Dear Board Members

**Auditor's Independence Declaration under section 307C of the *Corporations Act 2001***

As lead audit partner for the review of the financial statements of Broken Hill Prospecting Limited for the half year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours sincerely



**Nexia Sydney Audit Pty Ltd**



**Andrew Hoffmann**

Director

Dated: 13 March, 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2018**

	6 months ended 31/12/2018 A\$	6 months ended 31/12/2017 A\$
<b>Continuing Operations</b>		
Interest received	10,149	12,844
Management fee	-	53,460
Other income	-	-
Auditors' remuneration – auditing the accounts	(17,202)	(20,826)
Marketing & promotion	(40,526)	(21,021)
Employee expenses	(240,548)	(198,621)
Accounting, secretarial, legal	(345,232)	(112,471)
Consulting fees	(36,933)	(150,917)
Administration expenses	(105,967)	(91,532)
Directors' fees	(56,250)	(43,750)
Rent & outgoings	(19,217)	(18,502)
Depreciation expenses	(650)	-
<b>Loss for the period before income tax</b>	<b>(852,376)</b>	<b>(591,336)</b>
Income tax benefit	-	-
<b>Loss for the period after income tax</b>	<b>(852,376)</b>	<b>(591,336)</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Net loss attributable to members of the Parent entity</b>	<b>(852,376)</b>	<b>(591,336)</b>
<b>Net Loss per share</b>		
Basic loss per share from continuing operations	(0.58) cents	(0.40) cents
Diluted loss per share from continuing operations	(0.42) cents	(0.30) cents

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2018**

	Note	Share capital A\$	Option reserve A\$	Accumulated losses A\$	Foreign currency translation reserve A\$	Total A\$
<b>2018</b>						
Equity at 1 July 2018		<b>8,194,159</b>	<b>216,136</b>	<b>(3,923,067)</b>	-	<b>4,487,228</b>
Net loss and other comprehensive income		-	-	<b>(852,376)</b>	-	<b>(852,376)</b>
Share based payments		-	<b>79,040</b>	-	-	<b>79,040</b>
Movement in equity for the period		-	<b>79,040</b>	<b>(852,376)</b>	-	<b>(773,336)</b>
<b>Equity at 31 December 2018</b>		<b>8,194,159</b>	<b>295,176</b>	<b>(4,775,443)</b>	-	<b>3,713,892</b>
<b>2017</b>						
Equity at 1 July 2017		8,185,359	48,000	(2,402,186)	(477)	5,830,696
Transfer to accumulated losses		-	-	(477)	477	-
Net loss and other comprehensive income		-	-	(591,336)	-	(591,336)
Share based payments		-	68,880	-	-	68,880
Movement in equity for the period		-	68,880	(591,813)	477	(522,456)
Equity at 31 December 2017		8,185,359	116,880	(2,993,999)	-	5,308,240

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

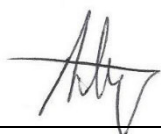


**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

	Note	31/12/2018 A\$	30/6/2018 A\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,307,597	2,091,196
Receivables and prepayments		70,658	189,901
<b>Total current assets</b>		<b>1,378,255</b>	<b>2,281,097</b>
<b>Non-current assets</b>			
Property, plant & equipment		4,552	5,202
Exploration and evaluation assets	7	2,643,638	2,422,495
Security deposits		80,000	80,000
<b>Total non-current assets</b>		<b>2,728,190</b>	<b>2,507,697</b>
<b>Total assets</b>		<b>4,106,445</b>	<b>4,788,794</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		332,065	249,286
Provisions		40,488	32,280
<b>Total current liabilities</b>		<b>372,553</b>	<b>281,566</b>
<b>Non-current liabilities</b>			
Provisions		20,000	20,000
<b>Total non-current liabilities</b>		<b>20,000</b>	<b>20,000</b>
<b>Total liabilities</b>		<b>392,553</b>	<b>301,566</b>
<b>Net Assets</b>		<b>3,713,892</b>	<b>4,487,228</b>
<b>EQUITY</b>			
Share capital	3	8,194,159	8,194,159
Reserves		295,176	216,136
Accumulated losses		(4,775,443)	(3,923,067)
<b>Total equity</b>		<b>3,713,892</b>	<b>4,487,228</b>
<b>Net tangible assets per share</b>		<b>0.73 cents</b>	<b>1.40 cents</b>

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

Signed for and on behalf of the Board



Anthony (Trangie) Johnston  
Managing Director

Date: 13 March 2019



Matthew Hill  
Director

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Note	6 months ended 31/12/2018 A\$	6 months ended 31/12/2017 A\$
<b>Cash flows from operating activities</b>			
Interest received		10,149	12,844
Fees received		-	137,370
Research & development tax incentive received		77,568	253,613
Income tax refunded /(paid)		17,445	(195,000)
Payments to suppliers and employees		(692,421)	(1,081,282)
		<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>4</b>	<b>(587,259)</b>	<b>(872,455)</b>
<b>Cash flows from investing activities</b>			
Prospecting expenditure		(196,340)	(131,562)
Security deposit paid		-	(20,000)
Proceeds from disposal of interests in tenements		-	3,100,000
		<hr/>	<hr/>
<b>Net cash (used in) / provided by investing activities</b>		<b>(196,340)</b>	<b>2,948,438</b>
<b>Cash flows from financing activities</b>			
		<hr/>	<hr/>
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>-</b>
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents held</b>		<b>(783,599)</b>	<b>2,075,983</b>
Cash and cash equivalents at the beginning of the period		2,091,196	802,732
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>		<b>1,307,597</b>	<b>2,878,715</b>
		<hr/>	<hr/>
<b>Cash comprises:</b>			
Cash at bank		1,307,597	2,878,715
		<hr/>	<hr/>

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 FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

### 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 and listed on the Australian Securities Exchange (**ASX**). BPL is a FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

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 Murray Basin Minerals Pty Limited.

These consolidated financial statements have been reviewed but not audited.

**Reporting currency:** The functional and presentation currency is Australian dollars.

**Basis of preparation:** These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 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 2018.

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, the Company has designated itself as profit-oriented.

These financial statements also comply with the New Zealand Financial Markets Conduct Act 2013.

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.

**New or amended Accounting Standards and Interpretations adopted:** The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The adoption of AASB 9 does not have any significant impact on the Company's financial instruments.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**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.

### 2. *Going Concern*

The financial report has been prepared on a going concern basis.

Directors' assessment of the group's ability to continue as a going concern includes the group's budget and/or cash flow projections for at least the next 12 months after the date of these consolidated financial statements.

The group incurred a net loss of \$852,376 and had operating cash outflows of \$587,259 for the half-year ended 31 December 2018. As at 31 December 2018 the group has cash and cash equivalents of \$1,307,597, net current assets of \$1,005,702 and net assets of \$3,713,892.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 (continued)**

Directors continue to preserve operating cash. Current cash levels are sufficient to fund ongoing administration and budgeted exploration. In the event additional exploration activities are undertaken, there may be a requirement to raise capital. The ability of the group to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the group to raise additional capital in the form of equity;
- the continued support of current shareholders; and
- the ability to successfully develop and extract value through development and/or sale of its projects that are under development.

These conditions give rise to a material uncertainty over the group's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- To date the group has funded its activities through issuance of equity securities and it is expected that the group will be able to fund its future activities through further issuances of equity securities; and
- The directors believe there is sufficient cash available for the group to continue operating until it can raise sufficient further capital to fund its ongoing activities within the forecast period.

Should the group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the group be unable to continue as a going concern.

**3. Share capital**

	<b>31/12/2018</b>	30/06/2018
	A\$	A\$
Ordinary shares – 147,883,401 (30/06/2018: 147,883,401)	<b>8,194,159</b>	8,194,159

**Movement in share capital**

There was no movement in share capital during the six months to 31 December 2018

**Movement in Options**

There was no movement in share options during the six months to 31 December 2018

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 (continued)**

**4. Reconciliation of operating cash flow & net income**

	<b>6 months ended 31/12/2018 A\$</b>	6 months ended 31/12/2017 A\$
Net loss attributable to members of parent entity	<b>(852,376)</b>	(591,336)
Add non-cash items:		
Depreciation expenses	<b>650</b>	-
Share based payments	<b>79,040</b>	68,880
Changes in assets and liabilities:		
Decrease in receivables and prepayments	<b>119,243</b>	447,861
Increase / (decrease) in payables & accruals	<b>66,184</b>	(602,860)
Decrease in tax payable	-	(195,000)
	<b>(587,259)</b>	(872,455)

**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.

<b>Expenditure requirements for tenements</b>	<b>31/12/2018 A\$</b>	30/06/2018 A\$
Not later than 1 year	<b>280,644</b>	562,636
Later than 1 year but not later than 5 years	<b>866,541</b>	1,029,068
Total	<b>1,147,185</b>	1,591,704

**6. Controlled entities**

Interests in subsidiaries

<b>Name of Entity</b>	<b>Equity Held 2018</b>	2017	<b>Country of Incorporation</b>
Broken Hill Uranium Pty Ltd	<b>100%</b>	100%	Australia
Broken Hill Chemical Pty Ltd	<b>100%</b>	100%	Australia
Broken Hill Minerals Pty Ltd	<b>100%</b>	100%	Australia
Murray Basin Minerals Pty Ltd	<b>100%</b>	-	Australia

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

**7. Prospecting costs and mining tenements**

	<b>31/12/2018 A\$</b>	30/06/2018 A\$
Balance at beginning of period	<b>2,422,495</b>	2,226,339
Exploration & evaluation expenses	<b>221,143</b>	196,156
Balance at end of period	<b>2,643,638</b>	2,422,495

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 (continued)**

**8. Contingent liabilities**

There were no contingent liabilities at 31 December 2018 (31 December 2017: \$nil).

**9. Seasonality of operations**

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

**10. Related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Amounts paid to directors' related entities for consulting and other services were both for the parent company and the group:

	<b>6 months ended 31/12/2018 A\$</b>	6 months ended 31/12/2017 A\$
Winkara Pty Ltd – an entity related to D Geldard	<b>14,000</b>	9,800
Asia Pacific Capital Group – an entity related to M Hill	-	57,500
	<b>14,000</b>	67,300

**11. Segment Information**

The Company has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The Company does not yet have any products or services from which it derives an income.

During the half year to 31 December 2018, CODM has identified the Company as having one reportable segment, being the geographic location of assets in Australia.

The CODM review EBITDA (earnings before interest, tax, depreciation and amortisation) on a monthly basis. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

**12. Subsequent Events**

On 24 October 2018 COB (Cobalt Blue Holdings Limited) elected to withdraw from the stage earning process within the TJV (Thackaringa Joint Venture). Certain important ramifications flowed from that decision, including primarily:

1. The TJV crystallised as a BPL 30% beneficial/COB 70% beneficial joint venture, with BPL holding 100% of the legal interest in the TJV assets (the tenements).
2. Moving forward, the parties must either contribute to valid budgets and programmes pro-rata, or to dilute in accordance with the terms of the TJV.

COB subsequently called a TJVMC (TJV Management Committee) meeting held on 16 November 2018, at which a range of resolutions were improperly put and improperly passed by the TJVMC.

BPL's contends that those resolutions were of no force or effect.

On 16 November 2018, COB (Manager) issued a billing statement to BPL requiring BPL to contribute A\$1,499,784, which COB (Manager) represented to be BPL's 30% share of COB (Manager)'s anticipated expenditure for work programs at Thackaringa.

Notwithstanding COB and COB (Manager) claimed that A\$1,499,784 is payable by BPL, as the TJVMC resolutions were of no force or effect, BPL did not admit COB (Manager)'s bill as BPL's liability.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 (continued)**

As at 31 December 2018, COB (Manager)'s A\$1,499,784 claim is not recorded by BPL as a liability (actual or contingent).

A number of significant disputes have subsequently developed between BPL and COB arising out of the above matters. Those disputes cover the following matters and are subject of formal 'disputes' under the TJV.

1	The summer 2018/2019 drilling programme
2	The TJV Manager's Role, which BPL contends is no longer validly held by COB
3	The dilution formula in the TJV and its incorrect application by COB
4	COB's compliance or otherwise with the Stage 2 earning commitment; in particular the validity of the PFS
5	The calculation of BPL's royalty as set out in the PFS, which BPL contends is incorrect and understates the royalty
6	Claims by COB to be entitled to transfer of legal interest in the Thackaringa tenements, which BPL contends are incorrect
7	Claims by COB that BPL has been diluted out of the TJV, which BPL contend are incorrect

The disputes outlined above are described in summary only and there is a degree of overlap between some of the disputes. At this juncture, the disputes remain unresolved.

BPL's preference is to negotiate an agreed pathway through the disputes with COB, so that the Thackaringa Project can be advanced. Notwithstanding that preference, BPL's positions with regard to the disputed matters, have been assessed by its legal advisors, and in the absence of agreed outcomes BPL will defend its positions.


Apart from this, the Directors are not aware of any other material events subsequent to the end of the period that have not been reflected in the financial statements.

## 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 2018:
  - (a) comply with New Zealand International Accounting Standard 34, Interim Financial Reporting, and
  - (b) give a true and fair view of the Company's financial position as at 31 December 2018 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



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Anthony (Trangie) Johnston  
Managing Director



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Matthew Hill  
Director

Date: 13 March 2019