

# Broken Hill

PROSPECTING



Annual Report  
**2014**

# BROKEN HILL PROSPECTING LIMITED

(Incorporated in New Zealand)

NZ Company Number: 322887, NZ Overseas Issuer Number: 2541657

NZ Financial Services Provider Number: FSP32949

ARBN: 003 453 503 (Australia)

ABN: 83 003 453 503 (Australia)

## ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

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# Corporate Directory

## DIRECTORS

F Creagh O'Connor (Chairman)  
Ian J Pringle (Managing Director)  
Robert G Barnes  
Matthew G Hill

## COMPANY SECRETARY

Francesco Giroto

## REGISTERED OFFICE

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## WEBSITE

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## AUDITORS

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## BANKERS

National Australia Bank, Sydney

## SECURITIES LISTED

Australian Securities Exchange:  
Code BPL (shares)

## SHARE REGISTRAR

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## INTERESTS IN MINING TENEMENTS

<b>Exploration License 6622</b> , Broken Hill NSW Australia	100%
<b>Exploration License 8143</b> , Broken Hill NSW Australia	100%
<b>Mining Lease 86</b> , Broken Hill NSW Australia	100%
<b>Mining Lease 87</b> , Broken Hill NSW Australia	100%



# Chairman's Letter

Dear Shareholders,

Broken Hill Prospecting Limited ('BPL' or 'Company') has made solid progress during the year and I am pleased to present the 2014 Annual Report which outlines the exciting directions that your Company has taken.

Firstly, BPL has undertaken considerable work to assess options to establish a sulphuric acid business based on sulphuric acid generated from future processing of the Company's huge resources of cobalt-pyrite. BPL's vision is to produce cobalt-pyrite concentrate with an average grade of about 0.45% cobalt and this could provide the feed source for a sulphide-roast sulphuric acid plant.

Sulphuric acid could supply various mineral processing industries including copper, nickel, gold, rare earth and phosphate projects many of which require considerable acid. Following the extraction of cobalt from the ash from the roast residue, the high grade hematite, along with electricity produced from the processing could contribute to the future economics of the project. A postgraduate study by students at the Australian Graduate School of Management as well as technical research by staff and students at the University of NSW have been a terrific help in advancing this work.

Secondly, BPL has commenced an exciting new project. The Company progressed with an opportunity to acquire twenty known heavy mineral sand deposits south of Broken Hill. In early 2014 BPL applied for five new exploration licences covering 890 square kilometres which are located in the Murray Basin south of Broken Hill. Work on these by other exploration companies has established that some have high contents of the titanium minerals ilmenite, leucoxene and rutile as well as considerable zircon. Despite high titanium dioxide (TiO<sub>2</sub>) contents in many of these deposits, previous explorers focused their work on coarser sand deposits which could be treated by conventional mining and processing. BPL is planning to apply several new advances in technology to evaluate the most promising of these deposits. Mineral sand separation processes developed over the last decade now allow separation of fine-grained sand fractions and this could enable several of the BPL deposits to be developed into profitable, low-cost mines.

The mineral sand prospects are shallow, commonly beneath less than 20-25 metres of cover, and in several cases mineralisation occurs at the surface. BPL will benefit from industry and community support and infrastructure already in place for operating sand mines in the district and this will help to lower evaluation and development costs.

Cobalt has received renewed attention and seen rising prices during 2014. Cobalt metal price has increased from US\$27,000 per tonne to US\$32,500 per tonne of cobalt on the London Metal Exchange during the first half of 2014. In part, this has been due to concerns surrounding the future of cobalt supply from the Democratic Republic of Congo which was the source of more than half of world cobalt production in 2013 and is struggling to provide infrastructure for new mine development. The renewed interest in cobalt has also stemmed from plans to produce cobalt-based lithium batteries to power future rechargeable electric cars. Multinational technology companies like Tesla and Panasonic have announced plans for a 'gigabattery' factory which will require many thousands of tonnes of additional cobalt for new technology automobiles.

The Company's Thackaringa Cobalt Project has a resource base of 35.7 million tonnes of cobalt-pyrite mineralisation with

an average grade of 1.85 pounds per tonne cobalt (Inferred Resource, JORC (2004)) and this equates to over 30,000 tonnes of contained cobalt metal. In addition, the deposits have an identified Potential for another 37-59 million tonnes (Mt) of pyrite with similar cobalt grade (containing between 28,700 – 45,700 tonnes of contained cobalt). Although there is no certainty that more drilling will result in up-grade of Potential to Mineral Resource, the deposits are shaping to be of world-class size and may represent one of the world's largest undeveloped cobalt resources without copper or nickel bi-product.

During the next year BPL will be looking closely to secure a partner to help develop a chemical business based on processing cobalt-pyrite concentrate. The Company also plans to evaluate the most promising titanium and zirconium deposits with shallow drill testing and mineral processing studies.

Despite depressed investment sentiment for junior mining companies, BPL has made some excellent progress during 2013-14 and this has been due to hard work by all of the BPL team. I am very much looking forward to 2015 as the Company continues to take broad steps towards mineral production.

On behalf of the Board of Directors I would like to thank shareholders for their support in what has been a very solid year for Broken Hill Prospecting Limited.



**Creagh O'Connor AM**  
Chairman



*Drill rig at the Thackaringa Cobalt Project*

# Directors' Report

## Review of Operations

### 2014 Highlights

During the year Broken Hill Prospecting Limited ('BPL' or 'Company') has added a significant new project to its holding in the Broken Hill region of western NSW.

#### Heavy Mineral Sand (TiO<sub>2</sub>, Zr) project has commenced

The Company has applied for five new Exploration Licences located to the south of Broken Hill and these cover at least twenty important heavy mineral sand ('HMS') deposits containing titanium ('Ti') and zirconium ('Zr') minerals. The projects will benefit from application of emerging technologies in mineral sand exploration/mining, recovery and separation.

#### BPL is the owner of a large cobalt resource

BPL's 100% owned Thackaringa Cobalt Project consists of four tenements Mining Lease 86 (Pyrite Hill), ML87 (Big Hill), Exploration Licence 6622 (Pine Ridge) and Exploration Licence EL8143 located about 25 kilometres south west of Broken Hill (Figure 1). The tenements cover outcropping cobalt-pyrite deposits (Pyrite Hill, Big Hill, Railway), which could form the basis of a world-class cobalt mine as well as feedstock for substantial chemical industry based on sulphuric acid production.

Since listing on the ASX in February 2011 BPL's technical team has considerably increased the value of BPL's assets. Over this time estimates of contained resources of the Thackaringa Project have more than doubled to 35.7 million tonnes of 1.85 pounds per tonne cobalt (0.084% Co).

#### Chemical business and planning

Broken Hill Chemical Pty Limited ('BCL'), a 100% subsidiary of Broken Hill Prospecting Ltd was formed to plan a sulphuric acid business at Broken Hill. BCL is seeking a partner to fund due diligence, metallurgical review and feasibility studies with the intention to develop a world-class chemical project based on sulphuric acid. BPL's future cobalt-pyrite concentrate could supply a sulphide 'roast' plant for long term sulphuric acid production. Additional value could be added by way of the co-product high-iron cinder (hematite)/cobalt ash as well as from 'zero' carbon electricity produced from heat generated by the pyrite-roast process. Cobalt, a valuable co-product, would be recovered from the residual cinder ash.

#### University research has been considerable

BPL has been fortunate to receive the benefit of several university studies during the year. Two students from the University of NSW completed geology studies on Thackaringa cobalt-pyrite mineralisation. Also, a group study by students from the Australian Graduate School of Management constructed a business model for sulphuric acid produced from BPL's cobalt-pyrite.

### 1. Growth of BPL assets since ASX listing and IPO in February 2011

Since listing on the Australian Securities Exchange ('ASX') in February 2011 BPL's technical team has undertaken several drilling and sampling campaigns and has considerably increased the size of BPL's assets. Estimates of resources have more than doubled to 35.7 million tonnes of 1.85 pounds per tonne cobalt (0.084% Co) and an identified Potential for an additional 37-59 million tonnes of between 0.0775% Co and 0.084% Co has also been added (Table 1). The Potential is conceptual in nature and more drilling is required to further define it. There is no certainty that this will result in a Mineral Resource. A description of the Potential under the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) is provided at the end of this section.

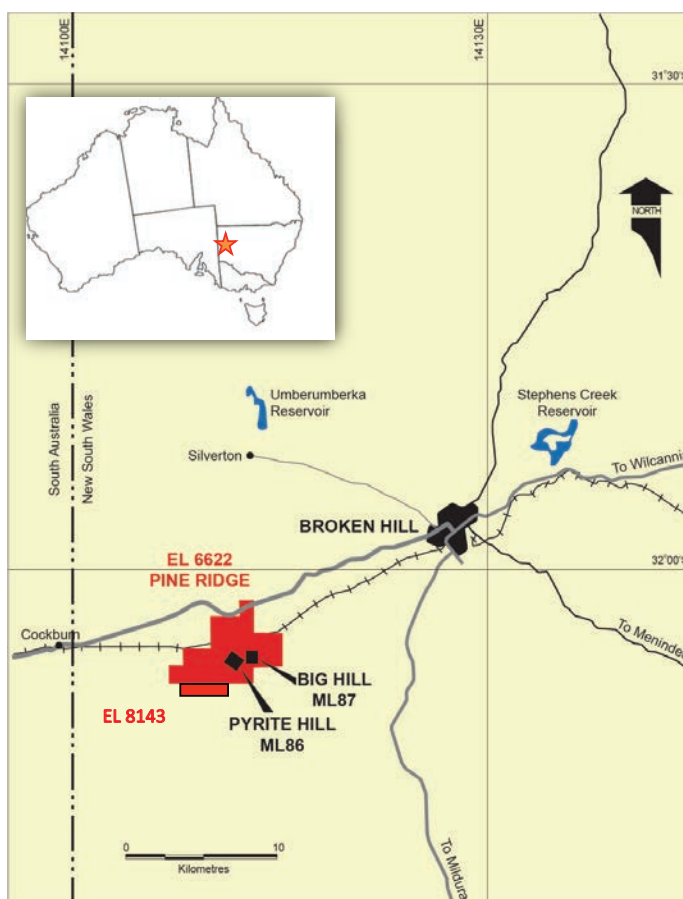


Figure 1. Location of the Thackaringa Cobalt Project.

Mineral Resources*	ASX listing, February 2011	August 2014
Pyrite resource estimate (Inferred Resource)	15 million tonnes (Mt) of 0.085% Co (12,750 tonnes (t) of contained cobalt)	35.7Mt of 0.084% Co (30,000 tonnes contained cobalt)
Potential* pyrite resource estimate (additional to Inferred Resource)	None identified	37 - 59Mt of 0.0775% - 0.084% Co (28,700-45,700t contained cobalt)

Table 1. Mineral resource base of Broken Hill Prospecting Ltd, Thackaringa Cobalt-pyrite Project.

\*Note that the Inferred Mineral Resources were prepared and first disclosed under the JORC Code 2004. They have not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Potential is reported under JORC Code 2012. It is conceptual in nature and more drilling is required to further define it. There is no certainty that additional work will result in an upgrade of Potential to Mineral Resource.

Combined, the Resource and Potential of the Thackaringa Project equate to between 59,000 and 76,000 tonnes of contained cobalt metal (recent market price of US\$32,000 per tonne of cobalt). Clearly, the deposit is shaping to be of world-class size and may represent one of the world's largest undeveloped cobalt resources without nickel or copper bi-product.

The map in Figure 2 shows the location of the three known deposits which have been tested by drilling (Pyrite Hill, Big Hill and Railway). Areas coloured blue contain Inferred Resources and the surrounding black includes areas of Potential mineralisation. Importantly, the red areas in Figure 2 define outcropping pyritic gneiss which has yet to be tested by drilling and which could also contain cobalt mineralisation. These

outcrops have been mapped at surface over considerable distance and where outcrop samples have been analysed they frequently contain anomalous cobalt.

BPL's Thackaringa cobalt-pyrite deposits are well located at surface and beside road and rail and can be mined by simple open cut methods. The pyritic rock can be processed differently from conventional nickel laterite ore (which can contain up to 0.1% Co) in that it can be upgraded to a concentrate by conventional flotation technology. Apart from cobalt (0.4-0.6% Co in concentrate), Thackaringa pyrite concentrate is unlikely to contain significant contents of deleterious metals (e.g. arsenic, lead, fluoride, chloride and mercury).

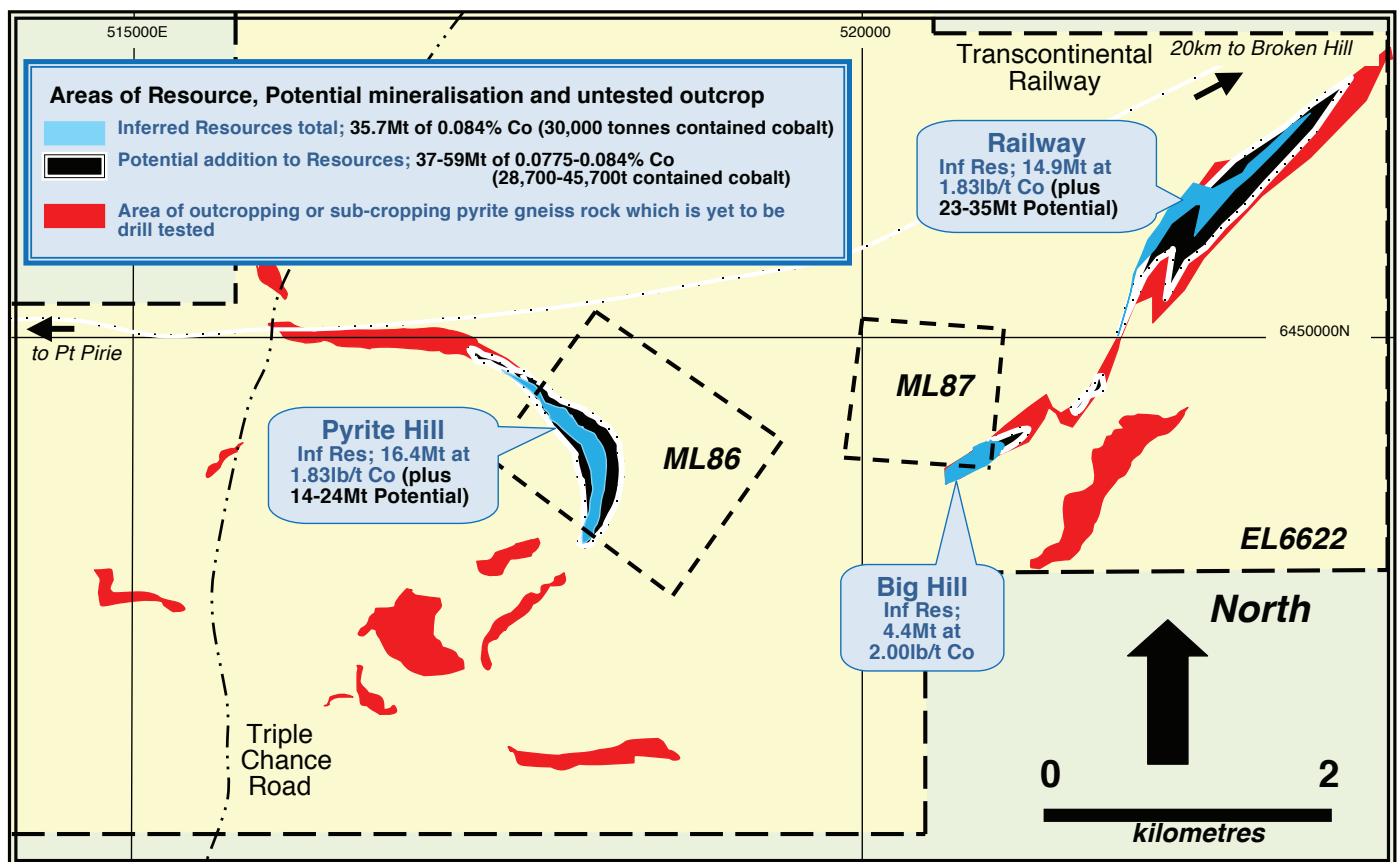


Figure 2. Thackaringa Project. Plan showing the distribution of JORC (2004) Inferred Resources [35.7 Mt of 1.85lb/t Co (0.084% Co)], Potential mineralisation [37-59Mt of between 0.0775% and 0.084% Co] and distribution of outcropping or down-dip pyrite gneiss which has yet to be drill tested. Note that this Potential is conceptual in nature and more drilling is required to further define it. There is no certainty that more drilling will result in up-grade of Potential to Resource or that Resource will be found in areas of pyrite-feldspar-quartz gneiss which have yet to be drill tested.

## 2. Chemical Business and Process Planning

BPL's cobaltiferous pyrite deposits are particularly well suited to acid production as they contain negligible deleterious metals, are very large and are well located for cost effective open-cut development.

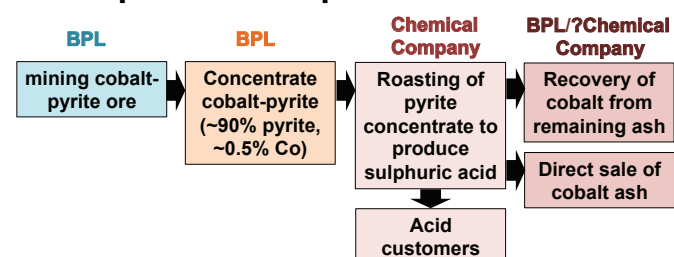
BPL's concept of establishing a sulphuric acid plant in NSW using the Company's pyrite concentrate as a feed source for a sulphide roast plant has attracted considerable interest from several large, international chemical groups.

BPL have established that there is a growing Australian market for sulphuric acid and this is likely to expand as east Australian production declines and acid demand increases to supply developing rare earth metal deposits, phosphate fertiliser resources, nickel, copper, ilmenite and uranium mining and chemical industries. Some of these planned developments may be restricted by risks to sulphuric acid supply, as well as transport and costs associated with off-shore acid and sulphur sourcing, distribution, and storage.

The Company is investigating several process options for future development and the generalised strategy is summarised in Figure 3. Following mining and concentration of the cobalt-pyrite ore a pyrite roast/sulphuric acid facility could be constructed at a favourable location for acid consuming industries. This could be located either at the Thackaringa deposit (or nearby at Broken Hill), NSW mid-west (close to mineral deposits and near a rail head like Dubbo) or in central Northern Territory (for example Tennant Creek) where undeveloped phosphate and rare earth deposits could benefit from local sulphuric acid generation.

The ash/cinder residue from the roasting process will contain high cobalt content and this could be processed to recover cobalt product through a solvent extraction/electro-winning process (SX/EW) either at the deposit or at the location of the pyrite roast plant. Alternatively, the hematite-cobalt cinder could be sold directly to a third party for further processing.

### Conceptual development:



### Options for development:

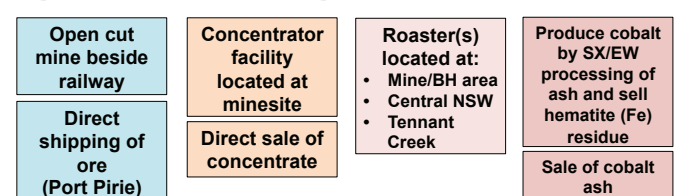


Figure 3. BPL's conceptual development summary for processing cobalt-pyrite ore to produce both sulphuric acid and cobalt. BPL is seeking a partner chemical company to establish the pyrite-roast-sulphuric acid plant.

## 3. University of NSW Research

### Geology Studies

Ricky Li completed a study entitled "Geochemistry of the Sulphide Mineralisation at the Railway Prospect, Broken Hill, Australia" as

partial fulfilment of the requirements for his BSc degree at the School of Biological, Earth and Environmental Sciences (BEES) of the University of NSW. Ricky undertook detail field and laboratory studies on rocks from the Railway Cobalt Prospect and described the petrology and pyrite mineralogy of drill core samples. The study compared the deposit with sediment hosted base-metal sulphide deposits and suggested that cobalt was carried in ore-forming fluids and substituted for iron in the pyrite mineral structure. Sulphur isotope analyses were interpreted by Ricky to imply that sulphur in the pyrite mineralisation was derived from a mixed sedimentary/magmatic source.

Emma Cohen has also completed a BSc study entitled "The Effect of Deep Weathering on Cobaltiferous Pyrite: A Case Study on the Thackaringa Cobalt Deposits, NSW". Emma, also at BEES, focussed her study on cobalt in regolith and gossans with particular emphasis on mobility of cobalt in the weathering processes. Emma's work examined soils and sediments surrounding the deposits and has important implications for BPL's ongoing exploration for secondary, redeposited cobalt mineralisation. A poster paper on the research results from Emma Cohen's research was presented at the Australian Earth Sciences Convention on 9th July 2014.

### Evaluation of future chemical business

In May 2014, a three month team-study entitled "Strategic Evaluation of Sulphuric Acid Production" was completed by Alexia Combet, Tushar Gupta, Aristotle Solomon and Rico Xiong as a part requirement of the MBA graduate course at the Australian Graduate School of Management (AGSM), University of NSW.

The study incorporated details of a 2012 report by GHD Engineering together with new research undertaken by the group. Three location options for producing and selling sulphuric acid were reviewed (Broken Hill, central west NSW and Tennant Creek) and the study concluded that the best economic parameters were for future sulphuric acid production from a Broken Hill facility where new industries to process titanium sand products (ilmenite, leucoxene) could provide a large and long-term (plus 20 years) market for the acid.

The analysis included capital and operating cost estimates for mining, concentration of cobalt-pyrite ore, transport and roasting of cobalt-pyrite concentrate to produce sulphuric acid. No account of value adding of contained cobalt metal was included in the study. Cobalt can be extracted from the ash residue following the pyrite roasting process and further metallurgical studies are required to determine the costs and recovery parameters of this process. In any event, the study assumed that production of between 5,000 - 6,000 tonnes of cobalt metal per year is possible and this would add considerable value to the project. Extraction of cobalt and hematite from ash residue will form the basis of new BPL investigations.

## 4. Ti and Zr projects – New Exploration Licence Applications

BPL has commenced a new exploration project south of Broken Hill with a view to establishing a foothold in the heavy mineral sand ('HMS') industry and to take advantage of emerging technology which is contributing to significant advances in processing and recovery of titanium (Ti) and zirconium (Zr) minerals (ilmenite, leucoxene, rutile, and zircon) from fine-grained, large-tonnage HMS deposits.



## Directors' Report - continued

The Company recently identified five areas south of Broken Hill, which contain twenty known HMS prospects, all of which have been investigated by other mineral explorers including Iluka Resources Ltd (previously Westralian Sands Ltd) and Bemax Resources Ltd (now Cristal Mining). Several of the prospects have been shown to be of considerable size. Broken Hill Minerals Pty Ltd, a wholly owned subsidiary of BPL, lodged applications for the five Exploration Licences ('ELA') (group 10, mineral sands) which have a combined area of 858 square kilometres (Table 2, Figure 4).



Figure 4. Location map of heavy mineral sand

ELA (Group 10, mineral sands)	area		HMS Prospects
	units	km <sup>2</sup>	
Woolcunda ELA5048	59	171	Magic, Majar
Nanya North ELA5049	40	116	Massidon, Strand A, Strand B, Nanya 1, Plain Tank
Springwood ELA5050	32	93	Springwood
Milkengay ELA5051	65	188	N226(N265), N264, 500, Milkengay
Copi ELA5052	100	290	Copi, Bulli, Circus, Wemba, Tarawi, Yabbi and Nulla
Total	296	858	

Table 2. Summary of Group 10 ELA's.

BPL intends to evaluate the new HMS prospects using a variety of recent exploration and development advances, many of which were not available during previous assessments of the ELA areas

by other explorers. The application of sonic drilling techniques to mineral exploration provides effective and total sample recovery in unconsolidated sandy overburden. It does that by retrieving a continuous, undisturbed core sample to reduce waste by up to 80% relative to conventional drilling methods. Sonic drilling can be 2-3 times faster than percussion air core drilling. BPL will consider using sonic drilling to evaluate the HMS targets which the company selects to drill test.

Many of the HMS prospects contain a large proportion of fine-grained heavy mineral sands and silts. Traditional separation and recovery processes for heavy minerals in fine-grained materials can be difficult and costly. BPL will investigate new developments in spiral separators, which have recently focused on the processing of fine mineral particles. Recently designed spiral separators can effectively treat HMS material which has a grain size of <0.1 mm diameter and this is a considerable advance on many operating HMS mines which process much coarser ore.

Alternative mineral separation applications recently developed for fine grained sands include the Allflux process which is based on the fluidised bed principle. Allflux uses a two-step process to eliminate pre-thickening. Fine particles form an autogenous fluidised bed on which lightweight material floats and can be removed.

BPL's entry into heavy mineral sands projects is a timely additional project for the Company. It adds another strategic metal component to BPL's very large cobalt-pyrite resources and BPL's plans to develop a parallel sulphuric acid industry when the cobalt project is progressed.

Titanium and zirconium, like cobalt, are metals of the future. They are used in numerous applications, especially in paints, ceramics, paper and building industries. Supply and demand dynamics of increasing urbanisation and advancing technology are likely to underpin future value growth in these important metals.

## 5. Corporate

### Geoff Hill and Peter Atkinson retirement from the Board

Peter Atkinson retired as a Director of the Company on 15 November 2013. Peter commenced as a Director in July 1999 and worked for some time as an executive and later as a non-executive Director. Peter made substantial contributions towards shaping the Company's projects and listing on the ASX and NZSX in February 2011.

Founding Director Geoffrey (Geoff) Guild Hill stepped down as a Director of the Company and its wholly owned subsidiaries Broken Hill Uranium, and Broken Hill Chemical on 30th June 2014. Geoff was a founding member of the Company which has been exploring the Broken Hill area since 1986. Geoff continues to provide his ongoing support, advice and commitment to BPL and remains a major shareholder in BPL.

### Appointment to the Board

Matthew (Matt) Geoffrey Hill was appointed a BPL Director on 6th June, 2014. Matt is the Chief Executive Officer of New Talisman Gold Mines Ltd, a substantial shareholder of BPL. Matt has a merchant banking background in resources and company listings.

### R&D Tax Incentive

The Research & Development Tax Incentive Schedule for BPL in relation to the year ended 30 June 2013 was calculated with assistance from KPMG. A refundable R&D Tax offset of A\$344,974 was received in December 2013.



### BPL Share Purchase Plan

In April 2014 shareholders of the Company were offered the opportunity to purchase additional shares in BPL through participation in a Share Purchase Plan (SPP). The SPP closed on 6th May 2014 and raised A\$260,000 from 52 subscriptions.

### New website for Broken Hill Chemical Pty Ltd

A new website ([www.brokenhillchemical.com](http://www.brokenhillchemical.com)) to promote new chemical opportunities and sulphuric acid production from future processing of cobalt-pyrite concentrate has been established. Because of recent interest in both future sulphuric acid and cobalt production from Chinese-based groups, the website includes a mandarin translation. BPL's regular website ([www.bhpl.biz](http://www.bhpl.biz)) contains company background and project details as well as information on news and events.

### 6. Liquidity and funding

At the end of the financial year cash held by the Company was A\$278,511 (2013: A\$363,572). The Directors have received commitments from investors to fund planned cobalt metallurgical studies, drill testing and HMS evaluation through share placements. It is anticipated that these placements will take place over coming months.

The Directors will implement further capital raising initiatives in the current financial year in order to progress with the planned activities.

### 7. Environmental and other risks

The Company is subject to environmental regulations in respect of its exploration activities including the Environmental Planning and Assessment Act 1979 (NSW). The Company aims to comply with all relevant environmental legislation.

The Directors are mindful of the regulatory regime in relation to the impact of the Company's activities on the environment and processes are in place to ensure a high standard of environmental care is achieved. To the best of the Director's knowledge, the Company has adequate systems in place to ensure compliance with the requirements of the relevant environmental legislation. The Directors are not aware of any breach of those requirements during the financial year and up to the date of this Report.

The tenements are the main assets of the Company and are subject to regular renewal. Reporting and environmental conditions for these tenements are kept in good standing and the exploration expenditure requirements have also been met. The Company has no reason to believe that the tenements will not be renewed or replaced at the end of current tenure.

### 8. Future

Because the Thackaringa cobalt-pyrite deposits are very large and are of a type that could produce considerable cobalt as well as sulphuric acid without significant heavy metal contaminants, they offer long-term security of supply with a relatively light environmental footprint.

Over the next year BPL will seek investment interest from a wide range of businesses including manufacturers and consumers of cobalt compounds (metal, battery, chemical manufacturers) and industry leaders in the sulphuric acid market.

The Company will also commence assessment of the well located heavy mineral sand deposits south of Broken Hill. Several have only shallow cover and considerable Ti and Zr content. Application of recent technology innovations may enable a timely commercial development of this project.

On behalf of the Board

Yours faithfully,



**Dr Ian Pringle**  
Managing Director



**Matthew Hill,**  
Director

11 September 2014

### Competent Person Statement

Exploration activities and results contained in this letter are based on information compiled by Dr Ian Pringle, a Member of the Australasian Institute of Mining and Metallurgy. Dr Pringle is the Managing Director of Broken Hill Prospecting Ltd and also a Director of Ian J Pringle & Associates Pty Ltd, a consultancy company in minerals exploration. He has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). The Inferred Mineral Resource was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Potential is reported under JORC Code 2012. It is conceptual in nature and more drilling is required to further define it. However, there is no certainty that additional work will result in an upgrade of potential to Mineral Resource. Dr Pringle has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

### Estimate of Potential (Exploration Target)

The estimate of Potential is based on exploration results. H&S Consultants Pty Ltd undertook a Mineral Resource Estimation (JORC 2004) for the Pyrite Hill, Big Hill and Railway cobalt-pyrite deposits with the assay and survey data collected from 66 percussion (RC) and diamond drill holes and both one and two metre sample intervals. The details of these studies are reported in ASX announcements by the Company on 14 November, 2011 and 27 July 2012.

Cross sections were constructed along the strike of the mineralisation and a model was built to define the hanging wall and footwall surfaces. Estimates were completed on blocks within the overall envelope using data from that volume. Composites were created and Inferred Resource estimates were completed using data occurring inside the mineralised envelope. The upper and lower contacts were easily identifiable from cobalt grades with the mineralisation generally corresponding to a sharp transition from low grade intervals to those above 500 ppm cobalt. The average of all composites inside the mineralised volume was 740 ppm cobalt. A specific gravity of 2.80g/cc was used.

After a 75x75x15 metres search size with between 10 and 32 two metre composites was used to estimate Inferred Resources the Potential was estimated on a search size of 150x150x30 metres designed to largely fill the modelled mineralised volume with cobalt estimates. Ordinary kriging based on two different resource estimation software packages was used.

Potential mineralisation lies outside of the Inferred Mineral Resource because of the absence of nearby drilling. By extending the search distance within the 3D mineralisation the model target size is between 37Mt and 59Mt at a grade between 0.077% and 0.084% cobalt. This target is approximate and conceptual in nature and more drilling is required to further define it. There is no certainty that this will result in a Mineral Resource.

The Company proposes to undertake close-spaced drilling of the areas defined as Potential and the planned drill holes will be spaced at about 50 metre centres and drilled to an average depth of approximately 150 metres. This drilling is planned after the Company secures funding or a partner to assist with the work. Metallurgical test-work, mapping and outcrop sampling from throughout the deposits prior to the drilling will assist in locating future drill site locations.

### Cobalt Statistics

- Cobalt price (cobalt metal traded on the London Metal Exchange) ranged between US\$29,000 – US\$32,750 during 2014.
- Mines in central Africa account for about 60% of Co production. Most is from the DR Congo.
- The USA accounts for about 50% of cobalt consumption.
- The USA, Japan, and the European Union have no producing cobalt mines.
- China imported ore from Africa and produces more than 40% of the world's refined cobalt.
- Many lithium-ion batteries contain considerable cobalt and these will be widely used in to power the new generation of electric vehicles (e.g. Tesla, Toyota, BMW).
- Cobalt is used in a wide range of industries (including production of super alloys and hardened metals) where high heat and wear tolerance is required (aircraft, turbines, windmills, military hardware), high-strength magnets, carbides and diamond tools, catalysts (petroleum production), colouring (cobalt blue), adhesive, soaps, driers and food supplements (vitamin B12).

### Sulphuric Acid Information

- In volume terms, sulphuric acid (H<sub>2</sub>SO<sub>4</sub>) has the largest world-wide use of any chemical.
- The production of phosphate fertiliser materials is the major end use for sulphuric acid, accounting for nearly half of world consumption. Other uses include manufacture of plastics, fibers, oil refining, metals and mineral processing.
- Overall, there has been a general increase in demand for sulphuric acid with world consumption increasing by about 58% between 1990 and 2011.
- Future growth in sulphuric acid use is anticipated as increasing populations in developing countries switch to higher nutrition food crops that require soil improvement.
- HIS Chemical (July 2012) predicted that global demand for sulphuric acid would rise at an average annual rate of almost 2.5% over the next five years.
- Global pyrite production was about 6.7Mt (sulphur equivalent) in 2009 and has increased since then. More than 85% is produced and consumed in China.
- Residue from 'roasted' pyrite concentrate may have considerable commercial value. Cinder which is produced as a very high-iron ash residue after pyrite roasting is extensively used in the cement industry.

## Board of Directors

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

Francis Creagh O'Connor	Non-Executive Chairman	Appointed 22 June 2000
Peter Robert Atkinson	Non-Executive Director	Appointed 30 July 1999 Retired 15 November 2013
Geoffrey Guild Hill	Non-Executive Director	Appointed 15 February 1989 Retired 30 June 2014
Ian James Pringle	Managing Director	Appointed 14 April 2011
Matthew Geoffrey Hill	Non-Executive Director*	Appointed 14 March 2012
Robert George Barnes	Non-Executive Director	Appointed 6 July 2012

**Directors' Meetings:** The number of meetings of the Board of Directors and Audit Committee held during the year ended 30 June 2014 and the numbers of meetings attended by each Director were:

	Board of Directors		Audit Committee	
Directors	Eligible to attend	Attended	Eligible to attend	Attended
FC O'Connor	4	4	–	–
PR Atkinson	2	2	–	–
GG Hill	4	4	2	2
IJ Pringle	4	4	–	–
RG Barnes	4	4	2	2
MG Hill *	4	1	–	–
<b>Committee member</b>				
D de Boer	N/A	N/A	2	2

\* Matthew Hill was appointed the alternate Director of Geoff Hill on 14 March 2012 and attended meetings that Geoff was not able to attend. On 6 June 2014 he was appointed Non-Executive Director.

In addition a number of matters were resolved by circular resolution during the period.

**Francis Creagh O'Connor: AM, FAIM, FAICD.** Chairman and Non-Executive Director (Independent). Member of the Remuneration Committee. Term of office 14 years.

Creagh O'Connor was appointed to the Board in 2000 and to the role of Chairman in 2004. He has approximately 40 years senior management experience in providing consulting and advisory services for oil, gas and mineral projects throughout Australia and overseas. He is a leading consultant for Australian construction and development consortiums. He has served as a Director and Chairman on a number of listed and private companies.

**Ian James Pringle: BSc. (Hons), PhD, MAIG MAusIMM MAICD** Managing Director. Term of office 3 years.

Ian Pringle joined BPL as Managing Director in April 2011 after the Company's successful IPO and listing on the ASX and NZX. Ian is an experienced minerals exploration geologist with a successful track record in discovery and development of mineral deposits within Australia, South East Asia and the Pacific.

Ian was recently Managing Director of Geopacific Resources NL, an ASX-listed explorer that is assessing gold and base metal projects in Fiji and Cambodia. Until late 2011 he was also the manager of a Canadian-based company, Silver Standard Australia Pty Ltd which explored the Bowdens Silver Project near Mudgee, NSW and which was sold to Kingsgate Consolidated in mid-2011.

During a six year stint as Exploration Manager at Oxiana Resources Ltd, Ian had a leading role in Oxiana's purchase and subsequent development of the Sepon and Khanong gold and copper mines in Laos. Prior to Oxiana, Ian was Exploration Manager at Golden Shamrock Mines and Cobar Mines Ltd and held positions as Senior Geologist with Nord Resources Ltd (Girilambone copper mine discovery in NSW), CSR Ltd (Lerokis Mine discovery in Indonesia) and Elf Aquitaine where he managed exploration programs in Australia and South East Asia.

Ian has a BSc (hons) in geology and PhD in geology (petrology, geochemistry and mineralogy) from the University of Otago in New Zealand. Ian is currently a director of New Talisman Gold Mines Limited.

**Matthew Geoffrey Hill: MBA, AFSL, FFin, APDT.** Non-Executive Director. Member of the Audit Committee. Term of office 2 years.

Matthew Hill has been the alternate Director of Geoffrey Hill up to 6 June 2014. On that date he was appointed Non-Executive Director. Matthew has over 20 years experience in financial services and investment banking. He is currently Executive Director of publicly listed New Talisman Gold Mines Limited and Managing Director of So Co Limited. Matthew has previous experience with the Private Equity and Capital Markets sectors employed by News Corporation and Softbank's E-ventures, Potter Warburg and Souls Private Equity Limited.



## Board of Directors - continued

**Robert George Barnes: B.A. (Hons geology), MSc., M App. Sc, Grad. Cert. Public Sector Management, MGSA.** Non-Executive Director (Independent). Member of the Audit Committee and the Remuneration Committee. Term of office 2 years.

Robert Barnes has over 40 years experience as a geologist and manager. He has transitioned from his position as Chief Geoscientist – Minerals in the Geological Survey of New South Wales into mineral exploration. He has worked extensively throughout NSW including eight years based in Broken Hill. His work with the geological survey included large scale mineral deposit, mineral system and geological mapping projects covering an extensive range of deposit styles and commodities. He played a pivotal role in regional scale metallogenic mapping projects across NSW and in building geological and mineral deposit databases. He has authored numerous scientific publications on mineral deposits. Robert has worked with State and Commonwealth agencies on regional mineral prospectivity assessments and provided high-level advice to government in relation to mineral exploration administration and policies. He also runs an independent consultancy facilitating mineral exploration and project development.

**Geoffrey Guild Hill: B Ec., MBA, FCPA, ASIA, FAICD.** Non-Executive Director. Member of the Audit Committee and the Remuneration Committee. Retired 30 June 2014

Geoff Hill has been a Director since 1989. He has extensive experience in the identification and implementation of mergers and takeovers and has acted for a wide range of corporate clients in Australia and overseas. Geoff also has extensive experience in giving corporate advice to mining companies. He is a Director of unlisted public companies including International Pacific Capital Limited, So Co Ltd and Texas and Oklahoma Coal Company Limited. He is a director of listed company Metals Finance Limited (MFC). He is a former director of various listed companies including New Talisman Gold Mines Limited (1999-2012), Centrex Metals Limited (2008-2011) and Mount Gibson Iron Limited (2011-2014). Geoff retired from the position of Director on 30 June 2014 but maintains his services to the company as a consultant.

**Peter Robert Atkinson: B Sc., FAusIMM.** Non-Executive Director (Independent). Retired 15 November 2013.

Peter Atkinson has a BSc degree in geology from the University of Western Australia and over 40 years experience in the minerals industry. He is a Director of Prophecy Mining Ltd; a former Director of Northland Minerals Ltd (2006-2014) and Coromandel Gold Ltd (1994-2014), all in New Zealand. He is a former Director of New Talisman Gold Mines Limited (1985-2012) in New Zealand.

Peter has been involved in:

- Managing exploration for a range of minerals, from concept to execution.
- Negotiating joint ventures with local and international mining groups.
- Raising risk capital in Australasia and UK.
- Stock exchange listing of mining companies.
- Membership of government mining advisory bodies.
- Arranging funding of minerals research projects with universities.

### COMPANY SECRETARY and OTHER OFFICERS

**Francesco Girotto: B.Com, CPA.** Company Secretary. Appointed 2 July 2012.

Francesco Girotto is a professional accountant member of CPA Australia. For the last two decades he has been a tax and accounting advisor in medium-small accounting practices in Australia. Previously he was a management accountant and financial consultant in Europe for companies in the primary and entertainment industries.

Francesco has a bachelor degree in Economics and Commerce (Hons) from the University of Rome (Italy) and completed a bridging accounting course in Australia awarded from the University of Technology Sydney. He is also a registered tax agent.

**Donald W de Boer: BA, CA.** Member of the Audit Committee.

Donald de Boer has extensive experience in corporate compliance for both listed and unlisted companies. He has been a chartered accountant for over 30 years.

# Remuneration Report (Unaudited)

The Company is incorporated in New Zealand and is a foreign company in terms of the Australian Corporations Act 2001 so a separate remuneration report is not required. However an abridged report (unaudited) on remuneration of the key management personnel (KMP) of the consolidated entity which follows most of the principles required by the Corporation Act 2001 is included below.

## Remuneration policy

The remuneration policy, which sets the terms and conditions for the key management personnel (KMP), was developed by the remuneration committee and was approved by the Board.

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors and key management of the highest calibre, whilst incurring a cost which is acceptable by the shareholders

The remuneration of the Chairman and Non-Executive Directors is not currently based on Company performance and is paid by fixed sum.

In the 2012 financial year the Company established a long term share-option equity plan (the "Plan") for the purpose of providing a long term equity incentive structure to deliver equity based benefits to the Directors, contractors and employees. The Board strongly believes that this Plan better aligns the rewards of the key management personnel with the interests of the shareholders.

On 29 November 2012 in accordance with shareholders resolution the Company made a contribution to the Plan equivalent to the issue of 9,000,000 unlisted options with exercise price of \$0.20 and expiry date 17 February 2016. The options were granted when the price of the underlying shares was A\$0.092 and as such gives strong incentive to the KMP to align their interest to those of the shareholders.

For the 2014 financial year the key management personnel of the Company consisted only of the Directors of Company.

## Non-Executive Directors' fees

The current maximum aggregate limit for Non-Executive Directors' fees is A\$400,000 per annum. Non-Executive Directors' fees are those as set at the time of the Initial Public Offering (IPO) of shares in the Company. The Board had initially agreed that each non-executive Director be paid a fee of A\$40,000 per annum and the Chairman a fee of A\$50,000. Directors who also chair the Audit Committee are entitled to further Directors' fee of an additional A\$5,000 per annum. There are no guaranteed annual increases in any Director's fees.

To assist with the cash position, the Directors agreed to reduce all of their fees by half as from 1st April 2013.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director on normal commercial terms and conditions no more favourable than those available to other parties, in addition to or instead of the remuneration referred to above.

However, no payment as Director's fee can be made if the effect would be to exceed the maximum aggregate amount payable to non-executive Directors. A non-executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Director's or general meetings of the Company or otherwise in connection with the business of the Company.

## Managing Director's fees

The remuneration of the executive directors and senior executives is determined by the Directors and is set to motivate the executives and to pursue the long term growth and success of the company. The Managing Director does not receive fixed Directors' fees.

## Service agreement – Managing Director

A Service Agreement dated 8 April 2011 has been entered into between the Company and Ian J Pringle & Associates Pty Ltd ("Contractor"), being a company controlled by Dr Pringle. The Agreement commenced on 18 April 2011 for an initial term of 12 months, with an option for the parties to extend the term at the expiry date, unless the service is terminated earlier in accordance with the Agreement. The Agreement has currently been extended to 18 April 2015. The Contractor or the Company may terminate the agreement with 28 days notice. The Service fee is A\$1,000 per day. No termination payments are provided under the contract.

## Details of remuneration

Details of the remuneration of the Directors for the current and prior financial years are set out in note 9 of the financial statements.

In the previous year, in accordance with a shareholders resolution the company made a contribution to the Plan equivalent to the issue of 9,000,000 unlisted options. These options are unlisted, have exercise price of \$0.20 and expiry date 17 February 2016.

No options were granted or exercised during the financial year.

The balances of the options held by the Directors at year end were:

FC O'Connor	1,000,000
PR Atkinson (retired 15 November 2013)	1,000,000
GG Hill (retired 30 June 2014)	1,000,000
RG Barnes	1,000,000
MG Hill	–
IJ Pringle	4,000,000
	8,000,000

No remuneration was paid from the subsidiaries.

## Directors and Officers insurance and indemnity

During the financial year, as provided for under the company's Constitution, the Company paid an insurance premium, insuring the Company's Directors and Officers against liabilities not prohibited from insurance by the *Companies Act 1993*.

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## K.S. Black & Co.

Chartered Accountants

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North Parramatta NSW 1750

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BROKEN HILL PROSPECTING LIMITED

#### Report on the Financial Statements

I have audited the financial statements of Broken Hill Prospecting Limited (the company) and Broken Hill Prospecting Limited and Controlled Entities (the consolidated entity) on pages 15 to 28, which comprise the statement of financial position of the company and controlled entities as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accompanying policies and other explanatory notes.

#### Board of Directors' Responsibility for the Financial Statement

The Board of Directors are responsible for the preparation of financial statement in accordance with generally accepted accounting practice in New Zealand and that gives a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other than in my capacity as auditor, I have no relationship with or interests in Broken Hill Prospecting Limited or any of its controlled entities.

#### Opinion

In my opinion, the financial statements on pages 15 to 28:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of Broken Hill Prospecting Limited and Broken Hill Prospecting Limited and Controlled Entities as at 30 June 2014 and their financial performance and cash flows for the year then ended.



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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BROKEN HILL PROSPECTING LIMITED (CONT'D)

#### Emphasis of Matter

Without modifying my opinion, for the year ended 30 June 2014, the financial statements disclose that the consolidated entity incurred a net loss after tax of \$533,403 (2013: \$803,818) and generated negative cash flows from operating activities for the year of \$273,350 (2013: negative \$776,568).

Note 23 to the financial statements indicate that the directors expect to hold sufficient funds to ensure that financial obligations can continue to be met for longer than 12 months. The directors are working with potential business partners and investors to raise further funds. The validity of the going concern assumption in the longer term is dependent on the success of these initiatives.

My opinion is not qualified in respect of this matter.

#### Report on Other Legal and Regulatory Requirements

I also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to my audit of the financial statement for the year ended 30 June 2014:

- I have obtained all the information and explanations I required; and
- In my opinion, proper accounting records have been kept by Broken Hill Prospecting Limited as far as appears from my examination of those records.



**Faizal Aliaz Ajmat**  
(New Zealand Licensed Auditor No. AUD 246)  
C/- KS Black & Co Chartered Accountants  
Partner  
Sydney, 11 September 2014



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**Chartered  
Accountants**

# BROKEN HILL PROSPECTING LIMITED AND SUBSIDIARIES

## Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2014

	Note	2014 A\$	2013 A\$
<b>Continuing operations</b>			
Revenue	3	351,666	362,644
Administrative and exploration expenses	4	(626,158)	(1,166,462)
Exploration costs written off	6	(258,911)	-
<b>Profit/(loss) for the year before income tax</b>		(533,403)	(803,818)
Income tax expense	2	-	-
<b>Profit/(loss) for the year</b>		(533,403)	(803,818)
<b>Other comprehensive income/(loss)</b>			
Other comprehensive income for the year net of tax		-	-
<b>Total comprehensive income/(loss) attributable to members of the parent entity</b>		(533,403)	(803,818)
<b>Earnings per share</b>			
Basic earnings/(loss) per share from continuing operations	17	(0.64) cents	(0.97) cents
Diluted earnings/(loss) per share from continuing operations	17	(0.41) cents	(0.62) cents

The accompanying notes form part of these financial statements

# BROKEN HILL PROSPECTING LIMITED AND SUBSIDIARIES

## Consolidated Statement of Changes in Equity for the Year Ended 30 June 2014

	Share capital	Option reserve	Retained earnings	Foreign currency translation	Total equity
	A\$	A\$	A\$	A\$	A\$
<b>2014</b>	<b>(note 13)</b>		<b>(note 12)</b>		
Comprehensive income/ (loss)	-	-	(533,403)	-	(533,403)
Share issue	260,000				260,000
Share issuing costs	(16,532)	-	-	-	(16,532)
Movement in equity for the year	243,468	-	(533,403)	-	(289,935)
Equity at beginning of year	5,181,720	133,200	(2,699,626)	(477)	2,614,817
<b>Equity at end of year</b>	<b>5,425,188</b>	<b>133,200</b>	<b>(3,233,029)</b>	<b>(477)</b>	<b>2,324,882</b>
<b>2013</b>					
Comprehensive income/ (loss)	-	-	(803,818)	-	(803,818)
Options issued	-	133,200	-	-	133,200
Movement in equity for the year	-	133,200	(803,818)	-	(670,618)
Equity at beginning of year	5,181,720	-	(1,895,808)	(477)	3,285,435
<b>Equity at end of year</b>	<b>5,181,720</b>	<b>133,200</b>	<b>(2,699,626)</b>	<b>(477)</b>	<b>2,614,817</b>

The accompanying notes form part of these financial statements



# BROKEN HILL PROSPECTING LIMITED AND SUBSIDIARIES

## Consolidated Statement of Financial Position as at 30 June 2014

	Note	2014 A\$	2013 A\$
<b>Equity</b>			
Total equity	12,13	2,324,882	2,614,817
<b>Total equity</b>		2,324,882	2,614,817
Represented by:			
<b>Current assets</b>			
Cash and cash equivalents		278,511	363,572
Receivables and prepayments	10	34,409	38,255
<b>Total current assets</b>		312,920	401,827
<b>Non-current assets</b>			
Property, plant & equipment	5	622	1,046
Intangible assets	6	2,036,907	2,239,489
Security deposits	19	20,000	10,000
<b>Total non-current assets</b>		2,057,529	2,250,535
<b>Total assets</b>		2,370,449	2,652,362
<b>Current liabilities</b>			
Trade and other payables	7	22,257	15,295
Due to related parties	8	23,310	22,250
<b>Total current liabilities</b>		45,567	37,545
<b>Total liabilities</b>		45,567	37,545
<b>Net assets</b>		2,324,882	2,614,817

For and on behalf of the Board



**Dr Ian Pringle**  
Director

Dated 11 September 2014



**Matthew Hill,**  
Director

Dated 11 September 2014

The accompanying notes form part of these financial statements

# BROKEN HILL PROSPECTING LIMITED AND SUBSIDIARIES

## Consolidated Statement of Cash Flows for the Year Ended 30 June 2014

	Note	2014 A\$	2013 A\$
<b>Cash flows from operating activities</b>			
Interest received		6,886	37,961
Research and development tax incentive		344,974	325,813
Payments to suppliers and employees		(625,210)	(1,140,342)
<b>Net cash applied to operating activities</b>	14	(273,350)	(776,568)
<b>Cash flows from investing activities</b>			
Prospecting expenditure		(55,179)	(458,220)
<b>Net cash applied to investing activities</b>		(55,179)	(458,220)
<b>Cash flows from financing activities</b>			
Issue of options		-	133,200
Issue of shares		260,000	-
Share issuing costs		(16,532)	-
<b>Net cash provided from financing activities</b>		243,468	133,200
<b>Net (decrease)/increase in cash and cash equivalents held</b>		(85,061)	(1,101,588)
Cash and cash equivalents at the beginning of the year		363,572	1,465,160
<b>Cash and cash equivalents at the end of the year</b>		278,511	363,572
<b>Cash comprises:</b>			
Cash at bank		278,511	213,572
Short term deposits		-	150,000
		278,511	363,572

The accompanying notes form part of these financial statements

# Notes to and Forming Part of the Financial Statements

## 1. Statement of accounting policies

**Reporting entity:** Broken Hill Prospecting Limited is a company incorporated in New Zealand registered under the Companies Act 1993 and listed on the Australian Securities Exchange (ASX). The Company was also listed on the New Zealand Stock Exchange (NZSX) up to 28 February 2013.

Broken Hill Prospecting Limited is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of Broken Hill Prospecting Limited have been prepared in accordance with the Financial Reporting Act 1993.

The group consists of Broken Hill Prospecting Limited and its subsidiaries. These consolidated financial statements are not materially different from the ones of the parent entity as the subsidiaries had little or no activity. The financial statements of the parent entity are not separately reported.

The Company is engaged in minerals exploration.

The Directors authorise these financial statements for issue on 11 September 2014.

**Statement of compliance:** These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP), the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. They comply with New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for for-profit orientated entities. The financial statements comply with the International Financial Reporting Standards issued by the International Accounting Standards Board.

**Measurement base:** The accounting principles adopted are those recognised as appropriate for the measurement and reporting of financial performance and financial position on the historical cost basis modified by the revaluation of certain assets. The accruals basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

**Reporting currency:** The functional and presentation currency is Australian dollars (A\$).

**Use of estimates and judgements:** The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant assumptions and estimates is provided in the relevant accounting policy or will be provided in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

### Adoption of new and revised standards:

#### *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year, except that the parent and group have adopted the following new and amended New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations since 1 July 2013.

#### *Adoption of Standards, Interpretations and modifications*

The Directors have adopted the following Standards:

- NZ IFRS 10 *Consolidated financial statements*; NZ IFRS 11 *Joint arrangements*; NZ IFRS 13 *Fair value measurement*;
- Amendments to NZ IAS 32 and NZ IFRS 7 *Financial instruments disclosures*, which provide information allowing users to evaluate the effect of netting arrangements on the financial position;
- Amendments to NZ IAS 1 *Presentation of Financial Statement*;
- NZ IFRIC 14 *Prepayments of a Minimum Funding Requirement*.

The adoption of these Standards does not have a material effect on these financial statements.

The Directors have not adopted and are yet to assess the impact of the following new and amended Standards on the group's consolidated financial statements which are effective for periods beginning on or after 1 January 2014:

- Amendments to IFRS 10, IFRS 12 and to IAS 27 *Investment Entities*.

The Directors have not adopted and are yet to assess the impact of the changes resulting from the following new and amended Standard on the group's consolidated financial statements which will be effective for accounting periods beginning on or after 1 January 2015:

- NZ IFRS 9 *Financial Instruments*.

**Standards and interpretations on issue not yet adopted:** The Company has reviewed all other Standards and Interpretations issued by the Financial Reporting Standards Board and does not expect these Standards to have any material impact on the financial Statements of the Company



## Notes to and Forming Part of the Financial Statements – continued

**Specific accounting policies:** The following specific accounting policies which materially affect the measurement of profit and financial position have been applied:

- a. Foreign currencies:** The functional and presentation currency is Australian dollars. Monetary assets and liabilities in foreign currencies are translated into Australian currency at the closing rates of exchange.
- Transactions in foreign currencies are converted into Australian currency at the rate of exchange ruling at the date of receipt or payment.
- All exchange variations are included in the statement of comprehensive income.
- b. Income taxation:** The income tax expense charged to the consolidated statement of comprehensive income includes both the current year's provision and the income tax effect of taxable temporary differences and deductible temporary differences to the extent that it is probable that they will be utilised.
- Income tax benefits and deferred tax assets are recognised only to the extent that it is probable there will be future taxable profit to utilise them.
- c. Financial instruments:** Financial instruments recognised in the consolidated statement of financial position include cash at bank, receivables, payables and borrowings. Receivables and payables are initially recorded at fair value and subsequently amortised using the effective interest method. Borrowings are initially recorded at fair value net of transaction costs and subsequently at amortised cost using the effective interest method. Borrowing costs are recognized as an expense in the period incurred.
- The Company has no off-balance sheet financial instruments.
- A gain or a loss on a financial asset that is measured at amortised cost is recognised in the income statement through the amortization process, when the financial assets is derecognised, impaired or reclassified. Due allowance is made for impaired receivable (doubtful debts). The carrying amount for receivable is not materially different from estimated realisable value.
- d. Prospecting costs:** Acquisition, exploration and development costs of prospects held by the Company at balance date are capitalized as deferred expenditure.
- e. Mining tenements:** Prospecting expenditure and mining tenements are initially recorded at cost. When a tenement is capable of sustaining commercial mining operations, the value or cost will be amortised over the expected productive life of the mine. In the event where exploration demonstrates a permit area is no longer prospective for economically recoverable reserves, the value or cost of the tenement is immediately recognised as an expense in the statement of comprehensive income.
- f. Impairment:** At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If the recoverable amount of an asset is less than its carrying amount, the item is written down to its recoverable amount and the write down recognised as an expense in the statement of comprehensive income. The recoverable amount is the higher of fair value less costs to sell and value to use.
- g. Segment information:** Operating segments are reported if:
- Revenue is 10% or more of combined operating segment revenues; The absolute value of profit or loss is greater than 10% of the combined reported profits or losses of all operating segments, whichever is greater; Assets are 10% or more of combined assets of all operating segments; or Information about the segment would be useful to users of the financial statements.
- h. Share capital:** Ordinary shares and options are classified as equity. Direct costs of issuing shares and options are deducted from the proceeds of the issue.
- i. Property, plant, and equipment:** The Company has one class of property, plant and equipment - office equipment. All property, plant and equipment is initially recorded at cost.
- When an item of property, plant and equipment is disposed of, any gain or loss is recognised in profit or loss and is calculated as the difference between the sale price and the carrying value of the item. Depreciation is provided for on a straight line basis on all plant and equipment at depreciation rates calculated to allocate the assets' cost or valuation less estimated residual value over their estimated useful lives.
- Leased assets are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets.
- Major depreciation periods are:
- |   |         |
|---|---------|
| Leasehold improvements and office equipment | 4 years |
|---|---------|
- j. Cashflows:** For the purpose of the statement of cash flows, cash includes cash on hand and deposits held on term deposit or at call with banks.
- k. Goods and service tax:** All amounts are shown exclusive of Goods and Service Tax (GST), except for receivables and payables that are stated inclusive of GST.
- The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of the receivables or payables balance in the statement of financial position.

## Notes to and Forming Part of the Financial Statements – continued

- l. Leases:** The Company leases certain plant and equipment. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.
- m. Earnings per share:** The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.
- Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shareholders outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprises share options.
- n. Consolidation:** The consolidated financial statements incorporate the financial statements of the Parent Company and all subsidiaries over which the Parent Company has the power to control the financial reporting and operating policies. The purchase method is used to prepare the consolidated financial statements, which involves adding together like terms of assets, liabilities, income and expenses on a line-by-line basis. All significant intercompany transactions are eliminated on consolidation. In the Parent Company's separate financial statements, the investment in subsidiaries is stated at cost less any impairment losses.
- o. Changes in accounting policies:** There have been no other changes in accounting policies other than the adoption of new and revised standards. Other accounting policies have been applied on basis consistent with those used in previous years. The impact of new Standards is not expected to be material.
- p. Restoration and rehabilitation provisions:** Both for close down and restoration and for environmental clean up costs from exploration programs, if any, a provision will be made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

2. Taxation	2014	2013
	A\$	A\$
Accounting profit/(loss) before taxation	(533,403)	(803,818)
Prima facie income tax (benefit) at 30% (2013: 30%)	(160,021)	(241,145)
Add (subtract) tax effect of permanent differences	(169,244)	(156,266)
Tax losses not recognised	(329,265)	(397,411)
Temporary differences not recognised	(17,717)	(133,045)
<b>Income tax expense (benefit) not recognised</b>	<b>(346,982)</b>	<b>(530,456)</b>

Deferred tax and income tax benefits are not recognised unless a future taxable profit is probable.

The Company has established that the business operations and the central management and control are currently in Australia. It follows that in accordance with the dual tax agreement between Australia and New Zealand, the company is treated as a resident of Australia.

The losses accrued in Australia will be available to offset future taxable income of A\$ 4,366,317 (2013: A\$ 3,997,035) only if:

- The Company derives future assessable income of a nature and amount sufficient to offset the losses.
- The Company continues to comply with the conditions for deductibility imposed by the Law; and
- There are no changes in the legislation that would adversely affect the deductibility of the losses.

There were no movements through the Company's imputation credit account during the year. The balance at 30 June 2014 was nil (2013 – nil).

3. Revenue	2014	2013
	A\$	A\$
Interest received	6,692	36,831
Research and development tax incentive	344,974	325,813
<b>Total revenue</b>	<b>351,666</b>	<b>362,644</b>

## Notes to and Forming Part of the Financial Statements – continued

<b>4. Administrative and exploration expenses</b>		<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>A\$</b>	<b>A\$</b>
Auditors' remuneration – auditing the accounts		(20,745)	(14,887)
Management fees	9	(241,250)	(276,500)
Accounting, secretarial, legal		(125,576)	(160,338)
Consulting fees		(38,333)	(49,721)
Forfeited deposits		-	(32,269)
Directors' fees	9	(75,000)	(169,647)
Contribution to employees share plan	11	-	(133,200)
Write-off leasehold improvements		-	(10,315)
Depreciation	5	(424)	(5,582)
Other administrative and exploration expenses		(124,830)	(314,003)
<b>Total administrative and exploration expenses</b>		<b>(626,158)</b>	<b>(1,166,462)</b>

<b>5. Property plant &amp; equipment</b>		<b>2014</b>	<b>2013</b>
		<b>A\$</b>	<b>A\$</b>
<b>Leasehold improvements</b>			
Opening balance		-	15,474
Depreciation		-	(5,158)
Write-off on lease surrender		-	(10,316)
<b>Total leasehold improvements</b>		<b>-</b>	<b>-</b>
<b>Office equipment</b>			
Opening balance		1,046	1,470
Depreciation		(424)	(424)
<b>Total office equipment</b>		<b>622</b>	<b>1,046</b>
<b>Total property plant &amp; equipment</b>		<b>622</b>	<b>1,046</b>

<b>6. Intangible assets</b>		<b>2014</b>	<b>2013</b>
		<b>A\$</b>	<b>A\$</b>
<b>Prospecting costs and mining tenements</b>			
Balance at the beginning of the year		2,239,489	1,791,158
Exploration and evaluation expenses		56,329	448,331
Exploration costs written off		(258,911)	-
Balance at year end		2,036,907	2,239,489

Prospecting expenditure including exploration and evaluation expenditure is recorded as an intangible asset and carried at historic cost less any adjustment for impairment.

The ultimate recovery of the investment in mining tenements is dependent on the establishment of economic operations or the realisation of the entity's economic interest in the relevant mining tenement.

The management has determined that the carrying value of prospecting expenditure is not impaired.

<b>7. Trade and other payables</b>		<b>2014</b>	<b>2013</b>
		<b>A\$</b>	<b>A\$</b>
<b>Current</b>			
Trade payables		1,097	1,056
Other payables and accrued expenses		21,160	14,239
		<b>22,257</b>	<b>15,295</b>

## Notes to and Forming Part of the Financial Statements – continued

### 8. 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.

Transactions with related parties	2014	2013
Directors related entities	A\$	A\$
Amounts paid and payable to entities related to Directors for consulting and other services	4,460	7,940

Identification of related parties	2014		2013	
Including share and option holdings	No. of shares	%	No. of shares	%
So Co Limited	34,371,000	39%	34,371,000	42%
New Talisman Gold Mines Limited	17,929,000	20%	17,929,000	22%
Other Directors and Director related entities	2,667,221	3%	1,495,000	1%
Non-related parties	33,392,439	38%	28,786,900	35%
Total shares on issue	88,359,660	100%	82,581,900	100%
	No. of options		No. of options	
So Co Limited	17,185,000	44%	17,185,000	34%
New Talisman Gold Mines Limited	8,964,000	23%	8,964,000	18%
Other Directors and Director related entities	9,370,000	24%	9,370,000	19%
Non-related parties	3,131,000	8%	14,321,950	29%
Total options on issue	38,650,000	100%	49,840,950	100%

Geoffrey Hill is a Director and shareholder of So Co Limited. Matthew Hill is a Director of So Co Limited and Director and shareholder of New Talisman Gold Mines Limited. Ian Pringle is a Director of New Talisman Gold Mines Limited.

Related parties balances	2014	2013
	A\$	A\$
<b>Amounts due to related parties</b>		
<b>Current liabilities</b>		
Payable to Directors' related entities	23,310	22,250
<b>Total due to related parties</b>	23,310	22,250

No related party debts were written off during the year.



## Notes to and Forming Part of the Financial Statements – continued

### 9. Directors' and employees remuneration

2014	A\$	A\$	A\$	A\$
Directors' fees	Fixed Fees	Contribution Option Plan	Consulting and Management Fees	Total
FC O'Connor	25,000	-	-	25,000
PR Atkinson (retired 15 November 2013)	7,500	-	-	7,500
GG Hill (retired 30 June 2014)	22,500	-	-	22,500
RG Barnes	20,000	-	3,715	23,715
MG Hill	-	-	-	-
	75,000	-	3,715	78,715
<b>Managing Director's remuneration</b>				
IJ Pringle	-	-	241,250	241,250
	75,000	-	244,965	319,965

2013	A\$	A\$	A\$	A\$
Directors' fees	Fixed Fees	Contribution Option Plan	Consulting and Management Fees	Total
FC O'Connor	43,750	14,800	-	58,550
PR Atkinson	35,000	14,800	-	49,800
GG Hill	39,375	14,800	-	54,175
RN Stagg (retired 29 November 2012)	16,522	14,800	-	31,322
RG Barnes (appointed 6 July 2012)	35,000	14,800	15,049	64,849
MG Hill	-	-	-	-
	169,647	74,000	15,049	258,696
<b>Managing Director's remuneration</b>				
IJ Pringle	-	59,200	276,500	335,700
	169,647	133,200	291,549	594,396

**Remuneration of employees:** The number of employees, who are not Directors, whose remuneration and benefits exceeded A\$100,000 during the financial year, was nil (2013: nil).

10. Receivables and prepayments	2014	2013
	A\$	A\$
Interest receivable	-	194
GST refundable	16,664	20,125
Other receivable	51	-
Prepayments	17,694	17,936
	34,409	38,255

All financial assets are within the contracted terms.

## Notes to and Forming Part of the Financial Statements – continued

### 11. Share-based payments

There were no share based payments during the year.

In the previous year in accordance with shareholders resolutions, the Company made a A\$133,200 contribution to a long term equity plan (the Plan) for the purpose of providing a long term equity incentive structure to deliver equity based benefits to the Directors, employees and contractors.

The contribution was used by the Plan to acquire 9,000,000 options in the Company for the same value. The options which are unlisted, are exercisable at 20 cents and have expiry date 17/2/2016.

A summary of the movements of all Company options issued as equity-settled share-based payments and related weighted average exercise price (WAEP) is as follows:

	Number of options 2014	WAEP A\$ 2014	Number of options 2013	WAEP A\$ 2013
Options outstanding as at 1 <sup>st</sup> July	9,900,000	0.20	2,400,000	0.23
Granted	-	-	9,000,000	0.20
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	(1,500,000)	0.24
Options outstanding as at 30 June	9,900,000	0.20	9,900,000	0.20

All outstanding options are vested and exercisable.

The weighted average contractual life of options outstanding at year-end was 1.64 years (2013: 2.51 years). The exercise price for the options outstanding at the year end was A\$0.20 (2013: A\$0.20). Share based payments that were included in the statement of comprehensive income were nil (2013: A\$133,200).

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

12. Retained earnings/(carried forward losses)	2014 A\$	2013 A\$
Balance at the beginning of the year	(2,699,626)	(1,895,808)
Profit/(loss) for the year	(533,403)	(803,818)
Balance at the end of the year	(3,233,029)	(2,699,626)

## Notes to and Forming Part of the Financial Statements – continued

<b>13. Share capital</b>	<b>2014</b>	<b>2013</b>
	<b>A\$</b>	<b>A\$</b>
88,359,660 Ordinary shares – (2013: 82,581,900)	5,425,188	5,181,720

<b>Movement in share capital</b>	<b>No. of shares</b>	<b>A\$</b>
Share capital at 30 June 2012	82,581,900	5,181,720
Movements during the year ended 30 June 2013	-	-
Share capital at 30 June 2013	82,581,900	5,181,720
Movements during the year ended 30 June 2014		
13/5/2014 share issue	5,777,760	260,000
Share issue cost	-	(16,532)
Share capital at 30 June 2014	88,359,660	5,425,188

<b>Movement in options</b>	<b>No. of options</b>	<b>A\$</b>
Options at 30 June 2012	42,340,950	-
29/11/2012 options issued (expire 17/2/2016, ex. price 20c)	9,000,000	133,200
17/2/2013 options expired (exercise price 24c)	(1,500,000)	-
Options at 30 June 2013	49,840,950	133,200
17/2/2014 options expired	(11,190,950)	-
Options at 30 June 2014	38,650,000	133,200

The Company's capital is managed with the objective of maintaining adequate working capital so that all obligations can be met on time. All components of equity are regarded as "capital". All internal capital management objectives have been met.

All shares have equal voting rights and will share equally in dividends and surplus on winding up. Ordinary shares have no par value and are fully paid up. All authorised shares have been issued.

<b>14. Reconciliation of operating cash flow &amp; net income</b>	<b>2014</b>	<b>2013</b>
	<b>A\$</b>	<b>A\$</b>
Net income / (loss)	(533,403)	(803,818)
Add non-cash items:		
Depreciation	424	5,582
Write off of leasehold improvements	-	10,315
Exploration costs written off	258,911	-
Add (less) movement in working capital:		
Increase (decrease) in payables and accruals	6,872	(73,278)
Decrease (increase) in security deposits	(10,000)	32,269
Decrease (increase) in debtors	(51)	-
Decrease (increase) in prepayments	242	5,686
Decrease (increase) in accrued income	194	1,130
Decrease (increase) in GST receivable	3,461	45,546
Net cash flows from operating activities	(273,350)	(776,568)

### 15. Financial instruments:

**Credit Risk:** Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and receivables. Maximum exposure to credit risk at balance date is represented by the carrying value of the financial instruments. No collateral is held on these assets and none are considered overdue or impaired. All bank deposits were held with an authorised bank in Australia with at least an A credit rating and represented 100% of cash. Receivables include GST refundable of A\$16,664 (2013: A\$20,124) and interest receivable nil (2013: A\$194). Other than cash with one bank, the company has no other concentration of credit risk.

## Notes to and Forming Part of the Financial Statements – continued

**Currency Risk:** The Company has no direct exposure to foreign currency exchange risk as transactions from normal trading activities are mainly denominated in Australian currencies. The company only holds funds in Australian currency bank accounts.

**Liquidity Risk:** Management supervises liquidity by budgeting and by carefully controlling cash outflows from existing cash resources. The group relies on new equity to fund exploration expenditure.

**Interest Rate Risk:** The Company currently has little exposure to interest rate given the size of the cash balances. There is no bank borrowing. Over the long term, changes in interest rates and increased amounts on deposit will affect profit or loss.

**Fair Values:** Estimated fair values of financial instruments are considered to be the same as carrying values.

### 16. Segment information:

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

17. Earnings per share	2014	2013
Profit/(loss) from continuing operations	A\$(533,403)	A\$(803,818)
Weighted average number of shares on issue	83,341,715	82,581,900
Basic earnings/(loss) per shares	(0.64) cents	(0.97) cents
Diluted average shares on issue	129,104,867	129,480,384
Diluted earnings/(loss) per share	(0.41) cents	(0.62) cents

Earnings/(loss) per share is based on the average weighted number of ordinary shares on issue during the year and on the operating deficit after tax attributable to shareholders. Movement in the number of shares on issue is shown in Note 13.

### 18. Commitments

#### Expenditure requirements for tenements

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

	2014 A\$	2013 A\$
Not later than 1 year	216,000	158,548
Later than 1 year but not later than 5 years	361,737	652,192
Later than 5 years	-	-
	577,737	810,740

### 19. Security deposits

	2014 A\$	2013 A\$
Security deposits for tenements	20,000	10,000
	20,000	10,000

### 20. Joint Ventures

Broken Hill Prospecting is associated in an unincorporated joint venture for the purpose of identifying, investigating and developing if warranted ore or waste processing operations in the Broken Hill region. Equity in the joint venture is: Broken Hill Prospecting Limited 40%, Metals Finance Limited 40%, Eaglehawk Geological Consulting Pty Ltd 20%. To date no amount has been invested in this venture and only some initial work of preliminary nature was undertaken.

### 21. Interests in subsidiaries

Name of Entity	Equity held		Country of Incorporation
	2014	2013	
Broken Hill Uranium Pty Ltd	100%	100%	Australia
Broken Hill Chemical Pty Ltd	100%	100%	Australia
Broken Hill Minerals Pty Ltd	100%	-	Australia



## Notes to and Forming Part of the Financial Statements – continued

### **22. Contingencies:**

There were no contingent liabilities at balance date (2013 - nil).

### **23. Going Concern:**

The financial report has been prepared on a going concern basis. The Directors expect to hold sufficient funds to ensure that financial obligations can continue to be met for longer than 12 months. The Directors are working with potential business partners and investors to raise further funds. The validity of the going concern assumption is dependent on the success of these initiatives.

### **24. Judgement and estimation uncertainty:**

The preparation of financial statements of necessity involves judgement and estimation. The effect of judgement is greatest in the assessment of impairment to capitalised exploration expenditure. The Directors have reviewed facts and circumstances surrounding the capitalised exploration expenditure and have concluded that these assets are not impaired.

**25. Post balance date events:** There have been no significant events since balance date.

# Broken Hill Prospecting Limited

## Directors' Statement

The Directors of the Company declare that:

1. The financial statements and notes, as set out in the financial statements to 30 June 2014
  - a. Comply with New Zealand International Financial Reporting Standards (IFRS), and
  - b. Give a true and fair view of the economic entity's financial position as at 30 June 2014 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

For and on behalf of the Board



**Dr Ian Pringle**  
Director

11 September 2014



**Matthew Hill,**  
Director

# Broken Hill Prospecting Limited

## Additional Information

### Directors' Information

The following general disclosures of interests were received in relation to the year ended 30 June 2014:

Director	Relevant Interest in Ordinary Shares		Relevant Interest in Unlisted Options	
GG Hill *	34,371,000	(as a Director and Shareholder of So Co Limited).	17,185,500	(as a Director and Shareholder of So Co Limited)
	2,662,221	(other relevant interests)	1,250,000	(other relevant interests)
	37,033,221		18,435,500	
IJ Pringle	Nil		4,000,000	
PR Atkinson *	Nil		1,000,000	
FC O'Connor	Nil		1,000,000	
RG Barnes	Nil		1,000,000	
MG Hill	5,000		Nil	

### Directors Disclosure of Interests

The following general disclosures of interests were received in relation to the year ended 30 June 2014:

Director	Entity	Status
GG Hill *	So Co Limited	Director & Shareholder
	International Pacific Capital Limited	Director
	Frank Dowling Pty Ltd	Director
	Mining Investments (Services) Ltd	Director
	Nimpod Pty Ltd	Director
	Top Sail Limited	Director
	International Pacific Securities Ltd (Hong Kong)	Director & Shareholder
	International Pacific Securities Ltd	Director & Shareholder
	IPS Nominees Limited	Director & Shareholder
	HFT Nominees Pty Ltd	Director & beneficiary of a trust for which it is trustee.
	Hill Family Group Pty Ltd	Beneficiary of a trust for which it is trustee
	Debt Management Corporation Ltd	Director & Shareholder
	REG Investments Pty Ltd	Director
MG Hill	New Talisman Gold Mines Limited	Director
	So Co Limited	Director
	International Pacific Capital Limited	Director
	Hill Family Group Pty Ltd	Director & beneficiary of a trust for which it is trustee.
IJ Pringle	New Talisman Gold Mines Limited	Director

\* Note: GG Hill retired on 30 June 2014, PR Atkinson retired on 15 November 2013.

## Additional Information – continued

### Shareholder Information as at 19 August 2014 Substantial Shareholders

Name	No. of Ordinary shares	% of Ordinary Shares	No. of Unquoted options	% of all Options on issue
So Co Limited	34,371,000	38.90%	17,185,500	44.46%
New Talisman Gold Mines Limited	17,929,000	20.29%	8,964,500	23.19%

### Top 20 Largest Shareholders

Name	No. Ordinary Shares	% Ordinary Shares
So Co Limited	34,371,000	38.90%
New Talisman Gold Mines Limited	17,929,000	20.29%
Shan Holdings Ltd	1,260,000	1.43%
Alcardo Investments Limited	1,255,000	1.42%
HSBC Custody Nominees (Australia) Ltd <Euroclear Bank>	1,250,000	1.41%
Mr AJ Tapp & Ms M Polymeneas <Super A/C>	1,131,139	1.28%
Mr Ianaki Semerdziev	1,032,101	1.17%
Mr George MJ Atkinson	900,000	1.02%
Leet Investments Pty Limited	791,000	0.90%
Acemac Pty Ltd <Mac Super A/C>	772,236	0.87%
HFT Nominees Pty Ltd	750,000	0.85%
Chelaise Pty Ltd <The Honeybunch A/C>	720,000	0.81%
Steed Signs Pty Ltd <Chance Buchannan A/C>	603,333	0.68%
Belanna Pty Ltd	593,333	0.67%
Como Investments Pty Ltd	521,091	0.59%
Co-ordinated Holdings Pty Limited	500,000	0.57%
Dojomac Management Pty Ltd <Family a/c>	500,000	0.57%
Dojomac Management Pty Ltd <The Dojomac Family a/c>	500,000	0.57%
Mr David I McCall	500,000	0.57%
Sofew Assets Pty Ltd <Sofew Pastoral A/C>	500,000	0.61%
<b>Totals</b>	<b>66,379,233</b>	<b>75.12%</b>

**Voting Rights:** Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hand.

### Distribution of Equity Securities

Size of Holding	Ordinary shares	Options exercisable @ 20c expiring 17/2/2016 (Unquoted)
1 – 1000	5	-
1,001 – 5,000	30	-
5,001 – 10,000	202	-
10,001 to 100,000	222	10
100,001 and over	73	15
<b>TOTAL</b>	<b>532</b>	<b>25</b>
<b>Number of securities</b>	<b>88,359,660</b>	<b>38,650,000</b>

The number of holders of ordinary shares that held unmarketable parcels was 238.



## Additional Information – continued

### Holders of Unquoted Options as at 19 August 2014

Holders of more than 20% of options and number of options held are: So Co Limited 17,185,500, New Talisman Gold Mines Limited 8,464,500, Trinity Management Pty Ltd 9,000,000.

### Additional ASX Disclosure Requirements

1. The Company is incorporated in New Zealand.
2. The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act (Australia) dealing with the acquisition of shares (i.e. substantial holdings and takeovers).
3. Limitations on the acquisition of securities imposed by the jurisdiction in which it is incorporated or registered: The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% or more of the voting rights of the Company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of the shares of the Company.

# Broken Hill Prospecting Limited

## Corporate Governance Statement

In accordance with ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* ("ASX Recommendations"), Broken Hill Prospecting Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance.

The board and management of the Company are committed to ensuring that the Company adheres to best practice governance principles. However given the current size of both the Company's operations and the board of directors, it is not appropriate, cost effective or practical to comply fully with those principles and recommendations.

The main corporate governance charters, policies and procedures are available on the Company website ([www.bhpl.biz](http://www.bhpl.biz)). The ASX Recommendations are available on the ASX website ([www.ASX.com.au](http://www.ASX.com.au)).

The board reviews its corporate governance practice at least annually to ensure that it continues to be appropriate for the Company.

This statement provides details of the Company's adoption of the best practice principles and recommendations. Where applicable, the recommendations that have not been followed during the financial year, have been identified and reason given for the departure.

### 1. Lay solid foundations for management and oversight.

The board has adopted a written charter, Board Charter and the Role of Management, to provide a framework for the effective operation of the board. The board oversees the business and affairs of the Company, establishes the strategies and financial objectives to be implemented and monitors standards of performance.

The managing director is responsible to the board for the overall management and performance of the Company. The managing director sets the strategy, plans, practices and policies that are then approved by the board to achieve agreed objectives.

At present there are 4 directors on the board. Three of them are non-executive (including the chairman FC O'Connor) and one is a managing director (Dr I Pringle).

A performance evaluation for the Managing Director was conducted in June 2014 in accordance with the Company's documented process. There are no other senior executives

### 2. Structure the board to add value.

The Company requires its board of directors to be experienced, knowledgeable and competent in the areas of mining, mining exploration, management and financial matters. The board possesses complementary skills with each board member being proficient in one or more aspects of the Company's business requirements.

The skills, experience, expertise and period of office of directors are detailed in the Board of Directors section of this Annual Report.

**Independent decision making:** There are currently 2 independent directors (FC O'Connor and R Barnes). Each director's independent status is regularly assessed by the board. The directors consider that the board is of a suitable structure to govern the Company's affairs in a manner that is in the best interests of shareholders. The Company has not complied with ASX Recommendation 2.1 since 15 November 2013 as there is no majority of independent directors. The size of the board and the mix of skills required for the company's projects places a constraint on the level of diversification the board is able to achieve.

An independent director is a non-executive director (i.e. - is not a member of management) and:

- is not a substantial shareholder of the Company (holds less than 5%), or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- is not and has not in the last 3 years been an executive of the Company, a principal of a material professional adviser, a material consultant, associated with a material supplier or a customer of the Company.
- is free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the directors ability to act in the best interests of the Company.

Individual directors may, in appropriate circumstances engage independent professional advisers at the Company's expense; subject to prior approval of the board, which will not be unreasonably withheld.

**Chairman:** The chairman, FC O'Connor is an independent, non-executive director.

**Nomination committee:** the full board currently decides on nominations and appointments. The company has a *Director Selection, Appointment & Re-Appointment Policy & Procedure* which includes issues that would otherwise be considered by a nomination committee. The Company does not comply with ASX Recommendation 2.4 as it has not yet established a separate nomination committee. The board considers that the Company and the board are currently not of sufficient size to warrant the establishment of a separate nomination committee.

**Board evaluation:** During the period a performance evaluation for the board, its committees and directors took place. A questionnaire was distributed by the Chairman, which was completed by each director and addressed their own performance, board performance, Committee performance and the performance of the Chairman. The evaluations comprised a formal review, whereby each director completed a board evaluation table relating to the effectiveness of the board which was submitted to the Chairman for review and discussion with board members. The Chairman was also provided with director attendance records for board and where applicable committee meetings. The Chairman then, after an individual discussion with each member, presented his findings at the board meeting on 30 August 2013, including any areas requiring change or improvement.

## Corporate Governance Statement – continued

The Company has a *Board Charter and the Role of Management* policy which sets out the roles of the board, the managing director, individual directors, management and the Company secretary.

### 3. Promote ethical and responsible decision making.

**Code of Conduct:** The Company has a *Code of Conduct*. It is the Company's objective to appropriately balance, protect and enhance the interests of its key stakeholders. Proper behaviour by the Company's directors, officers, employees and those the Company contracts to do work for it, is essential in achieving this objective.

**Trading in Company securities:** The Company has a *Share Trading Policy*.

**Diversity Policy:** The Company has a *Diversity Policy*. The Company is committed to providing an environment where all employees, potential employees and others in the workplace are treated fairly and all decisions are based on merit.

Measureable objectives for achieving gender diversity – current year:

- The short listing for potential candidates to include at least one female
- Promoting a culture that takes into account domestic responsibilities
- Including women in activities that allow them to develop skills and experience for more senior roles.

Progress toward achieving objectives:

- Female consultants form part of the organisation and due to the size of the business work closely with directors and the Company secretary, enabling them to develop skills and experience for more senior roles

Measurable objectives to be considered in future:

- Involve women in more senior roles within the organisation i.e. senior executive and board positions.

Gender Diversity Information

Component	Total	Female Component	% Female Component
Non Executive Directors	3	0	0%
Managing Director	1	0	0%
Company Secretary	1	0	0%
Consultants	5	1	20%
<b>Total Organisation</b>	<b>10</b>	<b>1</b>	<b>10%</b>

Given the current size, nature and exploration stage of the Company; the Company considers the current gender mix to be acceptable.

### 4. Safeguard integrity in financial reporting.

**Audit Committee:** The Company has an *Audit and Risk Management Charter*. The Company's audit and risk management committee (audit committee) comprises M Hill (Chairman) (replacing G Hill), R Barnes and D de Boer (chartered accountant and former company secretary) as members. The skills, experience, expertise and attendance to meetings of members are detailed in the *Board of Directors* section of this Annual Report.

The audit committee met twice during the period. Otherwise matters were attended to by informal meetings and circular resolution.

The Company does not comply with ASX Recommendation 4.2 as the chairman of the committee is not independent. In addition D de Boer is not a director of the Company. Given the current size and the relative modest complexity of the financial affairs of the Company, the board considers the audit committee to be comprised of the most appropriate mix of skills and expertise in order to carry out the function of the audit committee.

**External auditor rotation;** The *Audit and Risk Management Charter* requires the rotation of auditor/audit partner every 5 years. The Company changed its auditor in November 2012. At this stage there is no specific requirement to consider auditor rotation.

#### External auditor selection and appointment:

For the appointment of a new external auditor: The audit committee instigate a tender process whereby written proposals are sought from various auditors. The committee then reviews proposals and makes recommendations to the board. The Shareholders at the AGM approve the appointment of the auditor.

### 5. Make timely and balanced disclosure.

The Company has a *Continuous Disclosure Policy*.

### 6. Respect the rights of shareholders.

The Company has a *Communication with Shareholders Policy*.

### 7. Recognise and manage risk.

The Company has a *Risk Management Policy* and an *Audit and Risk Management Charter*.

The Company has identified its material business risks including:

- Exploration risk
- Funding
- Permits & government regulation
- Environmental regulations
- Occupational health and safety
- Commodity risk
- Economic outlook – including market demand and prices

To this end, comprehensive practices, as are practical, are in place that are directed towards:

- Effective and efficient use of the Company's resources
- Compliance with applicable laws and regulations
- Preparation of reliable published financial and exploration information.

**Internal audit function:** Due to the size and nature of the Company at present there is no separate internal audit function. The Managing Director has been delegated the task of implementing internal controls to identify and manage risk for which the board provide oversight. The effectiveness of these controls is monitored and reviewed regularly.

The Managing Director has provided a report to the board as to the effectiveness of BPLs management and its material business risks.

**Financial Statements: Assurances to the Board:** The chief executive officer (or equivalent) and the chief financial officer (or equivalent) have provided a declaration in accordance with section 295A of the Corporations Act (Australia) assuring the board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

### 8. Remunerate fairly and responsibly.

The Company has a *Remuneration Committee Charter*.

The Company has established a remuneration committee, which is charged with making recommendations as to all aspects of executive and non-executive director, management and committee remuneration packages. The committee comprises 2 non-executive directors: R Barnes (Chairman) and C O'Connor (replacing G Hill on 30 June 2014). There were no meetings held during the period.

The Company does not comply with ASX Recommendation 8.2 as the remuneration committee only has 2 members and only one independent. The board considers the remuneration committee to be comprised of the most appropriate mix of skills and expertise in order to carry out the function of the remuneration committee. Ultimate responsibility for remuneration policy rests with the full board.

Shareholders approve the maximum aggregate annual remuneration payable to non-executive directors.

There are no termination or retirement benefits for executive or non-executive directors.

There is currently no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments.







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