

QUARTERLY REPORT

JUNE 2016

29 JULY 2016

BROKEN HILL PROSPECTING LTD (ASX: BPL)

An Australian Exploration company
focussed on the **discovery & development**
of **strategic technology mineral resources**

Commodity Exposure

Cobalt
Heavy Mineral Sands

Directors & Management

Creagh O'Connor	Non-Executive Chairman
Geoff Hill	Non-Executive Director
Matt Hill	Non-Executive Director
Denis Geldard	Non-Executive Director
Trangie Johnston	Chief Executive Officer
Donald de Boer	Company Secretary

Capital Structure

Ordinary Shares on Issue (21/6/16)	136M
Options: Listed	53M
Market Cap (undiluted at 10.5cps)	\$14M



Broken Hill Prospecting Ltd

ARBN 003 453 503

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HIGHLIGHTS

Projects

Thackaringa Cobalt | Broken Hill, NSW

- + Strong domestic & international investor interest in strategic technology metals; responsive to significant growth in demand across the Lithium-ion battery market
- + Recent cobalt price increase based on quality/ethical supply issues
- + Confirmed exploration potential with advanced planning for resource infill & expansion drilling and metallurgical test work programs

Heavy Mineral Sands | Murray Basin, NSW

- + Updated Copi North Mineral Resource Estimate:
 - o **14.2Mt at 6.6%** total heavy mineral (THM), 2.8% slimes & 2% oversize comprising 54.4% ilmenite, 10.8% rutile, 11.3% zircon and 10% leucoxene
- + Copi North Pre-feasibility study commenced
- + Environmental monitoring ongoing (6 months to date)
- + Relentless Resources (RRL) provide final \$0.5m payment to earn 50% interest in HMS Projects (Copi North, Magic & Sunshine)

Corporate

- + BPL appoints new Chief Executive Officer, Mr Trangie Johnston
- + Private placement raises A\$992,000 with high demand for exposure to BPL's cobalt assets
- + Share Purchase Plan to close 12 August 2016 for eligible shareholders

THACKARINGA COBALT – PYRITE PROJECT, BROKEN HILL, NSW

The global battery market is experiencing significant growth for service storage solutions for renewable energy generation and electric vehicles, led by large corporations including Tesla and Panasonic.

“With a planned production rate of 500,000 cars per year in the latter half of this decade, Tesla alone will require today’s entire worldwide production of lithium ion batteries” – Tesla Motors

Cobalt is a major component of Lithium-ion batteries, so demand is also expected to increase while supply remains uncertain. Some 94% of the world’s cobalt is produced as a by-product of copper and nickel mining. More so, pending an election in the latter half of 2016, the world’s largest supplier of cobalt (60%), the Democratic Republic of Congo, may be subject to increased political and economic turbulence with the potential to disrupt commodity exports.

Given this uncertain market future, BPL’s 100% owned Thackaringa Cobalt Project offers a rare potential future source of cobalt. Favourably located proximal to existing rail and road infrastructure and just 25km southwest of Broken Hill, the project comprises a large mineralised system of potentially world class scale.

Currently hosting a global Inferred Mineral Resource estimate of **35.7Mt at 841ppm cobalt¹**, BPL has identified significant opportunity to increase the shallow resource base through extensional and infill drilling.

Planning and regulatory approvals are underway for a proposed drilling program designed to:

- + obtain drill core for metallurgical test work
- + test potential extensions of the Pyrite Hill and Railway deposits with a combined conceptual exploration target of **37-59Mt at 600-900ppm cobalt²**

¹ The Inferred Resource estimates are as released under JORC 2004, comprising the following:

Railway Deposit | 14.9Mt at 1.83lb/t (831ppm) (at a 500ppm Co cut-off and as released 27 July 2012 under JORC 2004) **Pyrite Hill Deposit** | 16.4Mt at 1.83lb/t (830ppm) (at a 500ppm Co cut-off and as released 14 November 2011 under JORC 2004) **Big Hill Deposit** | 4.4Mt at 2.00lb/t (910ppm) (at a 500ppm Co cut-off and as released 12 November 2010 under JORC 2004). These Mineral Resource estimates have not yet been updated to comply with JORC2012 on the basis that the information has not materially changed since it was last reported.

² See inline text. The global conceptual exploration target of 37-59Mt at 600-900ppm cobalt is as released on 27 July 2012 under JORC 2004 and comprises the following:

Railway Deposit Conceptual Exploration Target | 23Mt - 35Mt at 600ppm - 900ppm Co (as released 27 July 2012) **Pyrite Hill Deposit Conceptual Exploration Target** | 14Mt - 24Mt at 700ppm - 900ppm Co (as released 14 November 2011).

²The global Thackaringa exploration target is as released on 27 July 2012 under JORC 2004. The potential quantity and grade of these targets is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in determination of a Mineral Resource.

+ infill existing resources for improved classification pending an updated Mineral Resource estimate

The Thackaringa deposits remain under-explored, with detailed geological mapping delineating over 10km of mineralised outcrop of which approximately 75% remains untested. Beyond potential strike extensions, mineralisation remains open at depth with future exploration to test below 250 metres.

HEAVY MINERAL SANDS PROJECTS, MURRAY BASIN, NSW

Copi North Resource Upgrade

A successful drilling program undertaken in early 2016 has supported a major resource upgrade for the Copi North Heavy Mineral Sand (HMS) deposit. The high-grade, strandline-type deposit now extends over 16km.

With drilling extending the high grade mineralisation approximately 2.6km to the northwest, the new mineral resource estimate increased total resource tonnes by 22%, while maintaining heavy mineral grade at 6.6%. Increased geological confidence and data density also improved resource classification with 77% now classified as Indicated.

The combined Indicated & Inferred Copi North Mineral Resource estimate comprises **14.2Mt at 6.6% total heavy mineral (THM), 2.8% slimes & 2% oversize (at a 2.5% THM cut-off)**³ with a heavy mineral assemblage of **54.4% ilmenite, 10.8% rutile, 11.3% zircon, 1% monazite and 10% leucoxene.**

Table 1. The Copi North Mineral Resource estimate and total heavy mineral assemblage as released 27 May 2016 at a 2.5% THM cut-off.

Resource Status	Tonnes (millions)	THM (%)	Average Density (g/cm ³)	Slimes <53um (%)	Oversize >1mm (%)
Inferred	3.2	6.8	1.83	2.8	1.6
Indicated	11.0	6.3	1.82	2.7	2.4
Total	14.2	6.6	1.83	2.8	2.0

³ The Indicated and Inferred Resource estimates are as released 27 May 2016 under JORC2012. Refer to Table 1 for a complete summary of resource categorisation.

Tonnes (millions)	THM (%)	Ilmenite (%)	Rutile (%)	Zircon (%)	Monazite (%)	Leucoxene (%)	Other HM (%)
14.2	6.6	54.4	10.8	11.3	1.0	10.0	12.6

BPL's Chief Executive Officer, Mr Trangie Johnston commented;

“The Copi North deposit is geographically well located with excellent grade continuity close to surface. These characteristics should support a cost effective, low capex mobile mining operation returning value for our shareholders”

The Copi North deposit remains open to the northwest and intermittently outcrops over an additional 2km strike. A conceptual exploration target comprising **0.5-1Mt at 2-5% THM, 3-6% slimes and 4-8% oversize**⁴ has been derived through analysis of historical and recent drilling.

⁴The Copi North exploration target is as released 27 May 2016 under JORC2012. The potential quantity and grade of this target is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in determination of a Mineral Resource.

Pre-feasibility Study

Encouraged by the upgraded Mineral Resource estimate, a pre-feasibility study has commenced on the Copi North deposit. Initial work programs are focused on metallurgical and marketing studies, in combination with environmental monitoring (ongoing for 6 months) and project approvals.

BPL's strategy for the Murray Basin is for continued resource growth focused on the establishment of a sustainable pipeline of high grade, low tonnage deposits amendable to processing through mobile plant equipment capable of being deployed across the broader project area.

BPL's joint venture partner, Relentless Resources Limited (RRL) provided the final \$0.5M payment to earn a 50% interest in three HMS tenements (Figure 1). RRL has contributed a total of \$2M since early 2015.

To date, the JV has defined two shallow high-grade resources at Copi North (**released 27 May 2016**) and Magic deposits (**released 10 September 2015**). Both resources are open along strike in both directions.

BPL is continuing to assess the exploration potential on its currently 100% held tenements outside of the Joint Venture, being EL8308 (Nanya North), EL8309 (Springwood) and

EL8310 (Milkengay) (Figure 1). Each tenement offers excellent opportunity for the delineation of high-grade, near surface heavy mineral sand deposits based on historical exploration data and regional analysis.

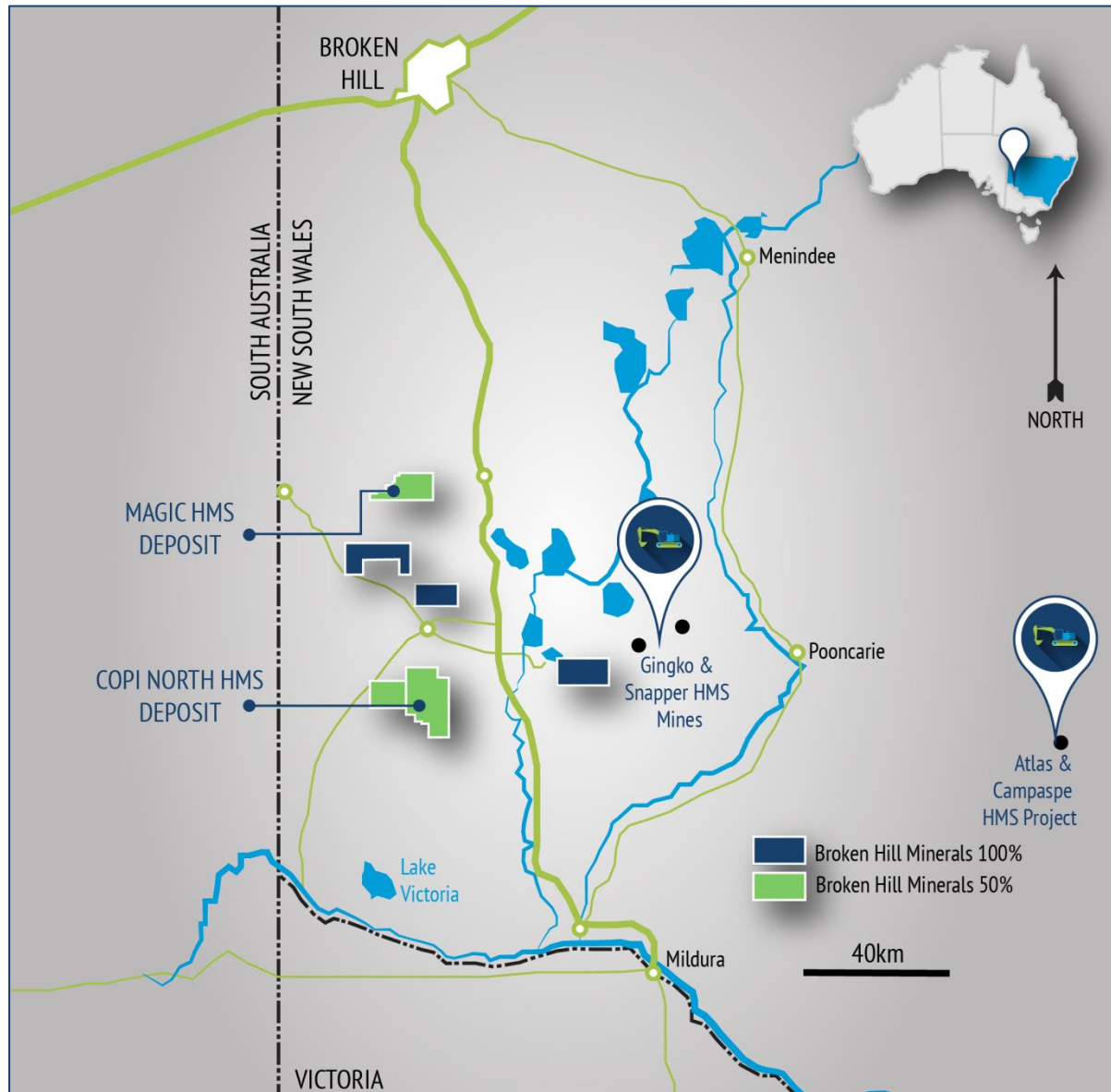


Figure 1. BPL's Heavy Minerals Sands Project location comprising both 50% owned JV tenements (Copl North, Magic & Sunshine) and BPL's 100% owned tenements proximal to nearby mineral sands operations, Gingko and Snapper (Cristal Mining).

CORPORATE

Appointment of New Chief Executive Officer

On **19 May 2016** BPL announced the appointment of Mr Anthony (Trangie) Johnston as its Chief Executive Officer replacing the executive functions of the Managing Director, Dr Ian Pringle, who retired on 30 April 2016.

Mr Johnston is a geologist with 20 years' experience in exploration, project development and mining activities. His career has to date spanned private, public and government sectors extensively across Australia and overseas jurisdictions.

Mr Johnstons' most recent appointment prior to joining BPL was as Chief Executive Officer to KBL Mining, a New South Wales ASX listed gold and base metal producer. During his time at KBL Trangie was responsible for overseeing a company restructure including major resource/reserve upgrades and new discoveries, which underpinned \$35m of capital raising activities.

Mr Johnson holds a Bachelor of Science (Hons) in Geology from Newcastle University and a Masters in Economic and Mining Geology from the University of Tasmania.

CAPITAL RAISING

Share Placement

On **2 June 2016** the Company announced that it had raised A\$992,000 (before costs) after a share placement to sophisticated and professional investors. Far East Capital was Lead Manager to the placement.

The placement consisted of 12,400,000 fully paid shares at an issue price of A\$0.08 together with one free attaching listed option for every two shares issued. The options are exercisable on or before 12 November 2019 at an exercise price of A\$0.08.

The issue of the securities was made pursuant to the Company's placement capacity under ASX Listing rule 7.1. The issue was oversubscribed providing an indicative insight into the desire of the markets to currently attain cobalt exposure.

Share Purchase Plan (SPP)

BPL announced a Share Purchase Plan (SPP) to the market on the **24 June 2016**, to allow eligible shareholders the opportunity to participate in the Company's capital raising program.

The issue price of shares under the SPP will be 8.1 Australian cents (A\$0.081). The issue price represents a 19.7% discount from the volume weighted average price of BPL shares of the last five days and a 26.6% discount to the 10 days volume weighted average price, prior to

the record date. The record date to establish entitlement to the offer under the SPP for eligible shareholders is Thursday 23 June 2016.

The offer under the SPP opened on Monday 4 July 2016 and **closes at 5pm Sydney time on Friday 12 August 2016.**

Cash Position

The Company's consolidated statement of cash flows is listed in Appendix 5B. At the end of the quarter the consolidated entity, following the private placement undertaken in early June had \$1,391,675 in cash.

On 23 June 2016 the Company received a refund of \$256,474 from the ATO for research and development related expenses associated with JV HMS expenditure.

The final JV payment of \$0.5m was received on 1 July 2016.

A handwritten signature in black ink, appearing to read 'Anthony Johnston', with a horizontal line drawn across the middle of the signature.

Anthony (Trangie) Johnston
Chief Executive Officer

FOR FURTHER INFORMATION, PLEASE CONTACT

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COMPETENT PERSON STATEMENT

The information in this report that relates to Mineral Resources and Exploration Targets is based on information compiled by Mr Anthony Johnston, BSc (Hons), who is a Member of the Australian Institute of Mining and Metallurgy and is a full time employee of the Company. Mr Johnston has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 & 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Johnston consents to the inclusion in the announcement of the matters based on his information in the form and context that the information appears.

The information in this report that relates to Mineral Resources and Exploration Targets for the Copi North HMS Deposit is based on information presented in ASX Announcement, 'Copi North HMS Resource Upgrade' released to the market on 27th May 2016. The Competent Person for the report was Mr David Biggs, Resource Geologist for GEOS Mining, located in Sydney NSW. The entity confirms in the subsequent public report that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and, in the case of estimates of mineral resources or ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

The information in this report that relates to Mineral Resources for the Magic HMS Deposit is based on information compiled by Mr. Greg Jones who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Jones is the Principal for GNJ Consulting and was retained by Broken Hill Prospecting Limited to conduct Mineral Resource estimation for the Magic deposit. Mr Jones has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity, which he is undertaking to qualify as Competent Person as defined in the JORC Code 2012. Mr Jones consents to the inclusion in this ASX release of the matters based on his information in the form and context in which it appears.

ABOUT BROKEN HILL PROSPECTING LIMITED

Broken Hill Prospecting Limited ('BPL') is an Australian Exploration company focussed on the discovery and development of strategic technology mineral resources across two primary projects the [Thackaringa Cobalt Project](#) and their regional [Heavy Mineral Sands Project](#).

Cobalt

BPL is progressing with exploration and evaluation of cobalt-pyrite deposits in the Broken Hill area within two exploration tenements (EL6622 and EL8143) and two mining leases (ML86 and ML87). The Company is in an excellent position to take advantage of increasing demand

for cobalt to meet growth in environmental and industrial uses including rechargeable batteries in automobiles and super alloys. As a co-product, sulphuric acid could address Australian reliance on imported sulphur and provide opportunities for phosphate fertiliser and mineral processing industries.

Heavy Mineral Sands

Australia has the world's largest deposits of the titanium minerals ilmenite and rutile and a substantial producer of zircon. Australia extracts and refines Ti and Zr, but doesn't process it in large quantities. Titanium is used in jewellery and alloy metals, 3D printing and heavy industrial parts, but 95% is used in an oxide form as the pure white colour crucial in products from paint to cosmetics. Titanium's strength-to-weight ratio, corrosion resistance and biocompatibility make it perfect for aerospace, medical and sport applications. Zirconium is also a corrosion resistant metal that is used in high performance pumps and valves. It is widely used in the nuclear industry for cladding fuel elements. Large quantities of zircon are used in glazes by the tile, sanitary ware and tableware industries

TENEMENT HOLDING

The interests in tenements held by Broken Hill Prospecting Limited (and fully owned subsidiaries) at the end of the quarter and the related percentage of ownership:

Thackaringa Cobalt Project

EL 6622	100% Broken Hill Prospecting Ltd
EL 8143	100% Broken Hill Prospecting Ltd
ML 86	100% Broken Hill Prospecting Ltd
ML 87	100% Broken Hill Prospecting Ltd

Murray Basin Heavy Mineral Sands (HMS) Project

EL 8308	100% Broken Hill Minerals Pty Ltd
EL 8309	100% Broken Hill Minerals Pty Ltd
EL 8310	100% Broken Hill Minerals Pty Ltd

HMS Joint Venture

EL 8311	60% Broken Hill Minerals Pty Ltd 40% Relentless Resources Ltd*
EL 8312	60% Broken Hill Minerals Pty Ltd 40% Relentless Resources Ltd*
EL 8385	60% Broken Hill Minerals Pty Ltd 40% Relentless Resources Ltd*

* From 1 July 2016 the interests in these tenements changed to 50% Broken Hill Minerals Pty Ltd | 50% Relentless Resources Ltd.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Broken Hill Prospecting Limited

ABN

83 003 453 503

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors*	-	-
1.2	Payments for (a) exploration & evaluation*	(113)	(522)
	(b) development	-	-
	(c) production	-	-
	(d) administration*	(346)	(902)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received*	5	18
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)		
	R&D tax incentive	256	256
	Management fees received*	15	47
Net Operating Cash Flows		(183)	(1,103)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	(14)
1.11	Loans repaid by other entities	-	14
1.12	Other (security deposit for Mining Exploration Licence)	-	(10)
Net investing cash flows		-	(10)
1.13	Total operating and investing cash flows (carried forward)	(183)	(1,113)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(183)	(1,113)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	922	1,791
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Funds from Joint Venture participant*	-	600
	Net financing cash flows	922	2,391
	Net increase (decrease) in cash held	739	1,278
1.20	Cash at beginning of quarter/year to date*	653	114
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,392	1,392

* Items marked “*” include the proportional interest in the transactions of the Joint Venture (JV) in accordance with accounting standards. The JV is between Relentless Resources Ltd (RRL) and Broken Hill Minerals Pty Ltd (BHM), a 100% subsidiary of Broken Hill Prospecting Ltd. The total cash held by the JV at the end of the period was \$59,465.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	103
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$103,303 Directors salaries and fees (Managing Director and Non-Executive Directors)

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

n/a

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

n/a

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	250
4.2 Development	-
4.3 Production	-
4.4 Administration	130
Total	380

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank*	1,392	653
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)*	1,392	653

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	n/a			
6.2 Interests in mining tenements acquired or increased	n/a			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

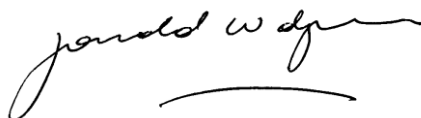
		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)	-	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	+Ordinary securities	136,674,521	136,674,521	n/a	n/a
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	12,418,750	12,418,750	n/a	n/a
7.5	+Convertible debt securities (description)	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	Options (description and conversion factor)	53,077,361	53,077,361	Exercise price 8c	Expiry date 12/11/2019
7.8	Issued during quarter	17,200,000	17,200,000	8c	12/11/2019
7.9	Exercised during quarter	18,750	18,750	8c	12/11/2019
7.10	Expired during quarter	-	-	-	-
7.11	Debentures (totals only)	-	-		

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)	-	-	
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Company secretary)

29/07/2016
Date:

Print name: Donald W de Boer

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.