

QUARTERLY REPORT 31 JANUARY 2017

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
Ian Morgan	Company Secretary

Capital Structure

Ordinary Shares on Issue (30/1/17)	148M
Options: Listed	47M
Market Cap (undiluted at 5.6cps)	\$8M



Broken Hill Prospecting Ltd

ARBN 003 453 503

Registered and Head Office

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171 Clarence St, Sydney NSW 2000
GPO BOX 1546, Sydney NSW 2001
Tel +61 2 9238 1170

Email info@bhpl.biz
www.bhpl.biz

DECEMBER 2016 HIGHLIGHTS

Corporate

- + Successful ASX spin-off of Cobalt Blue raised \$10m to fund the Thackaringa Cobalt Project through to production
- + BPL shareholders received in-specie IPO distribution, including loyalty options and priority offer entitlement
- + BPL shareholders hold approximately 37% of Cobalt Blue's capital
- + Farm-In and Royalty agreement signed

Projects

Thackaringa Cobalt | Broken Hill, NSW

- + 8 diamond holes for 1,483m completed
- + Holes designed to twin previous RC holes to support metallurgical test program
- + Visual results in line with expectations; assays due in March
- + Approvals received for major RC resource infill and expansion program planned for Q1 2017
- + Cobalt price increase 67% yoy to hit new 5 year high

Heavy Mineral Sands | Murray Basin, NSW

- + Copi North Pre-feasibility study bulk metallurgical testing nearing completion with positive results
- + Engineering studies to commence on design of mobile mining units
- + Advance plans to commence drilling priority targets on BPL's 100% tenements

SUCCESSFUL SPIN-OFF AND \$10M IPO FOR COBALT BLUE

The successful spin-off of Cobalt Blue Holdings Limited (**ASX: COB**) was completed after the end of the quarter, with investors submitting offers for COB securities exceeding the \$10 million maximum being offered. The deal was an important initiative for BPL to realise significant value from its Thackaringa Cobalt Project. Security allocations are complete, and listing of COB's shares and options on the Australian Securities Exchange is scheduled for 11am AEDT Thursday 2 February 2017.

The IPO provided BPL shareholders with an entitlement to retain a combined direct shareholding in COB of approximately 37%. That gave them the opportunity to retain a direct interest in the development of the potentially world-class cobalt resource that BPL discovered at Thackaringa. BPL distributed its shareholding of 35 million COB shares in-specie to eligible BPL shareholders. In addition, COB issued loyalty options on the basis of one option for every four COB shares received.

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

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

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

THACKARINGA COBALT – PYRITE PROJECT, BROKEN HILL, NSW

Metallurgical & Resource Drilling

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

Mineralised intersections were noted to visually coincide with adjacent historical RC holes with assay results due in early March. Metallurgical studies will commence immediately following receipt of assays.

Diamond drilling re-commenced in late January with an additional 1,500 metres to be completed during the first quarter of 2017.



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

Approvals for a major reverse circulation (RC) drilling program were received late January 2017. The program will target resource growth through infill and extensional drilling of the upper (shallow) portions of the mineralised bodies and support future resource upgrades.

Drilling will focus on high grade zones within the broader mineralised trend with significant opportunity to increase the shallow resource base in a largely unexplored terrain. Detailed geological mapping has delineated more than 10km of mineralised outcrop, of which approximately 75% remains untested. This drilling is planned to commence in early March 2017.

HEAVY MINERAL SANDS PROJECTS, MURRAY BASIN, NSW

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

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

Current JV activities are focused on advancing the Copi North Pre-feasibility Study (PFS). Bulk metallurgical test work is nearing completion with a final report expected shortly. Early results are very encouraging with clean separation of heavy minerals with slimes and oversize less than 2%. Engineering and plant design studies will commence in February 2017.

BPL is continuing to assess the exploration potential on its currently 100% held tenements outside of the Joint Venture, being EL8308 (Nanya North), EL8309 (Springwood) and EL8310 (Milkengay) (Figure 2). Each tenement offers excellent opportunity for the delineation of high-grade, near surface heavy mineral sand deposits based on historical exploration data and regional analysis. BPL is seeking regulatory approvals to commence drilling in March 2017.

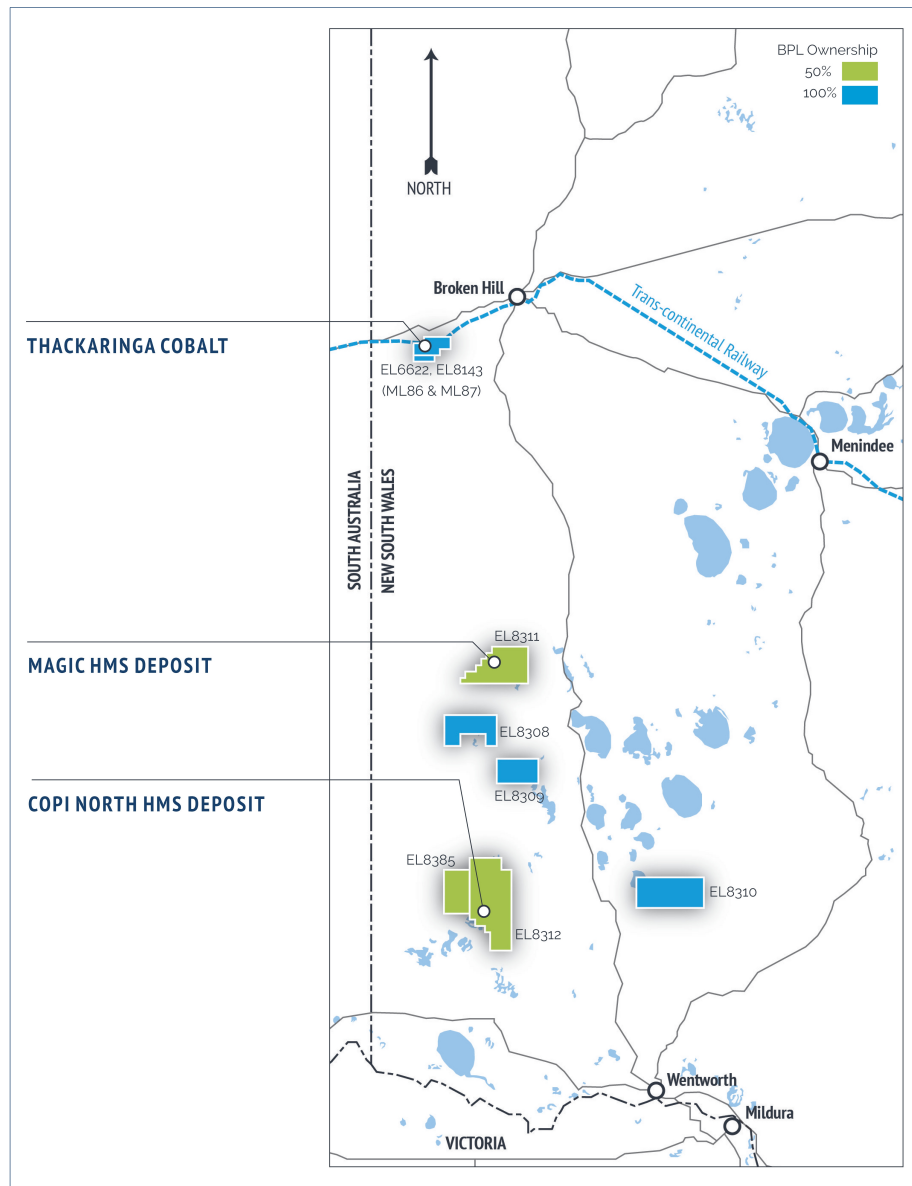


Figure 1. The Company's project portfolio with a significant exploration footprint in the NSW Murray Basin.

CORPORATE

Cobalt Blue Holdings Ltd

Successful spin-off of Cobalt Blue Holdings Ltd with the IPO oversubscribed raising the maximum of \$10m. Cobalt Blue to list on the ASX on Thursday 2 February 2017.

Cash Position

The Company's consolidated statement of cash flows is listed in Appendix 5B. At the end of the quarter the consolidated entity had \$1,746,000 in cash.

Change of Office

Broken Hill Prospecting's Australian registered office and other contacts details have changed:

New Address

Suite 1002
Level 10
171 Clarence St
Sydney, NSW 2001

New Post Office Box

GPO Box 1546
Sydney NSW 2001

New Phone Number

+61 (0) 2 9238 1170



Anthony (Trangie) Johnston

Chief Executive Officer

FOR FURTHER INFORMATION, PLEASE CONTACT

Broken Hill Prospecting

Tel +61 2 9238 1170

Email info@bhpl.biz

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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.

ABOUT BROKEN HILL PROSPECTING LIMITED

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

Cobalt Project

The Thackaringa Cobalt Project is strategically located 25km south-west of Broken Hill, New South Wales, adjacent to the main transcontinental railway line. Mineralised outcrop extends for over 10km, with less than a quarter of this trend having been drill tested. The large, near-surface deposits at Thackaringa make the project suitable for large-scale, open cut mining methods.

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

The Thackaringa Project is under a Farm In and Royalty Agreement with Cobalt Blue Holdings Ltd (Cobalt Blue).

Heavy Mineral Sands Project

BPL has built a substantial portfolio of Heavy Mineral Sands (HMS; titanium & zircon) Projects within in the Murray Basin, NSW. Recent drilling activities focused on the Copi North and Magic deposits have been funded by a joint venture with Relentless Resources Limited (RRL). The Copi North project is currently undergoing a Pre-feasibility Study due for completion early 2017.

BPL is targeting the establishment of a sustainable pipeline of high grade, low tonnage deposits amendable to processing through mobile plant equipment that could

be deployed across the broader project area.

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	50%	Broken Hill Minerals Pty Ltd 50% Relentless Resources Ltd
EL 8312	50%	Broken Hill Minerals Pty Ltd 50% Relentless Resources Ltd
EL 8385	50%	Broken Hill Minerals Pty Ltd 50% Relentless Resources Ltd

Appendix 5B

Mining exploration entity and oil and gas 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, 01/05/13, 01/09/16

Name of entity

Broken Hill Prospecting Limited

ABN

83 003 453 503

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(314)	(403)
(b) development	-	-
(c) production	-	-
(d) staff costs	(21)	(44)
(e) administration and corporate costs	(324)	(526)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	14
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	8
1.9 Net cash from / (used in) operating activities	(652)	(951)

Note 1 – includes \$308,900

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	244
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	244

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	746
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	111	111
3.4	Transaction costs related to issues of shares, convertible notes or options	(8)	(52)
3.5	Proceeds from borrowings	-	35
3.6	Repayment of borrowings	(35)	(35)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Controlled entity net proceeds from issue of shares)	256	256
3.10	Net cash from / (used in) financing activities	324	1,061

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,074	1,392
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(652)	(951)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	244
4.4	Net cash from / (used in) financing activities (item 3.10 above)	324	1,061
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,746	1,746

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,746	2,074
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,746	2,074

6. Payments to directors of the entity and their associates

Current quarter \$A'000

6.1 Aggregate amount of payments to these parties included in item 1.2

-

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

7. Payments to related entities of the entity and their associates

Current quarter \$A'000

7.1 Aggregate amount of payments to these parties included in item 1.2

-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Mining exploration entity and oil and gas exploration entity quarterly report

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	250
9.2	Development	-
9.3	Production	-
9.4	Staff costs	44
9.5	Administration and corporate costs	185
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	479

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

Date: 31 January 2017

Company secretary

Print name: Ian Morgan

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.