

Annual Report 2016



Corporate DIRECTORY.

NON - EXECUTIVE DIRECTORS

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Matthew G Hill
Denis Geldard
Geoffrey G Hill

CEO

Anthony (Trangie) Johnston

COMPANY SECRETARY

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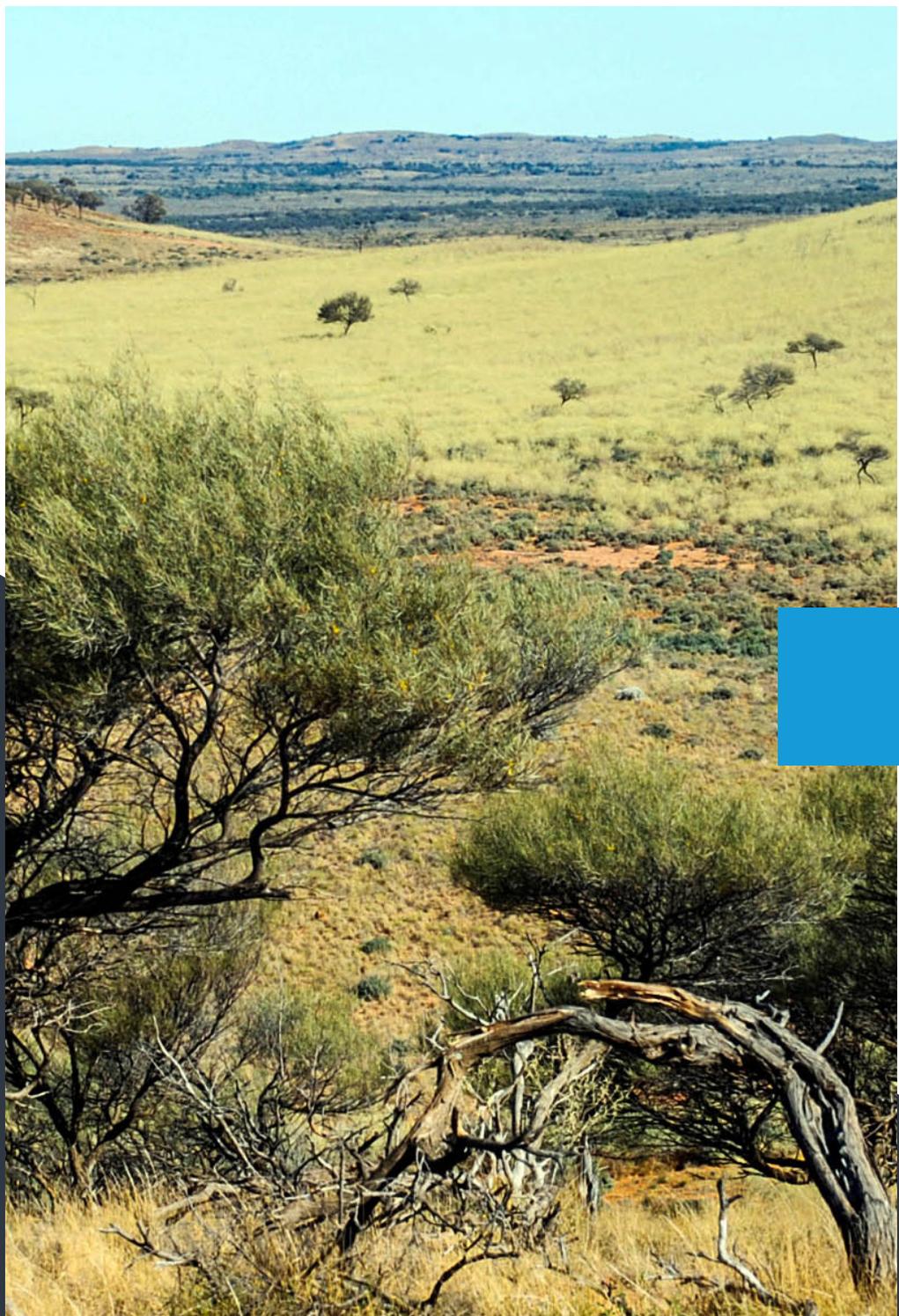
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Message from THE CHAIRMAN.

DEAR SHAREHOLDERS,

While the mineral resources sector was again constrained by depressed commodity prices, the diversification of our project portfolio has reinvigorated a focussed exploration effort. The Company has rapidly established a strong foundation for future growth as it transitions toward development of our strategic technology mineral resources.



The appointment of Mr Anthony ‘Trangie’ Johnston as Chief Executive Officer is an important milestone in accelerating this evolution. Mr Johnston brings considerable technical expertise in both exploration and project development. He has a career spanning private, public and government sectors extensively across Australia and overseas.

In his previous appointment Mr Johnston achieved 106% growth in annualised gold production concurrent with significant increases in resource and reserve inventory ultimately underpinning \$35M capital raising. Mr Johnston’s role will be instrumental as we transition into a development phase.

Our partnership with Relentless Resources Limited has fuelled an accelerated launch into the heavy mineral sands market. During the year exploration activities supported maiden Mineral Resource estimates for both the Copi North and Magic deposits. Resource definition drilling in early 2016 augmented a significant resource upgrade for the Copi North deposit released in May 2016. The total heavy mineral sand resource inventory (Magic and Copi North) now comprises 29.2Mt at 5.1% THM⁰¹ (total heavy mineral). A pre-feasibility study has commenced on the Copi North deposit with results expected in early 2017. This will be a major catalyst for advancement toward production as the Company moves to secure a sustainable pipeline of high-grade, HMS deposits.

The Thackaringa Cobalt project remains at the forefront of investor interest. As the lithium-ion battery market continues to gain momentum certainty of a sustainable and ethical source of cobalt supply is diminishing globally. Our project is considered to host one of the world’s largest undeveloped cobalt resources. Unlike 94% of global cobalt production, the Thackaringa deposits offer a primary source of cobalt where potential production could be scaled independent of other market influences. Furthermore, political stability and existing infrastructure present considerable development advantage over the world’s largest cobalt producer - the Democratic Republic of Congo (producing some 60% of the world’s cobalt).

The Company is planning to undertake metallurgical and resource expansion drilling in the latter quarter of 2016 with a scoping study forecast to commence shortly after with results expected early 2017. In considering the future development of the Thackaringa Cobalt Project, the Company incorporated a new 100% subsidiary named Cobalt Blue Holdings Ltd (‘Cobalt Blue’) on the 26th August 2016. Following a strategic review of development options, it is proposed Cobalt Blue will drive the future development of our cobalt assets.



The project is considered to host one of the world’s largest undeveloped cobalt resources...

Your company’s established organic growth strategy will continue to ripen during 2017 in parallel with targeted assessment and acquisition of additional complementary assets within the strategic minerals sector.

Creagh O’Connor AM
Chairman

⁰¹Inclusive of Indicated and Inferred Mineral Resources. Refer to the Mineral Resources Statement on page 14 for a complete summary of resource categorisation.

Cobalt & Heavy Mineral Sands

MARKET OUTLOOK.

Technological shifts in the global energy sector are a driving force toward a renewed future for Broken Hill Prospecting. The Thackaringa Cobalt Project is poised to become a significant source of ethical and sustainable cobalt.

Reuters reported in mid-2016 that cobalt prices would likely rise around 45 per cent by 2020 as stricter emissions controls push global demand for electric vehicles, the news agency calling it “a stampede for cobalt”.

Thackaringa is a relatively rare, increasingly attractive commodity story. The Company’s tenements at Thackaringa cover near-surface cobalt deposits with approximately 30,000 tonnes of contained cobalt metal⁰¹.

Most cobalt (around 94 per cent of present global supply according to the Cobalt Development Institute) is mined as a by-product of nickel or copper and so its supply is dependent upon the levels of production of those two base metals. Hence the race to secure primary cobalt resources.

U.S. battery technology commentator John Petersen recently coined the term “Cobalt Cliff”. He has forecast that with reduction in nickel mining due to low prices for that metal, he expects world supply of cobalt to fall by at least 15 per cent. Petersen’s case is that it will be the lithium-ion battery makers that face the “cobalt cliff” when they come to compete for cobalt supplies.



The supply crunch is already on the way as the electric vehicle (EV) sector accelerates. Ford Motor Co is investing \$US4.5 billion in new EV capacity; Porsche AG announced a €700 million investment in EV assembly lines, Nevada-based Faraday Future plans to spend \$US1 billion to build intelligent EVs; General Motors is fast tracking production of the Chevy Bolt; and Audi, BMW, Mercedes, China’s BYD, Renault, Nissan and Volkswagen have all announced EV plans.

The strong support of BPL shareholders for the share purchase plan will now allow your Company to accelerate work at the Thackaringa Cobalt Project with a new program of drilling. This will enable us to plan development options for this world-scale resource at a time when demand for cobalt is strengthening.

Recent advances in technology also have worked to the Company’s advantage in terms of its heavy mineral sands (HMS) project. In 2014 Broken Hill Prospecting

acquired a large portfolio of HMS prospects south of Broken Hill.

While these had previously been investigated by other mineral explorers, recent advances in technology have result in lower-cost and competitive processing options for heavy mineral sands, unlocking an opportunity to take a fresh look at these HMS prospects.

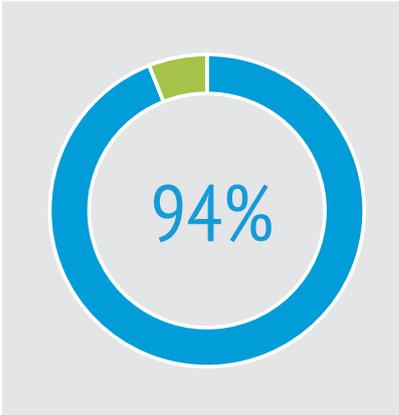
Significant new supply of heavy minerals entered the market over the past two years, leading to a steep decline in prices.

However, new applications are emerging and Credit Suisse reports that TiO2 pigment prices

are rising - led by China. The investment bank concluded that higher pigment prices are likely to be transmitted into some upside for mineral sands feedstock prices.

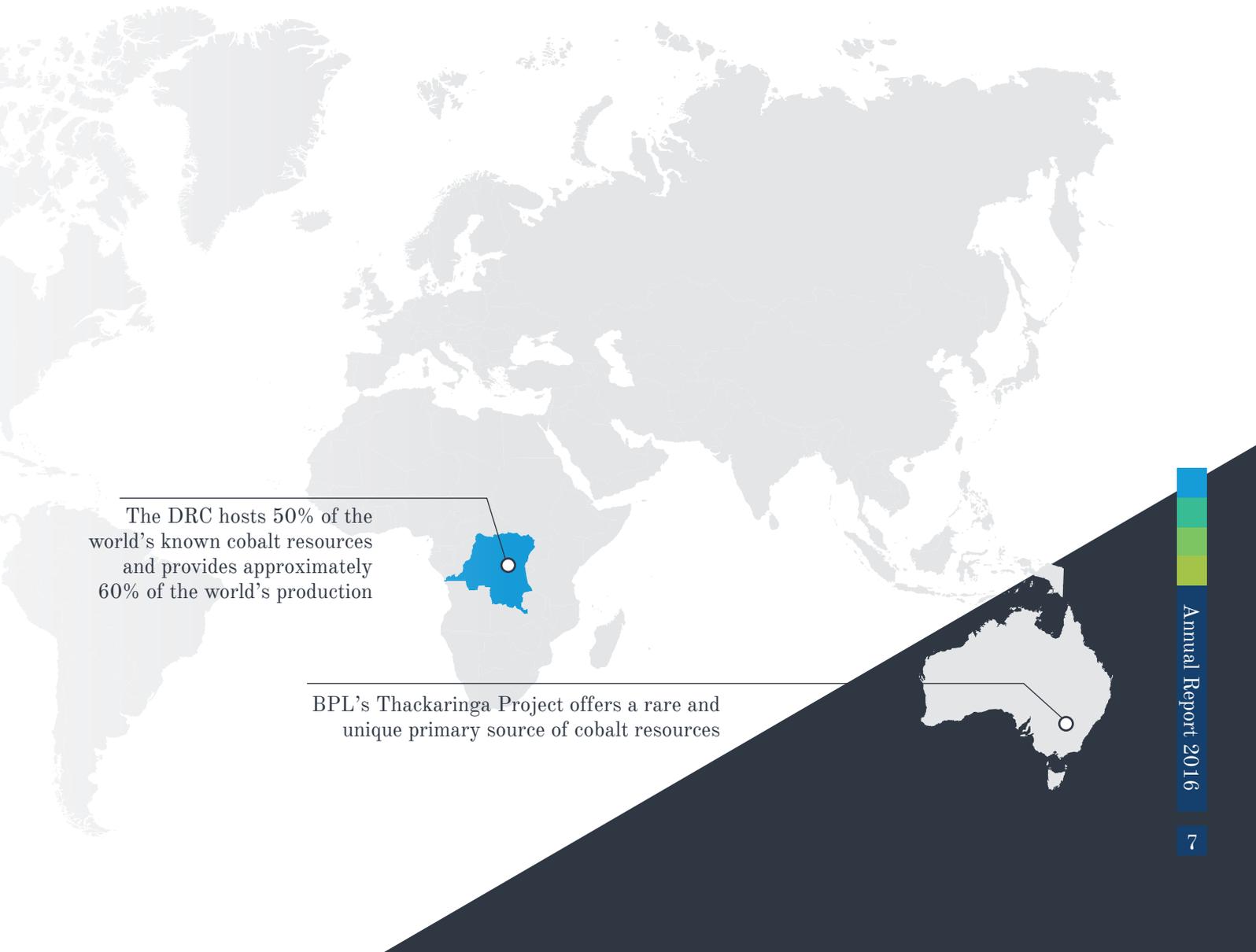
Credit Suisse said ilmenite had the strongest near-term price growth due to previous closures of mines in China where ilmenite is produced as a by-product of iron ore mining.

Australia has the world's largest deposits of the titanium metals ilmenite and rutile and is a substantial producer of zircon.



of the world's cobalt production is a by product of copper & nickel mining

⁰¹Refer to the Mineral Resources Statement on page 16 for a complete summary of resource categorisation.



The DRC hosts 50% of the world's known cobalt resources and provides approximately 60% of the world's production

BPL's Thackaringa Project offers a rare and unique primary source of cobalt resources



Review of OPERATIONS.

During the year Broken Hill Prospecting Limited ('BPL' or 'Company') demonstrated continuing exploration success supporting substantial mineral resource growth. Operations primarily focussed on the advancement of the heavy mineral sands project with activities funded by our joint venture partner, Relentless Resources Limited (RRL).

2016 Highlights

Successful Infill and Extensional Drilling at Copi North

An extensive resource drilling program was completed at the Copi North deposit confirming continuity of shallow high-grade mineralisation.

Significant intersections⁰¹ included:

- 4m at 15.99% HM from 34m including 1m at 17.44% HM from 34m and 1m at 25.18% HM from 35m (CNA212)
- 2m at 11.23% HM from 28m including 1m at 19.78% HM from 29m (CNA218)

Updated Copi North Mineral Resource Estimate

The updated mineral resource estimate comprises a combined Indicated and Inferred 14.2Mt at 6.6% total heavy mineral (THM), 2.8% slimes & 2% oversize (at a 2.5% THM cut-off) with a heavy mineral assemblage of 54.4% ilmenite, 10.8% rutile, 11.3% zircon, 1% monazite and 10% leucoxene⁰².

Resource highlights include:

- 22% increase in resource tonnes (compared with the 2015 estimate)⁰³
- 77% resource classified as Indicated⁰²
- High heavy mineral grade

Maiden Magic Mineral Resource Estimate

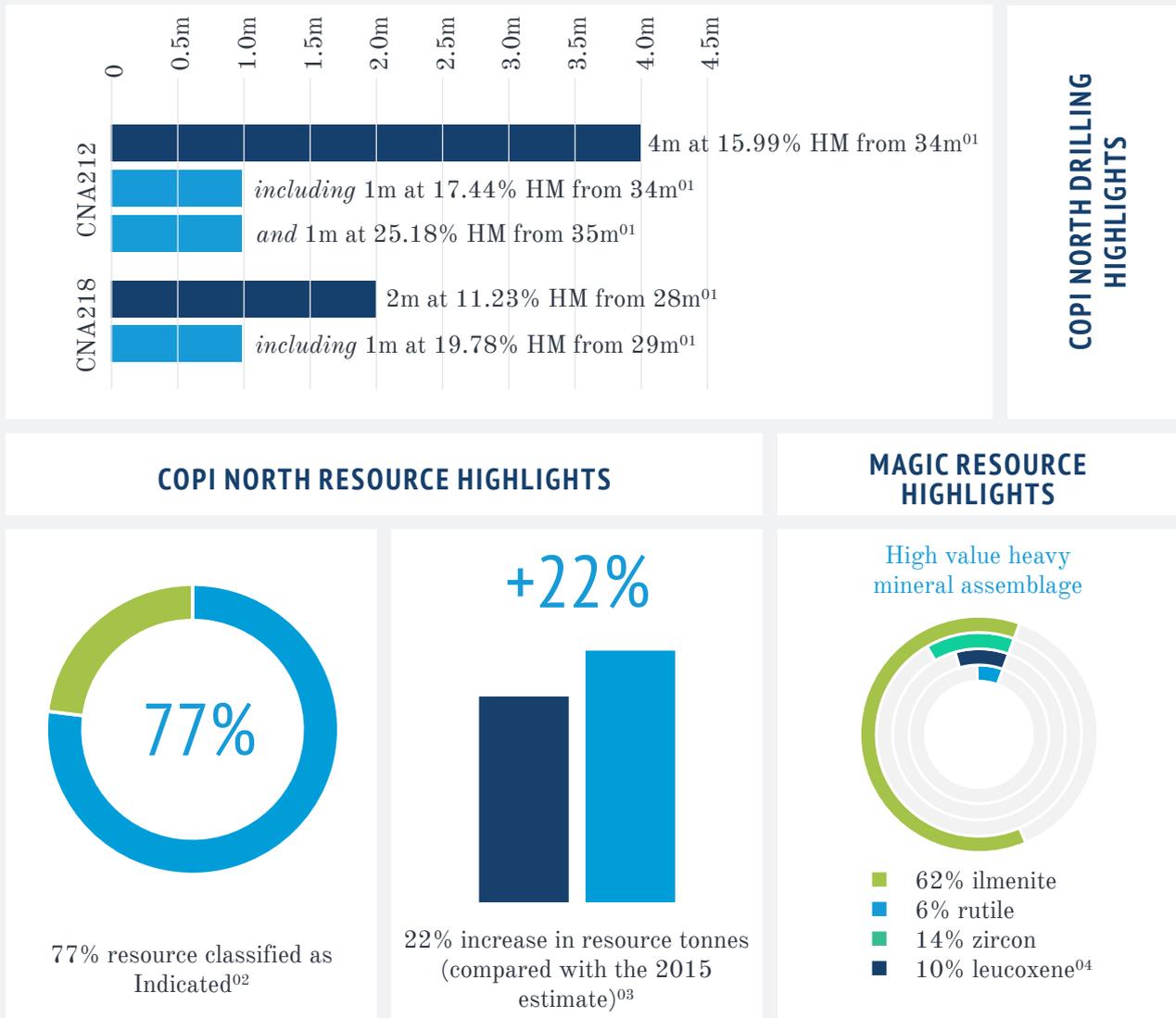
The maiden Mineral Resource Estimate for the Magic deposit comprises 15Mt at 3.7% total heavy mineral (THM), 4% slimes & 1% oversize (at a 2% THM cut-off) with a heavy mineral assemblage of 62% ilmenite, 6% rutile, 14% zircon and 10% leucoxene⁰⁴.

Resource highlights include:

- Shallow resources with an average of just 12m overburden
- High value heavy mineral assemblage

Thackaringa Cobalt Project

The Thackaringa Cobalt project has continued to gain significant domestic and international investor interest as the lithium-ion battery market strengthens. Sustainable and ethical supply of cobalt is becoming increasingly uncertain and forecast demand is expected to exceed production by 2017. This reinforces the potential value of the unique Thackaringa deposits which host a global Inferred Mineral Resource of 35.7Mt at 841ppm cobalt⁰⁵.



⁰¹ As released 26 April 2016.

⁰² The Indicated and Inferred Mineral Resource estimate is as released 27 May 2016 under JORC 2012. Refer to the Mineral Resources Statement on page 14 for a complete summary of resource categorisation.

⁰³ Refer to annual review of Mineral Resources on pages 17-18.

⁰⁴ The Inferred Mineral Resource estimate is as released 10 September 2015 under JORC 2012.

⁰⁵ The global Inferred Mineral Resource estimate is as released under JORC 2004, comprising the following: Railway Deposit as released 27 July 2012 under JORC 2004, Pyrite Hill Deposit as released 14 November 2011 under JORC 2004 and the Big Hill Deposit as released 12 November 2010 under JORC 2004. Refer to the Mineral Resources Statement on page 16 for a complete summary of resource categorisation. The Railway, Pyrite Hill and Big Hill Mineral Resources were first disclosed under JORC 2004 and have not been updated to JORC 2012 requirements. The company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and that all material assumptions and technical parameters underpinning these mineral resource estimates in the relevant market announcements continue to apply and have not materially changed.



HEAVY MINERAL SANDS

Broken Hill Minerals Limited (BHM) (a wholly owned subsidiary of Broken Hill Prospecting Limited) has developed a substantial portfolio of heavy mineral sands projects within the New South Wales Murray Basin.

Exploration is targeting the establishment of a sustainable pipeline of high grade, low tonnage deposits amenable to processing through mobile plant equipment across the broader project.

In early 2015, BHM entered a joint venture agreement with Relentless Resources Limited (RRL) for the advancement of the Copi North (EL8312 & EL8385) and Magic (EL8311) deposits. RRL contributed a total of \$2M to earn 50% interest in the three HMS tenements.

COPI NORTH (EL8312) & SUNSHINE (EL 8385)

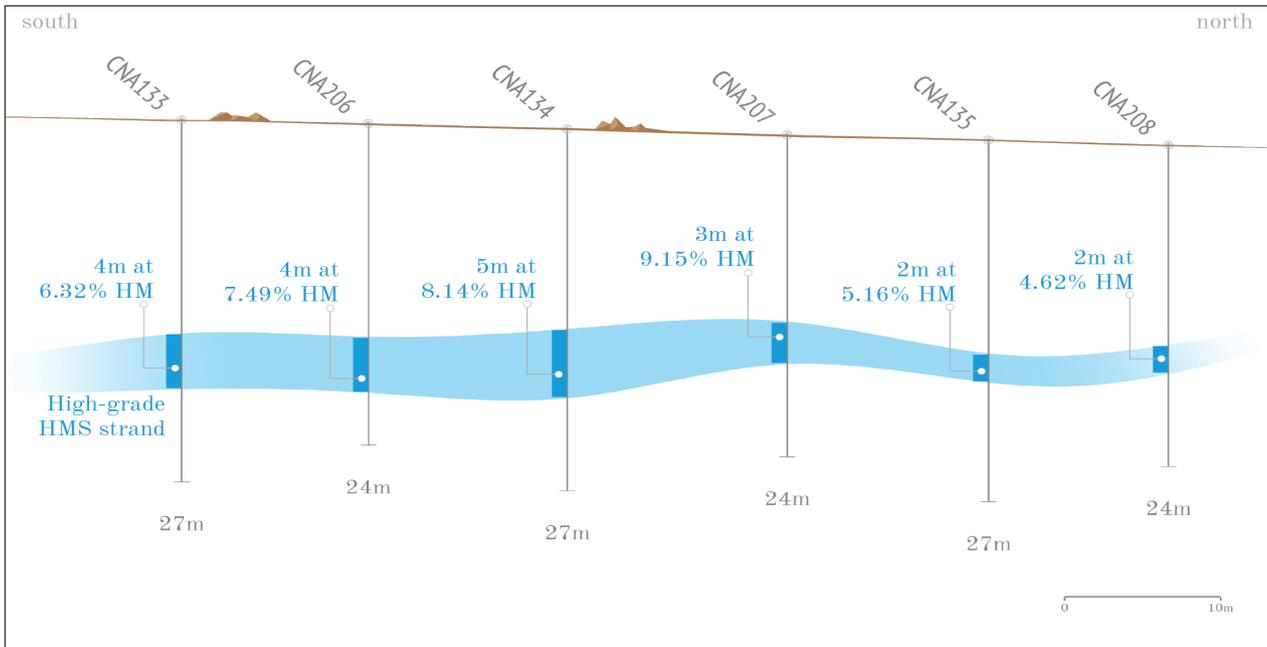
Broken Hill Minerals 60% Ownership (50% from 1 July 2016)

Mineral Resource Estimate

In early 2016, a resource definition drilling program comprising 78 vertical drill holes was completed at the Copi North Extension within EL8385 (Sunshine). In addition, 12 drill holes were completed at the western most extent of the Copi North Deposit. The drilling confirmed continuity of high grade mineralisation with significant intersections⁰¹ including:

Copi North Extension

- 5m at 8.14% heavy mineral (HM) from 15m (CNA134)
- 5m at 9.91% HM from 19m *including* 1m at 19.66% HM from 20m (CNA138)



- Copi North extension schematic cross section illustrating results from drilling completed in early 2016 (results as released 26 April 2016).

- 4m at 7.65% HM from 8m including 1m at 12.07% HM from 8m (CNA188)
- 5m at 9.86% HM from 13m including 1m at 17.83% HM from 14m (CNA193)
- 3m at 9.15% HM from 14m including 1m at 21.86% HM from 16m (CNA207)

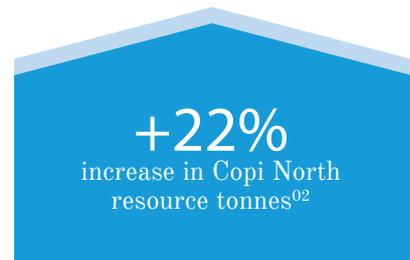
Copi North

- 4m at 15.99% HM from 34m including 1m at 17.44% HM from 34m and 1m at 25.18% HM from 35m (CNA212)
- 3m at 11.17% HM from 34m including 1m at 15.38% HM from 35m (CNA213)

- 2m at 11.23% HM from 28m including 1m at 19.78% HM from 29m (CNA218)

The results supported a major resource upgrade for the Copi North Heavy Mineral Sand (HMS) deposit comprising a combined Indicated and Inferred 14.2Mt at 6.6% total heavy mineral (THM), 2.8% slimes & 2% oversize (at a 2.5% THM cut-off) with a heavy mineral assemblage of 54.4% ilmenite, 10.8% rutile, 11.3% zircon, 1% monazite and 10% leucoxene⁰³.

The Copi North deposit extends over 16km strike and mineralisation is constrained within a 100-220m wide zone.



Copi North HMS Assemblage



- 54.4% ilmenite
- 10.8% rutile
- 11.3% zircon
- 10% leucoxene⁰³

⁰¹As released 26 April 2016.

⁰²Refer to annual review of Mineral Resources on pages 17-18.

⁰³The Indicated and Inferred Mineral Resource estimate is as released 27 May 2016 under JORC 2012. Refer to the Mineral Resources Statement on page 14 for a complete summary of resource categorisation.

The 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 has been derived through analysis of historical and recent drilling.

The Copi North exploration target is as released 27 May 2016 under JORC 2012. 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.

Environmental Study

Envirokey (ecological and biodiversity consultants) were engaged to complete a comprehensive flora and fauna survey in late 2015. The study offered indications of the ecological constraints requiring consideration for the development of the Copi North deposit. Future studies are being coordinated by environmental consultants RW Corkery & Co Pty Ltd as the deposit progresses toward development.

In addition, an environmental recording station was installed in early 2016 for the establishment of important baseline data at Copi North. Environmental monitoring will continue throughout 2017.

The results of this initial study are also expected to aide planning of future exploration activities targeting extensions to the deposit.

Pre-feasibility Study

Encouraged by sustained resource growth and a positive Scoping Study during 2016, a pre-feasibility study has commenced on the Copi North deposit. Initial work programs are focussed



on metallurgical and marketing studies, together with engineering design to support a mobile mining operation. Environmental monitoring is also continuing having established some six months of baseline data to date.

MAGIC (EL8311)

Broken Hill Minerals 60% Ownership (50% from 1 July 2016)

In early 2015, over 2100 metres of infill drilling was completed at the Magic deposit augmenting a substantial historical drill hole database. Shallow mineralisation was confirmed over some 14km strike with an average 12m overburden (ranging between 6-18m below surface).

■ Broken Hill Prospecting Project locations.

THACKARINGA COBALT

Railway | 14.9Mt at 831ppm Co⁰¹
 Pyrite Hill | 16.4Mt at 830ppm Co⁰¹
 Big Hill | 4.4Mt at 910ppm Co⁰¹

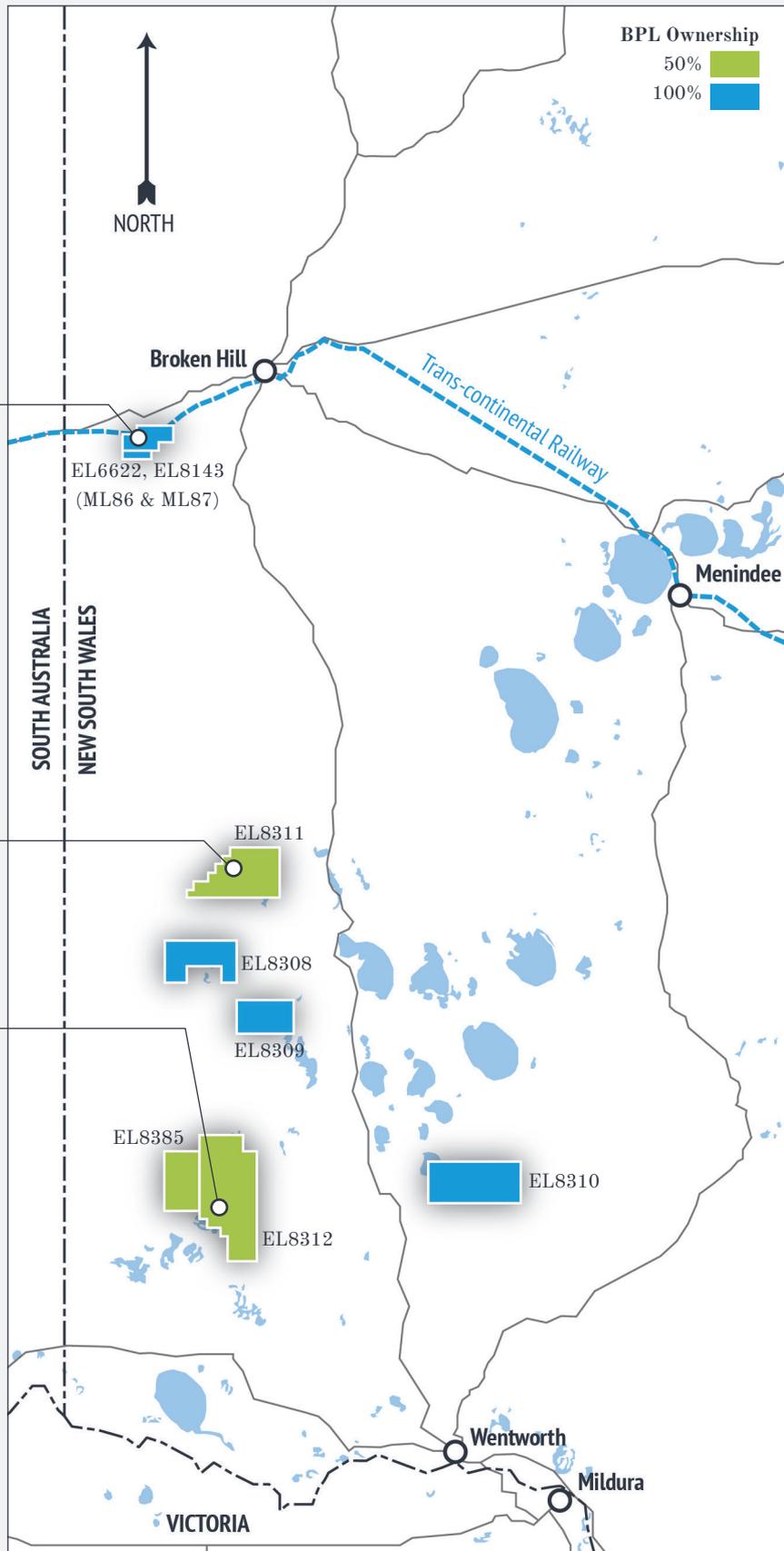
MAGIC HMS DEPOSIT

15Mt at 3.7% total heavy mineral (THM)⁰²

COPI NORTH HMS DEPOSIT

14.2Mt at 6.6% total heavy mineral (THM)⁰²

Opposite Top
 Salt bush species of the Copi
 North region.
 Opposite Middle
 Flora and fauna surveys
 completed at the Copi North
 deposit in late 2015.
 Bottom
 Fauna studies completed at
 the Copi North deposit in late
 2015.



⁰¹ Refer to the Mineral Resources Statement on page 16 for a complete summary of resource categorisation.

⁰² Refer to the Mineral Resources Statement on page 14 for a complete summary of resource categorisation.

The improved drilling density supported the completion of a maiden Mineral Resource estimate in September 2015. The Inferred Resource comprises 15Mt at 3.7% total heavy mineral (THM), 4% slimes & 1% oversize (at a 2% THM cut-off) with a heavy mineral assemblage of 62% ilmenite, 6% rutile, 14% zircon and 10% leucoxene⁰¹.

NANYA NORTH (EL8308), SPRINGWOOD (EL8309) AND MILKENGAY (EL8310)

*Broken Hill Minerals 100%
Ownership*

Broken Hill Minerals focussed on the compilation of historical drilling data across their 100% owned heavy mineral sands tenure.

A number of high priority exploration targets have been identified with drilling planned for late 2016.

The Company's resource development model considers processing through mobile plant equipment capable of being deployed across the broader project area.

Thus, the continuing assessment and acquisition of additional projects within the mineral sands sector is essential to the Company's sustainable growth strategy.

⁰¹The Inferred Mineral Resource estimate is as released 10 September 2015 under JORC 2012.

HEAVY MINERAL SANDS MINERAL RESOURCES

Mineral resources are tabulated by geographic area. Note small rounding errors may have occurred in the compilation of mineral resources.

Copi North

Cut-off grade 2.5% total heavy mineral (THM) as released 27 May 2016 under JORC 2012.

Resource Category	Tonnes (millions)	THM (%)	Slimes <53um (%)	Oversize >1mm (%)
Inferred	3.2	6.8	2.8	1.6
Indicated	11.0	6.3	2.7	2.4
Total	14.2	6.6	2.8	2.0

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

Magic

Cut-off grade 2% total heavy mineral (THM) as released 10 September 2015 under JORC 2012.

Resource Category	Tonnes (millions)	THM (%)	Slimes <53um (%)	Oversize >1mm (%)
Inferred	15	3.7	4	1
Total	15	3.7	4	1

Tonnes (millions)	THM (%)	Ilmenite (%)	Rutile (%)	Zircon (%)	Leucoxene (%)	Other HM (%)
15	3.7	62	6	14	10	8



THACKARINGA COBALT

Developing a potentially world class mineral system, offering a unique, secure and ethical source of cobalt to meet growing market demand

The Thackaringa Cobalt project is located just 25km southwest of Broken Hill, adjacent to the Trans-Continental Railway. Broken Hill Prospecting have defined three primary deposits to date with a global Inferred Mineral Resource estimate of 35.7Mt at 841ppm cobalt⁰¹. Further opportunity to increase the shallow resource base has been identified at the Pyrite Hill and Railway deposits. Planning and regulatory approvals commenced in the latter half of FY2016 to test potential resource extensions with a combined conceptual exploration target of 37-59Mt at 600-900ppm cobalt. Metallurgical drilling is scheduled to commence in September 2016.

The 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.

⁰¹The Inferred Resource estimates are as released under JORC 2004, comprising the following: Railway Deposit as released 27 July 2012 under JORC 2004, Pyrite Hill Deposit as released 14 November 2011 under JORC 2004 and the Big Hill Deposit as released 12 November 2010 under JORC 2004. Refer to the Mineral Resources Statement for a complete summary of resource categorisation. The Railway, Pyrite Hill and Big Hill Mineral Resources were first disclosed under JORC 2004 and have not been updated to JORC 2012 requirements. The company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and that all material assumptions and technical parameters underpinning these mineral resource estimates in the relevant market announcement continue to apply and have not materially changed.

The project has continued to gain significant domestic and international investor interest as the lithium-ion battery market strengthens. A sustainable and ethical supply of cobalt is becoming increasingly uncertain and forecast demand is expected to exceed production by 2017.

THACKARINGA MINERAL RESOURCES

Mineral resources are tabulated by geographic area. Note small rounding errors may have occurred in the compilation of mineral resources.

Railway

Cut-off Grade 500ppm Co as released 27 July 2012 under JORC 2004.

Resource Category	Tonnes (millions)	Grade		Contained Metal	
		Co (ppm)	Co (lb/t)	Co (kt)	Co (Mlbs)
Inferred	14.9	831	1.83	12.3	27
Total	14.9	831	1.83	12.2	27

Pyrite Hill

Cut-off Grade 500ppm Co as released 14 November 2011 under JORC 2004.

Resource Category	Tonnes (millions)	Grade		Contained Metal	
		Co (ppm)	Co (lb/t)	Co (kt)	Co (Mlbs)
Inferred	16.4	830	1.83	13.6	30
Total	16.4	830	1.83	13.6	30

Big Hill

Cut-off Grade 500ppm Co as released 12 November 2010 under JORC 2004.

Resource Category	Tonnes (millions)	Grade		Contained Metal	
		Co (ppm)	Co (lb/t)	Co (kt)	Co (Mlbs)
Inferred	4.4	910	2.00	4.1	9
Total	4.4	910	2.00	4.1	9

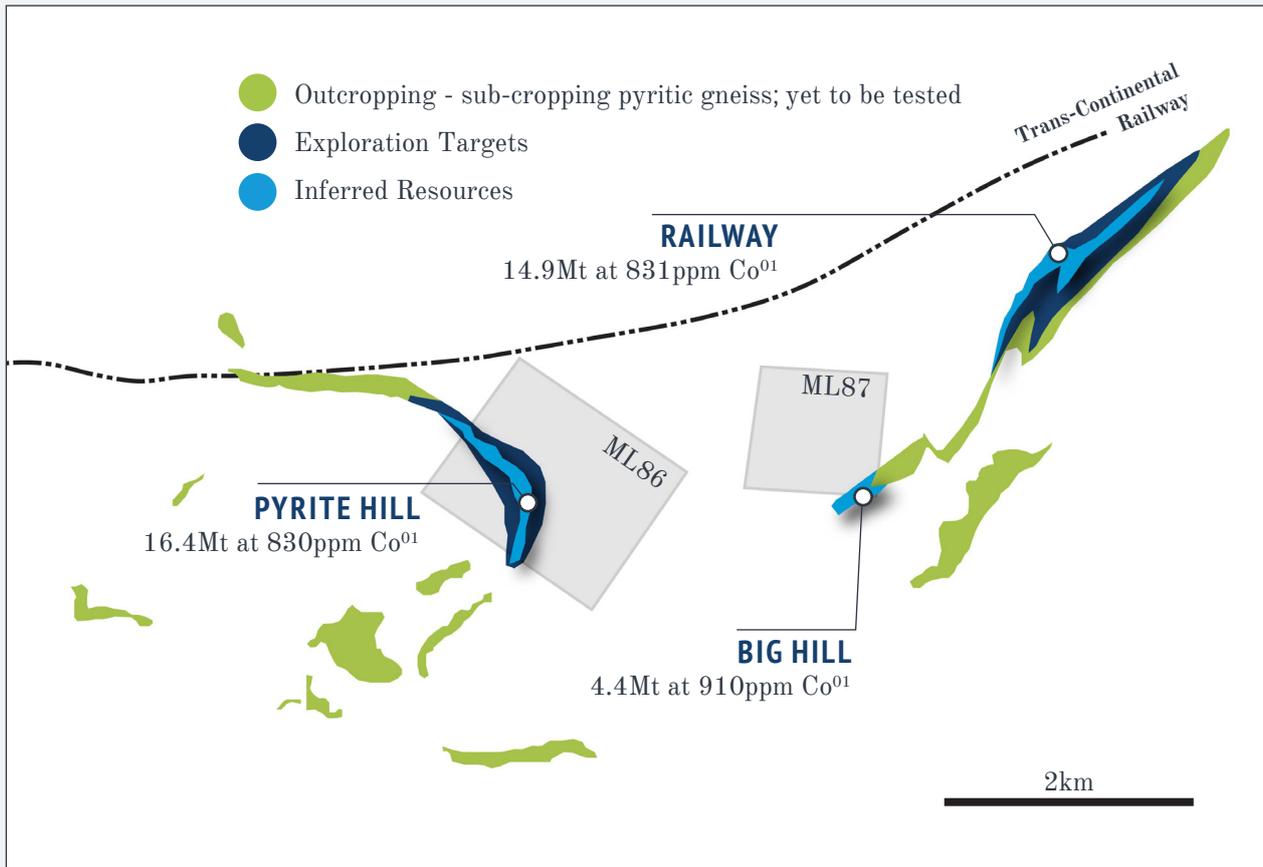
MINERAL RESOURCES

STATEMENT

The Mineral Resources statements presented on pages 14 and 16 have been prepared in accordance with JORC 2012 for all projects other than the Thackaringa Cobalt deposits (Railway, Pyrite Hill and Big Hill Mineral Resources). The Railway, Pyrite Hill and Big Hill Mineral Resources were first disclosed under JORC 2004 and have not been updated to JORC 2012 requirements. The company

confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and that all material assumptions and technical parameters underpinning these Mineral Resource estimates in the relevant market announcements continue to apply and have not materially changed.

The Mineral Resources statement is based on and fairly represents information and supporting documentation prepared by the competent persons named in each relevant market announcement. The Mineral Resources statement, as a whole, has been approved by Mr Johnston who is a Member of the Australian Institute of Mining and Metallurgy and is a full time employee of the Company.



■ Thackaringa Cobalt Project | Schematic plan illustrating surface expression of high grade cobaltiferous deposits and associated exploration targets. ⁰¹Refer to the Mineral Resources Statement on page 16 for a complete summary of resource categorisation.

ANNUAL REVIEW OF MINERAL RESOURCES

Material changes from the Mineral Resources declared in the 2015 Annual Report are summarised below.

Thackaringa Cobalt

Railway Deposit

The Railway Mineral Resource has remained unchanged from the 2015 Annual Report.

Pyrite Hill Deposit

The Pyrite Hill Mineral Resource has remained unchanged from the 2015 Annual Report.

Big Hill Deposit

The Big Hill Mineral Resource has remained unchanged from the 2015 Annual Report.

Heavy Mineral Sands

Magic

The Magic Mineral Resource has remained unchanged from the 2015 Annual Report.

Copi North

In early 2016 BPL completed an infill and extensional drilling program at the Copi North deposit. The additional data was incorporated into a revised mineral resource estimate which was released to the ASX on 27 May 2016.

The material change in the Copi North Mineral Resource can be attributed to:

- Inclusion of 96 new drill holes (2436m) completed in early 2016 for the addition of 596 samples into the assay database.
- Improved topographic control through the use of 2015 LiDAR data to generate an updated digital terrain model. This ensured all drill collars (new and historical) were reconciled to a common and accurate representation of the land surface.

A comparison between the superseded Copi North Mineral Resource and the updated Copi North Mineral Resource is presented below.

Superseded Copi North

Cut-off grade 2.5% total heavy mineral (THM) as released 27 July 2015 under JORC 2012.

Resource Category	Tonnes (millions)	THM (%)	Slimes <53µm (%)	Oversize >1mm (%)
Inferred	4.6	6.5	3.0	1.8
Indicated	7.0	7.1	2.6	2.0
Total	11.6	6.9	2.8	1.9

Tonnes (millions)	THM (%)	Ilmenite (%)	Rutile (%)	Zircon (%)	Monazite (%)	Leucoxene (%)	Other HM (%)
11.6	6.9	54.4	10.8	11.3	1.0	10.0	12.6

Updated Copi North

Cut-off grade 2.5% total heavy mineral (THM) as released 27 May 2016 under JORC 2012.

Resource Category	Tonnes (millions)	THM (%)	Slimes <53µm (%)	Oversize >1mm (%)
Inferred	3.2	6.8	2.8	1.6
Indicated	11.0	6.3	2.7	2.4
Total	14.2	6.6	2.8	2.0

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

COMPETENT PERSONS 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 company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of mineral resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

GOVERNANCE ARRANGEMENTS & INTERNAL CONTROLS

Broken Hill Prospecting Limited (BPL) maintain high quality drill hole sampling and assay database QAQC procedures.

For mineral resources released under JORC 2012, these procedures are described in detail in the accompanying Table 1 as released to the ASX.

Drilling methods used to obtain mineral grade data for resource estimation purposes are restricted to diamond core, reverse circulation (RC) and reverse circulation air-core (RCAC) techniques.



These methods are deemed appropriate for the styles of mineralisation targeted.

Samples are submitted for assay through internationally accredited laboratories including ALS Global, Perth WA. In the case of heavy mineral sand resources, point count analysis of the HMS fraction for HMS assemblage determination is completed by Diamantina Laboratories, Perth WA. Sampling techniques are industry standard including rotary/cyclone splitting of RC and RCAC drill samples. Analytical standards are routinely inserted by BPL into the sample stream and sample duplicates are regularly collected and submitted for analysis. All laboratories engaged by BPL maintain their own internal QAQC procedures with results provided as QAQC reports to BPL.

A qualified geoscientist logs the geology of all drill holes in their entirety to a level of detail considered to accurately support resource estimation for the relevant style of deposit. The parameters recorded include lithology, mineralogy, alteration and mineralisation style. Specifically related to heavy mineral sands deposits parameters including grain size, cementation and clay content are also recorded. Visual estimates of mineral grade are used for comparative analysis with returned laboratory results. All drill hole logs and sample information is retained by BPL. Drill hole collars are surveyed using a DGPS.

Drill hole database validation is performed both internally and externally prior to use for resource estimation purposes.

Mineral resource estimates are undertaken by recognised independent consultants (Competent Persons) with the required relevant experience in the style of mineralisation, deposit type and activity with which they are undertaking. The consultants engaged include GEOS Mining, GNJ Consulting and H&S Consultants. The geological models and resource estimates are routinely updated when significant new drilling data are available.

Directors' REPORT.

OPERATING RESULT

The consolidated entity's loss for the year after providing for income tax was \$196,488 (2015: loss A\$31,844).

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.

Rights Issue

Broken Hill Prospecting Limited's fully underwritten 1 for 4 non-renounceable Rights Issue closed on 29 June 2015. A total of \$221,039.60 was received from Eligible Shareholders for a total of 5,525,990 shares, including applications for entitlements of 4,167,438 shares and applications for 1,358,552 additional shares. Under the terms of the issue, every

new issued share has an attaching new option exercisable at 8 cents and these expire on 12 November 2019.

The shortfall in subscriptions of (19,325,164 Shortfall Shares, equivalent to \$773,006.56) was taken up by International Pacific Capital Limited, as underwriter of the Rights Issue, and several sub-underwriters. The Company issued and allotted a total of 24,851,154 New Shares and 24,851,154 New Options under the Entitlement Offer.

HMS JOINT VENTURE

On 1 July 2016 BPL's joint venture partner, Relentless Resources Limited (RRL) provided the final \$0.5m payment to earn a 50% interest in three HMS tenements from that date.

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 remain open along strike in both directions.

2016 R&D TAX INCENTIVE SCHEDULE

The 2016 Research & Development Tax Incentive Schedule for Broken Hill Prospecting Limited for the year ended 30 June 2016 was calculated with assistance from KPMG and a refundable R&D Tax offset amount of \$256,474 was received on 23 June 2016.

APPOINTMENTS & CHANGES TO THE BOARD

Appointment of Company Secretary

Mr Donald W. de Boer was appointed as Company Secretary on 24 May 2016. Mr de Boer has developed considerable international and domestic expertise in understanding and managing the financial needs of public and private companies and high net worth clients.

As the Chairman and one of the Founders of BDH Leaders, a fully integrated financial service and strategic financial advisory firm that has core competencies built around accounting tax and company secretarial, Donald is able to bring a wealth of practical experience to any organisation. Donald has over 20 years' experience in dealing with ASX listed companies.

Resignation of Company Secretary

Mr Francesco Girotto resigned from the position of Company Secretary on 24 May 2016. The Company is most appreciative of Mr Girotto's contribution and expresses its sincere thanks.

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 Dr Ian Pringle as Managing Director 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 Johnston's 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.

Retirement of Managing Director

Dr Ian Pringle retired from all executive positions effective 30 April 2016.

Appointment of Non-Executive Director

Mr Geoffrey Hill was appointed to the board on 27 August 2015. Mr Hill was previously a director of the company from 1989 to June 2014. 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.

Appointment of Independent Non-Executive Director

Mr Denis Geldard was appointed to the board on 3 August 2015.

Mr Geldard is a mining engineer with considerable technical and operational experience in project development including more than 20 years of experience in the Heavy Mineral Sands Industry where he has held positions in Western Titanium Ltd, Associated Minerals Consolidated and Iluka Resources.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 4 July 2016 the Company invited eligible shareholders to participate in a Share Purchase Plan (SPP) as part of its capital raising program at an issue price of A\$0.081 per share. The Closing date of the SPP was 12 August 2016. 107 shareholders subscribed for 9,210,907 new shares in the Company raising additional capital for \$746,086 before costs.

On the 26 August 2016 the Company incorporated a new 100% subsidiary named Cobalt Blue Holdings Limited in anticipation of a corporate restructure. The new company is a public company limited by shares registered in NSW. Details of the restructure will be notified to shareholders when a final plan is approved by the directors.

ENVIRONMENTAL REGULATION

The consolidated entity participates in resource development and mineral exploration activities covered by mineral exploration/mining licences governed by the relevant States. These licences specify the environmental regulations applicable to the mining, development and exploration of minerals.

There have been no known material breaches of the environmental obligations of the entity's contracts or licences.

The consolidated entity maintains provision for land rehabilitation to the sum of \$125,000 (*see note 22: Provisions*). This provision is estimated based on the current status of land rehabilitation related to the entity's activities in consideration of guidelines provided by the New South Wales Department of Industry, Resources & Energy.

The provision is reviewed with each application for approval of exploration activities in accordance with licence conditions.

RISK MANAGEMENT

There are significant future risks and uncertainties for the Company and as such the Directors have implemented strategies to mitigate these risks.

The Company's primary assets comprise granted exploration (8) and mining licences (3).

Reporting and environmental conditions for these tenements are kept in good standing and the exploration expenditure requirements have been met.

The Company believes that there is no reason that these tenements will not be renewed or replaced at the end of current tenure.

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
Ian James Pringle	Managing Director	Appointed 14 April 2011 Retired 30 April 2016
Matthew Geoffrey Hill	Non-Executive Director	Appointed 14 March 2012
Denis Geldard	Non-Executive Director	Appointed 3 August 2015
Geoffrey Guild Hill	Non-Executive Director	Appointed 27 August 2015

DIRECTORS' MEETINGS

The number of meetings of the Directors, Audit Committee and Remuneration Committee held during the year ended 30 June 2016 and the numbers of meetings attended by each director were:

Directors	Board of Directors		Audit Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
FC O'Connor	8	7	3	2	2	1
IJ Pringle	5	5				
MG Hill	8	7	3	3	2	2
D Geldard	8	8	2	2		
GG Hill	8	8			2	2
Committee member						
D de Boer	N/A	N/A	3	3	N/A	N/A

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

DETAILS OF DIRECTORS

Francis Creagh O'Connor

AM, FAIM, FAICD

Chairman and Non-Executive Director (Independent). Member of the Remuneration Committee, Member of the Audit Committee. Term of office 16 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.

Matthew Geoffrey Hill

MBA, AFSL, FFin, APDT

Non-Executive Director, Member of the Remuneration Committee, Chairman of the Audit Committee. Term of office 4 years

Matthew Hill was the alternate Director of Geoffrey Hill from 14 March 2012 to 6 June 2014. On that date he was appointed Non-Executive Director. Geoffrey Hill retired as Non Executive Director on 30 June 2014. 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. 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.

Denis Geldard

AWASM, MAIMM

Non-Executive Director (Independent), Member of the Audit Committee
Appointed 3 August 2015

Denis Geldard was appointed to the Board on 3 August 2015

and has over 40 year's technical and operational experience in exploration and project development in Australia and internationally. He has over 20 years' experience specifically in the Heavy Mineral Sands Industry with companies such as Western Titanium Ltd, Associated Minerals Consolidated and Iluka Resources. Denis is a Mining Engineering graduate from the Kalgoorlie School of Mines in Western Australia. He has managed and run a number of junior and mid-tier mining and exploration companies and mining operations over the past 40 years including directorships of a number of Australian listed mining and exploration companies.

Geoffrey Guild Hill

B.Ec., MBA, FCPA, ASIA, FAICD

Non-Executive Director, Member of the Remuneration Committee. Appointed 27 August 2015

Geoff Hill was a founding director of the Company, serving from 1989 to 30 June 2014. He re-joined the Board on 27 August 2015. Geoff is a merchant banker, based in Hong Kong, with experience in mergers and capital raising and has acted for a wide range of corporate clients in Australia and overseas, particularly in the resources sector. He is Chairman of the International Pacific Securities Group. He is Chairman of ASX listed Pacific American Coal Limited and Asian Property Investments Limited. In the last three years he was previously Chairman of Mount Gibson Iron Ore Limited and a director of New Talisman Gold Mines Limited.

Ian James Pringle

BSc. (Hons), PhD, MAIG MAusIMM MAICD
Managing Director
Retired 30 April 2016

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 has a BSc (hons) in geology and a PhD in geology (petrology, geochemistry and mineralogy) from the university of Otago, New Zealand. Ian was a director of New Talisman Gold Mines Limited until 10 May 2016. Ian retired from the Board on 30 April 2016 but remains a consultant to the Company.

CEO AND OTHER OFFICERS

Anthony (Trangie) Johnston

B.Sc, M.Sc
Chief Executive Officer
Appointed 20 May 2016

Trangie Johnston was appointed to the post of Chief Executive Officer (CEO) on 20 May 2016. Trangie is a skilled geologist with 20 years' experience in exploration, project development and mining activities. His diversified career spans the private, public, consulting and government sectors, with experience throughout Australia and internationally.

Donald W de Boer

BA, CA
Company Secretary. Appointed 24 May 2016. Member of the Audit Committee since 22 January 2010.

Donald de Boer has extensive experience in corporate compliance for both listed and unlisted companies. He has been a chartered accountant for over 35 years.

Francesco Girotto

B.Com, CPA
Company Secretary
Retired 24 May 2016

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.

Remuneration REPORT.

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. The remuneration of the Chief Executive Officer appointed on 20 May 2016 is a fixed salary package which is not currently based on Company performance.

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 15 January 2016 in accordance with shareholders resolution the Company made a contribution to the plan equivalent to the issue of 11,000,000 listed options with an exercise price of A\$0.08 and expiry date 12 November 2019. The issue of options was to provide some reward to the KMP for their time spent in growing the Company's business and gives a strong incentive to align their interest to those of the shareholders.

For the 2016 financial year the key management personnel of the Company consisted of the Directors of Company and its subsidiaries, and, from 20 May 2016, the CEO Trangie Johnston.

NON-EXECUTIVE DIRECTOR'S 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 did 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 was terminated by mutual agreement on 30 April 2016 due to the retirement of the Managing Director on that date. A new Service Agreement dated 1 May 2016 has been entered into between the Company and the Contractor for an initial term of six months. The Contractor or the Company may terminate the agreement with 28 days notice. The Service fee is \$5,500 per month (including GST) for a minimum of one day per week.

SETTLEMENT ON RETIREMENT OF MANAGING DIRECTOR

Upon the retirement of the Managing Director on 30 April 2016, the Company paid the Contractor a retirement payment of \$43,333 plus GST. In addition, the Company has agreed to grant 1,000,000 (one million) ordinary shares in the Company to Dr Pringle or his nominee, subject to shareholder approval, with effect from the date of shareholder approval. The shares granted are to be held in escrow until 30 November 2016, after which they will be exercisable by Dr Pringle or his nominee. If the shareholders do not approve the grant of 1,000,000 (one million) ordinary shares to Dr Pringle or his nominee, the Company has agreed to pay Dr Pringle or his nominee an amount equivalent to 1,000,000 (one million) ordinary shares in the Company, valued at the share price as at close of trading on the date the shareholders approval is sought, provided that for the purpose of ASX Listing Rule 10.19 the combined payment of the value of the shares and the retirement payment of \$43,333 does not exceed 5 per cent of the equity of the Company on that day.

SERVICE AGREEMENT – MANAGING DIRECTOR OF 100% SUBSIDIARY

A Service Agreement dated 1 November 2014 was entered into between Broken Hill Minerals Pty Ltd, a 100% subsidiary of the company and Lotus Australian Holdings Pty Ltd ("Contractor"), being a company controlled by Ian Spence, Managing Director of Broken Hill Minerals Pty Ltd. Services are provided on a month to month basis. The Service fee is A\$1,000 per day.

SERVICE AGREEMENT – CHIEF EXECUTIVE OFFICER

An Employment Agreement dated 18 May 2016 has been entered into between the Company and Trangie Johnston. The Agreement commenced on 20 May 2016. The Agreement can be terminated by either party with one month's notice. The CEO's fixed remuneration under the Agreement is \$250,000 per annum, inclusive of superannuation. In addition, the Agreement allows, at the expiry of a probationary period of 90 days, for a bonus of \$35,000 as a sign on fee in the form of 500,000 shares at \$A0.07 per share, and the entitlement to participate in the Company's Share and Incentive Plan.

DIRECTORS AND OFFICERS INSURANCE & 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.

DETAILS OF REMUNERATION

Details of the remuneration and benefits of the Directors and key management personnel for the current and prior financial year are set out in note 9 of the financial statements.

The balances of the options held by the Directors and key management personnel at year end were:

FC O'Connor	1,500,000
MG Hill	1,500,000
GG Hill	1,500,000
D Geldard	1,500,000
I Spence	1,000,000
IJ Pringle	4,000,000
	11,000,000

All options are vested, have an exercise price of A\$0.08 and expiry date 12 November 2019.

Audit REPORT.

Level 6, 350 Kent Street
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75 Lyons Road
Drummoyne NSW 2047

K.S. Black & Co.

Chartered Accountants

ABN 48 117 620 556

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

INDEPENDENT AUDITOR'S REPORT

To the Members of Broken Hill Prospecting Limited and Subsidiaries

Report on the Year End Financial Report

We have audited the financial statements of Broken Hill Prospecting Limited and its subsidiaries on pages 28 to 45 inclusive, which comprise the consolidated and separate statement of financial position as at 30 June 2016, the consolidated and separate statement of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 207(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and which give a true and fair view of the matters to which they relate, and for such internal control as the 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

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

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, 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 well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Other than in our capacity as auditor, we have no relationship with or interests in Broken Hill Prospecting Limited or its subsidiaries.

Opinion

In our opinion, the consolidated and separate financial statements on pages 28 to 45 inclusive present fairly, in all material respects, the financial position of Broken Hill Prospecting Limited and its subsidiaries as at 30 June 2016 and their consolidated and separate financial performance and consolidated and separate cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards.

KS Black & Co
Chartered Accountants



Scott Bennison
Partner

Dated: 9/9/16

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Financial REPORT.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	CONSOLIDATED		PARENT	
		2016	2015	2016	2015
		A\$	A\$	A\$	A\$
Continuing Operations					
Revenue	3	302,352	169,109	269,114	159,124
Administrative and exploration expenses	4	(1,019,999)	(600,953)	(798,841)	(486,876)
Profit/(loss) for the year before income tax		(717,647)	(431,844)	(529,727)	(327,752)
Income tax expense	2	-	-	-	-
Profit/(loss) for the year		(717,647)	(431,844)	(529,727)	(327,752)
Other comprehensive income/(loss)					
Profit on disposal of interest in joint venture tenements net of tax	20b	521,159	400,000	-	-
Total comprehensive income/(loss) attributable to members of the parent entity		(196,488)	(31,844)	(529,727)	(327,752)
Earnings per share					
Basic earnings/(loss) per share from continuing operations	17	(0.16) cents	(0.03) cents	(0.43) cents	(0.34) cents
Diluted earnings/(loss) per share from continuing operations	17	(0.10) cents	(0.02) cents	(0.28) cents	(0.23) cents

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Share capital	Option reserve	Accumulated losses	Foreign currency translation	Total equity
	A\$	A\$	A\$	A\$	A\$
CONSOLIDATED					
2016	(note 13)		(note 12)		
Comprehensive income/(loss)	-	-	(196,488)	-	(196,488)
Options issued	-	88,000	-	-	88,000
Transfer to accumulated losses	-	(133,200)	133,200	-	-
Share issue	1,987,547	-	-	-	1,987,547
Share issuing costs	(334,184)	-	-	-	(334,184)
Movement in equity for the year	1,653,363	(45,200)	(63,288)	-	1,544,875
Equity at beginning of year	5,831,688	133,200	(3,264,873)	(477)	2,699,538
Equity at end of year	7,485,051	88,000	(3,328,161)	(477)	4,244,413
2015					
Comprehensive income/(loss)	-	-	(31,844)	-	(31,844)
Share issue	441,798	-	-	-	441,798
Share issuing costs	(35,298)	-	-	-	(35,298)
Movement in equity for the year	406,500	-	(31,844)	-	374,656
Equity at beginning of year	5,425,188	133,200	(3,233,029)	(477)	2,324,882
Equity at end of year	5,831,688	133,200	(3,264,873)	(477)	2,699,538
PARENT					
2016	(note 13)		(note 12)		
Comprehensive income/(loss)	-	-	(529,727)	-	(529,727)
Options issued	-	88,000	-	-	88,000
Transfer to accumulated losses	-	(133,200)	133,200	-	-
Share issue	1,987,547	-	-	-	1,987,547
Share issuing costs	(334,184)	-	-	-	(334,184)
Movement in equity for the year	1,653,363	(45,200)	(396,527)	-	1,211,636
Equity at beginning of year	5,831,688	133,200	(3,560,781)	(477)	2,403,630
Equity at end of year	7,485,051	88,000	(3,957,308)	(477)	3,615,266
2015					
Comprehensive income/(loss)	-	-	(327,752)	-	(327,752)
Share issue	441,798	-	-	-	441,798
Share issuing costs	(35,298)	-	-	-	(35,298)
Movement in equity for the year	406,500	-	(327,752)	-	78,748
Equity at beginning of year	5,425,188	133,200	(3,233,029)	(477)	2,324,882
Equity at end of year	5,831,688	133,200	(3,560,781)	(477)	2,403,630

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2016

	Note	CONSOLIDATED		PARENT	
		2016 A\$	2015 A\$	2016 A\$	2015 A\$
Equity					
Total equity	12,13	4,244,413	2,699,538	3,615,266	2,403,630
Total equity		4,244,413	2,699,538	3,615,266	2,403,630
Represented by:					
Current assets					
Cash and cash equivalents		1,391,675	114,643	1,355,997	109,611
Receivables and prepayments	10	63,603	151,973	47,737	101,397
Due from group companies	10	-	-	164,645	166,830
Total current assets		1,455,278	266,616	1,568,379	377,838
Non-current assets					
Property, plant & equipment	5	-	198	-	198
Intangible assets	6	2,864,932	2,494,492	2,118,343	2,091,931
Security deposits	19	125,000	115,000	20,000	20,000
Investment in subsidiaries	21	-	-	3,000	3,000
Total non-current assets		2,989,932	2,609,690	2,141,343	2,115,129
Total assets		4,445,210	2,876,306	3,709,722	2,492,967
Current liabilities					
Trade and other payables	7	75,797	176,768	74,456	89,337
Total current liabilities		75,797	176,768	74,456	89,337
Non-current liabilities					
Provisions	22	125,000	-	20,000	-
Total non-current liabilities		125,000	-	20,000	-
Total liabilities		200,797	176,768	94,456	89,337
Net assets		4,244,413	2,699,538	3,615,266	2,403,630

The accompanying notes form part of these financial statements.

For and on behalf of the Board



Creagh O'Connor AM
Chairman

Dated 9 September 2016



Geoffrey Hill
Director

Dated 9 September 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	CONSOLIDATED		PARENT	
		2016	Restated 2015	2016	2015
		A\$	A\$	A\$	A\$
Cash flows from operating activities					
Interest received		17,452	5,121	12,640	5,121
Fees received		43,526	-	-	-
Research and development tax incentive		256,474	154,003	256,474	154,003
Payments to suppliers and employees		(907,441)	(668,827)	(790,124)	(511,670)
Net cash applied to operating activities	14	(589,989)	(509,703)	(521,010)	(352,546)
Cash flows from investing activities					
Prospecting expenditure		(525,442)	(460,665)	(27,252)	(55,024)
Proceeds from disposal of joint venture interest		600,000	400,000	-	-
Net cash provided from/(applied to) investing activities		74,558	(60,665)	(27,252)	(55,024)
Cash flows from financing activities					
Net loans (to)/from subsidiaries		-	-	2,185	(167,830)
Issue of options		88,000	-	88,000	-
Issue of shares		1,987,547	441,798	1,987,547	441,798
Share issuing costs		(283,084)	(35,298)	(283,084)	(35,298)
Net cash provided from financing activities		1,792,463	406,500	1,794,648	238,670
Net increase/(decrease) in cash and cash equivalents held		1,277,032	(163,868)	1,246,386	(168,900)
Cash and cash equivalents at the beginning of the year		114,643	278,511	109,611	278,511
Cash and cash equivalents at the end of the year		1,391,675	114,643	1,355,997	109,611
Cash comprises:					
Cash at bank		1,391,675	114,643	1,355,997	109,611
		1,391,675	114,643	1,355,997	109,611

The comparative for the 2015 year was restated to include movements in the joint venture on a line by line basis in place of net movements. The change has no impact to periods prior to 30 June 2015. The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

01 Statement of accounting policies

Reporting entity: Broken Hill Prospecting Limited is a profit-oriented company incorporated in New Zealand registered under the Companies Act 1993 and listed on the Australian Securities Exchange (ASX).

Broken Hill Prospecting Limited is an issuer for the purposes of the Financial Reporting Act 2013. The financial statements of Broken Hill Prospecting Limited have been prepared in accordance with the Financial Reporting Act 2013.

The group consists of Broken Hill Prospecting Limited (the “Company”) and its 100% owned subsidiaries (the “group”). A list of the subsidiaries is provided in Note 21. These financial statements comprise the separate financial statements of the parent company and the consolidated financial statement of the group. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation.

The Company and its subsidiaries are engaged in minerals exploration.

The Directors authorise these financial statements for issue on 9 September 2016.

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 comply with New Zealand equivalents to the

International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for for-profit oriented entities.

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.

Changes in accounting policies: There have been no significant changes in accounting policies. All policies have been applied on bases consistent with those used in the prior period. The impact of new Standards is not expected to be material.

New and revised standards: New Standards and amendments not adopted early:

- NZ IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018)
- NZ IFRS 14 Regulatory Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016)
- NZ IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017)
- NZ IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019)

There would be no changes to the financial statements as a result of these changes and amendments.

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 recognised 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 statement of comprehensive income through the amortisation 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 expenditure on exploration and mining tenements is initially recorded at cost. Exploration and evaluation costs are capitalised as deferred expenditure.

In the event where exploration demonstrates a tenement is no longer prospective for economically recoverable reserves, or the exploration licence is relinquished, the value or cost of the tenement is immediately recognised as an expense in the statement of comprehensive income.

Prospecting costs are expected to be recovered from future mining revenues. The recoverability of the exploration and evaluation asset is contingent upon future events, such as technical success and commercial development, sale of the area of interest, the results of further exploration, agreements entered into with other parties, and also upon meeting commitments under the terms of the tenement licences.

(e) **Mining tenements:** When a tenement is assessed as capable of sustaining commercial mining operations, capitalised exploration and evaluation expenditure is reclassified as assets under construction and is disclosed as a component of property, plant and equipment. All subsequent development expenditure, net of any proceeds from ore sales during the development stage, is capitalised and classified as assets under construction. On completion of development, the value or cost of accumulated exploration and development costs will be reclassified as other mineral assets and amortised on the basis of units of production over the expected productive life of the mine.

Provision is made for estimated future rehabilitation and reinstatement costs following

mining. These costs will be amortised over the life of the mine.

(f) **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.

(g) **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.

(h) **Property, plant, and equipment:** The group 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

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) Restoration and rehabilitation provisions: Both for close down 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.

02 Taxation

	CONSOLIDATED		PARENT	
	2016 A\$	2015 A\$	2016 A\$	2015 A\$
Accounting profit/(loss) before taxation	(196,488)	(31,844)	(529,728)	(327,752)
Prima facie income tax (benefit) at 30% (2015: 30%)	(58,947)	(9,553)	(158,918)	(98,326)
Add (subtract) tax effect of permanent differences	(100,103)	(114,216)	(100,103)	(114,240)
Tax losses not recognised	(159,050)	(123,769)	(259,021)	(212,566)
Temporary differences not recognised	(73,950)	(137,916)	(1,966)	(17,147)
Income tax expense (benefit) not recognised	(233,000)	(261,685)	(260,987)	(229,713)

Deferred tax and income tax benefits are not recognised unless future taxable income 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 double tax agreement between Australia and New Zealand, the company is treated as a resident of Australia.

Losses accrued in Australia will be available to offset future taxable income only if:

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

The company from 1 July 2014 is part of a consolidated group for tax purposes. Carried forward losses of the consolidated entity are A\$4,844,183 (2015: A\$4,637,460) calculated before R&D adjustments.

There were no movements through the company's imputation credit account during the year. The balance at 30 June 2016 was A\$nil (2015 – A\$nil).

03 Revenue

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	A\$	A\$	A\$	A\$
Interest received	17,452	5,121	12,640	5,121
Management fees	28,426	9,985	-	-
Research and development tax incentive	256,474	154,003	256,474	154,003
Total revenue	302,352	169,109	269,114	159,124

04 Administrative and exploration expenses

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	A\$	A\$	A\$	A\$
Auditors' remuneration – auditing the accounts	(30,343)	(21,649)	(30,343)	(21,649)
Management fees	(133,108)	(170,770)	(94,348)	(132,630)
Accounting, company secretarial, legal	(171,857)	(164,921)	(149,497)	(139,985)
Consulting fees	(156,501)	(49,612)	(156,501)	(49,612)
Directors' fees	(82,554)	(55,240)	(82,554)	(55,240)
Contribution to Option Plan	(88,000)	-	(88,000)	-
Depreciation	(198)	(424)	(198)	(424)
Share of expenses in JV	(49,952)	(44,697)	-	-
Provision for rehabilitation	(125,000)	-	(20,000)	-
Other administrative and exploration expenses	(182,486)	(93,640)	(177,400)	(87,336)
Total administrative and exploration expenses	(1,019,999)	(600,953)	(798,841)	(486,876)

The total amount of donations made by the company and the group during the year ended 30 June 2016 was A\$nil (2015 - A\$nil).

05 Property plant & equipment

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	A\$	A\$	A\$	A\$
Office equipment				
Opening balance	198	622	198	622
Depreciation	(198)	(424)	(198)	(424)
Total office equipment	-	-	-	198
Total property plant & equipment	-	(198)	-	198

06 Intangible assets

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	A\$	A\$	A\$	A\$
Prospecting costs and mining tenements				
Balance at the beginning of the year	2,494,492	2,036,907	2,091,931	2,036,907
Exploration and evaluation expenses	467,825	457,585	26,412	55,024
Exploration costs written off	-	-	-	-
Less: Interest disposed	(97,385)	-	-	-
Balance at year end	2,864,932	2,494,492	2,118,343	2,091,931

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 carrying amount in the exploration and evaluation expenditure is dependent on the establishment of economic operations or the realisation of the group's economic interest in the relevant mining tenements.

In accordance with NZ IFRS 6 the management has verified that there are no facts and circumstances that may suggest that the carrying value of the exploration and evaluation asset may exceed its recoverable amount.

07 Trade and other payables

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	A\$	A\$	A\$	A\$
Current				
Trade payables	34,965	127,219	34,000	46,931
Other payables and accrued expenses	29,828	27,476	29,827	25,588
Due to related parties	9,425	22,073	7,050	14,818
Due to subsidiaries	-	-	2,000	2,000
Provision employee entitlements	1,579	-	1,579	-
	75,797	176,768	74,456	89,337

08 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. Amount paid to directors related entities for consulting and other services were both for the parent company and for the group A\$2,520 (2015: A\$1,280).

During the financial year the interest of So Co Ltd and New Talisman Gold Mines Ltd in the capital of the company has reduced respectively from 34.6% to nil and from 18% to 0.07%. The two entities are no longer considered related parties.

The Hill Family Group Pty Ltd as at balance date holds 25.2% of the shares in the company (2015:0.01%). One of the directors of this entity is also a director of the company. No amounts were due to directors related entities as at balance date (2015:A\$14,818 parent and A\$22,073 consolidated entity)

In addition, no amounts (2015: A\$22,125) were due to related parties by the Joint Venture with Relentless Resources.

No related party debts were written off during the year.

09 Key management personnel

	Fixed Fees A\$	Contribution Option Plan* A\$	Consulting & Management Fees A\$	Total A\$
CONSOLIDATED				
2016				
Directors' Fees				
FC O'Connor	25,000	12,000	-	37,000
D Geldard	18,152	12,000	7,200	37,352
GG Hill	16,902	12,000	-	28,902
MG Hill	22,500	12,000	-	34,500
	82,554	48,000	7,200	137,754
Consulting and Management Fees				
IJ Pringle (Managing Director) (retired 30 April 2016)	-	32,000	191,079	223,079
I Spence (Managing Director of subsidiary)	-	8,000	105,191	113,191
A Johnston (CEO) (appointed 20 May 2016)	29,053	-	-	29,053
	111,607	88,000	303,470	503,077

Portion of the consulting and management fees have been capitalised in the balance sheet as exploration and evaluation expenses. Management fees paid to Dr Ian Pringle include \$43,333 retirement benefit.

Under a deed of release and settlement Dr Pringle is entitled, subject to shareholders approval, to 1,000,000 shares. If shareholders do not approve the grant of the shares then the company will pay an amount equivalent to the value of those shares as at the close of the shareholders meeting date as long as it does not exceed the value of 5% of the equity of the company on that day. Resolution for the issue of these shares will be submitted to the shareholders at the next AGM.

	Fixed Fees	Contribution Option Plan	Consulting & Management Fees	Total
	A\$	A\$	A\$	A\$
CONSOLIDATED				
2015				
Directors' Fees				
FC O'Connor	25,000	-	-	25,000
RG Barnes (retired 19 November 2014)	7,740	-	-	7,740
MG Hill	22,500	-	-	22,500
	55,240	-	-	55,240
Consulting and Management Fees				
IJ Pringle (Managing Director)	-	-	155,645	155,645
I Spence (Managing Director of subsidiary)	-	-	45,899	45,899
R G Barnes (retired 19 November 2014)	-	-	2,400	2,400
	55,240	-	203,944	259,184

	Fixed Fees	Contribution Option Plan*	Consulting & Management Fees	Total
	A\$	A\$	A\$	A\$

PARENT**2016****Directors' Fees**

FC O'Connor	25,000	12,000	-	37,000
Denis Geldard	18,152	12,000	-	30,152
GG Hill	16,902	12,000	-	28,902
MG Hill	22,500	12,000	-	34,500
	82,554	48,000	-	130,554
Consulting and Management Fees				
IJ Pringle	-	32,000	94,348	126,348
Ian Spence	-	8,000	23,875	31,875
	82,554	88,000	118,223	288,777

*Options allocated under the plan were:

2016	Options granted No.	Grant value A\$
FC O'Connor	1,500,000	12,000
Denis Geldard	1,500,000	12,000
GG Hill	1,500,000	12,000
MG Hill	1,500,000	12,000
Ian Pringle	4,000,000	32,000
Ian Spence	1,000,000	8,000
	11,000,000	88,000

	Fixed Fees	Contribution Option Plan	Consulting & Management Fees	Total
	A\$	A\$	A\$	A\$
PARENT				
2015				
Directors' Fees				
FC O'Connor	25,000	-	-	25,000
RG Barnes (retired 19 November 2014)	7,740	-	-	7,740
MG Hill	22,500	-	-	22,500
	55,240	-	-	55,240
Consulting and Management Fees				
IJ Pringle	-	-	132,630	132,630
Ian Spence	-	-	30,774	30,774
R G Barnes	-	-	2,400	2,400
	55,240	-	165,804	221,044

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 (2015: nil).

10 Receivables and prepayments

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	A\$	A\$	A\$	A\$
Trade receivables	5,624	4,154	-	-
GST refundable	41,975	49,322	31,734	9,108
Accrued income	-	6,208	-	-
Prepayments	16,004	92,289	16,003	92,289
	63,603	151,973	47,737	101,397

All financial assets are within the contracted terms.

	PARENT	
	2016	2015
	A\$	A\$
Amounts due from group		
Current		
Due from subsidiary – Broken Hill Minerals Pty Ltd	164,645	166,830

11 Share-based payments

Following shareholders resolutions made on the 18 November 2015, the company made a contribution to the share incentive plan (Plan) for the benefit of directors and contractors of A\$88,000. The contribution was used by the Plan to acquire 11,000,000 options in the company for the same value. The options which are the same class of the listed options, are exercisable at 8 cents and have expiry date 12/11/2019. The options hold no dividend or voting rights and vest immediately. The fair value of the options granted represents the closing market value on the ASX on the day of granting (A\$0.008).

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:

	CONSOLIDATED		PARENT	
	Number of options	WAEP A\$	Number of options	WAEP A\$
	2016	2016	2015	2015
Options outstanding as at 1 July	9,900,000	0.20	9,900,000	0.20
Granted	11,000,000	0.08	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(9,900,000)	0.20	-	-
Options outstanding as at 30 June	11,000,000	0.08	9,900,000	0.20

All outstanding options are vested and exercisable.

The weighted average contractual life of options outstanding at year-end was 3.4 years (2015: 0.64 years). Share based payments that were included in the statement of comprehensive income were \$88,000 (2015: nil).

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to another component of the equity account.

12 Retained earnings / (carried forward losses)

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	A\$	A\$	A\$	A\$
Balance at the beginning of the year	(3,264,873)	(3,233,029)	(3,560,781)	(3,233,029)
Transfer from option reserve (on expiry of options)	133,200	-	133,200	-
Profit/(loss) for the year	(196,488)	(31,844)	(529,727)	(327,752)
Balance at the end of the year	(3,328,161)	(3,264,873)	(3,957,308)	(3,560,781)

13 Share capital

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	A\$	A\$	A\$	A\$
136,674,521 Ordinary shares – (2015: 99,404,617)	7,485,051	5,831,688	7,485,051	5,831,688

Movement in share capital	CONSOLIDATED		PARENT	
	No. of shares	A\$	No. of shares	A\$
Share capital at 30 June 2014	88,359,660	5,425,188	88,359,660	5,425,188
Movements during the year ended				
30 June 2015:				
12 November 2014 share issue	11,044,957	441,798	11,044,957	441,798
Share issue costs		(35,298)		(35,298)
Share capital at 30 June 2015	99,404,617	5,831,688	99,404,617	5,831,688
Movements during the year ended				
30 June 2016:				
20 July 2015 share issue	24,851,154	994,047	24,851,154	994,047
30 May 2015 exercise of options	18,750	1,500	18,750	1,500
8 June 2016 private placement	12,400,000	992,000	12,400,000	992,000
Share issue costs		(334,184)		(334,184)
Share capital at 30 June 2016	136,674,521	7,485,051	136,674,521	7,485,051
Movement in options	No of options	A\$	No of options	A\$
Options with expiry 17 February 2016, ex. price 20 cents				
Options at 30 June 2014	38,650,000	133,200	38,650,000	133,200
Options at 30 June 2015	38,650,000	133,200	38,650,000	133,200
17 February 2016 options expired	(38,650,000)	(133,200)	(38,650,000)	(133,200)
Options at 30 June 2016	-	-	-	-
Options with expiry 12 November 2019, ex. price 8 cents				
Options at 30 June 2014	-	-	-	-
12 November 2014 options issued	11,044,957	-	11,044,957	-
Options at 30 June 2015	11,044,957	-	11,044,957	-
20 July 2015 options issued	24,851,154	-	24,851,154	-
18 January 2016 options issued	11,000,000	88,000	11,000,000	88,000
30 May 2016 options exercised	(18,750)	-	(18,750)	-
8 June 2016 options issued	6,200,000	-	6,200,000	-
Options at 30 June 2016	53,077,361	88,000	53,077,361	88,000

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.

14 Reconciliation of operating cash flow & net income

	Note	CONSOLIDATED		PARENT	
		2016	Restated 2015	2016	2015
		A\$	A\$	A\$	A\$
Net income / (loss)		(196,488)	(31,844)	(529,727)	(327,752)
Add non-cash items:					
Depreciation		198	424	198	424
Profit on disposal of interest in tenement	20b	(521,159)	(400,000)	-	-
Add (less) movement in working capital:					
Increase (decrease) in payables and accruals		(169)	134,280	10,600	41,770
Decrease (increase) in security deposits		(10,000)	(95,000)	-	-
Decrease (increase) in trade receivables		(1,470)	(4,154)	-	-
Decrease (increase) in other receivables		-	51	-	51
Decrease (increase) in prepayments		(1,035)	(74,594)	(1,035)	(74,594)
Decrease (increase) in accrued income		6,208	(6,208)	-	-
Decrease (increase) in GST receivable		7,347	(32,658)	(22,625)	7,555
Increase (decrease) in provisions		126,579	-	21,579	-
Net cash flows applied to operating activities		(589,989)	(509,703)	(521,010)	(352,546)

15 Financial instruments

Credit Risk: Financial instruments which potentially subject the group 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.

Currency Risk: The group has no direct exposure to foreign currency exchange risk as transactions from normal trading activities are mainly denominated in Australian currencies. The group 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 group 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 group had only one business segment – mineral exploration within Australia.

17 Earnings per share

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
Profit/(loss) from continuing operations	A\$(196,488)	A\$(31,844)	A\$(529,727)	A\$(327,752)
Weighted average number of shares on issue	124,145,964	95,319,496	124,145,964	95,319,496
Basic earnings/(loss) per shares	(0.16) cents	(0.03) cents	(0.43) cents	(0.34) cents
Diluted average shares on issue	189,195,212	149,099,574	189,195,212	149,099,574
Diluted earnings/(loss) per share	(0.10) cents	(0.02) cents	(0.28) cents	(0.23) 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.

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	A\$	A\$	A\$	A\$
Not later than 1 year	256,046	283,085	216,000	159,085
Later than 1 year but not later than 5 years	62,774	237,863	61,233	202,192
Later than 5 years	-	-	-	-
	318,820	520,948	277,233	361,277

Other commitments

The contract for the CEO Anthony Johnston provides for a signing fee of \$35,000 in the form of 500,000 shares at 7 cents per share at the conclusion of the probationary period in August 2016 if the employment is confirmed.

19 Security deposits

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	A\$	A\$	A\$	A\$
Security deposits for tenements	125,000	115,000	20,000	20,000
	125,000	115,000	20,000	20,000

20 Joint ventures

a) Broken Hill Minerals Pty Ltd (BHM), a 100% subsidiary of the parent company, as at 30 June 2016 held a 60% interest in a joint venture with Relentless Resources Limited (RRL). The aim of this joint venture is to fund and manage the company's advanced Heavy Mineral Sands (HMS) projects in EL8311, EL8312 and EL8385.

RRL will make staged payments totalling A\$2,000,000 to earn a 50% participating interest in the Joint Venture. As at 30 June 2016 RRL had made payments totalling A\$1,500,000 earning a 40% interest in the Joint Venture (30 June 2015 - A\$500,000, 20% interest). On 1 July 2016 RRL made an additional payment

of A\$500,000 earning an additional 10% (total of 50%). Since inception the Joint Venture has capitalised a total of A\$1,185,314 (2015: A\$486,927) of exploration and evaluation expenditure.

BHM as manager of the JV is entitled to a service payment of 10% of the direct management costs. Total fees received or receivable by BHM were A\$71,065, (2015: A\$49,924).

b) In accordance with NZ IFRS 11 the group recognised a gain of A\$521,159 from the disposal of a further 20% interest in the joint venture tenements (2015: A\$400,000 for a 10% interest).

c) The Group's share of assets and liabilities in this joint venture that have been included in the consolidated financial statements are as follows:

	2016	2015
	A\$	A\$
Current assets		
Cash and cash equivalents	35,679	5,032
Trade and other receivables	10,314	38,222
Total current assets	45,993	43,254
Non-current assets		
Exploration and evaluation expenditure	711,188	389,541
Total non-current assets	711,188	389,541
Total assets	757,181	432,795
Liabilities		
Trade and other payables	8,436	117,431
Total liabilities	8,436	117,431
Net assets	748,745	315,364

The ultimate recovery of the carrying amount in the exploration and evaluation expenditure is dependent on the establishment of economic operations or the realisation of the entity's economic interest in the relevant mining tenements.

21 Interests in subsidiaries

Name of Entity	Equity Held		Country of Incorporation	Activity
	2016	2015		
Broken Hill Uranium Pty Ltd	100%	100%	Australia	Inactive
Broken Hill Chemical Pty Ltd	100%	100%	Australia	Inactive
Broken Hill Minerals Pty Ltd	100%	100%	Australia	Mineral Exploration

All subsidiaries are direct subsidiaries of the company and all have the same balance date. The investment in each subsidiary is recorded at cost in the company's statement of financial position.

22 Provisions

	CONSOLIDATED		PARENT	
	2016	2015	2016	2015
	A\$	A\$	A\$	A\$
Provision for land rehabilitation	125,000	-	20,000	-
	125,000	-	20,000	-

23 Contingencies

Subject to shareholders approval Dr Pringle is entitled to 1,000,000 shares or equivalent payment in cash (see more details in note 9). Other than that, there were no other contingent liabilities at balance date (2015 - nil).

24 Going Concern

The financial report has been prepared on a going concern basis. Since 30 June 2016 the parent company raised sufficient funds to ensure that expected financial obligations can continue to be met for longer than 12 months (see also note 26).

The company expects that the majority of exploration and evaluation expenses in the next financial year will be funded from joint venture partners.

25 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.

26 Post balance date events

There were no adjusting events but the following significant non-adjusting events occurred between balance date and the authorising date:

- On 4 July 2016 the Company invited eligible shareholders to participate in a Share Purchase Plan (SPP) as part of its capital raising program at an issue price of A\$0.081 per share. The Closing date of the SPP was 12 August 2016. 107 shareholders subscribed for 9,210,907 new shares in the Company raising additional capital for \$746,086 before costs.
- On the 26 August 2016 the Company incorporated a new 100% subsidiary named Cobalt Blue Holdings Limited in anticipation of a corporate restructure. The new company is a public company limited by shares registered in NSW. Details of the restructure will be notified to shareholders when a final plan is approved by the directors.

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 2016.
 - (a) Comply with New Zealand International Financial Reporting Standards (IFRS), and
 - (b) Give a true and fair view of the group's financial position as at 30 June 2016 and its performance and cash flows for the period ended on that date.
2. In the Directors opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

For and on behalf of the Board



Creagh O'Connor AM
Chairman



Geoffrey Hill
Director

Dated 9 September 2016

Dated 9 September 2016

Additional INFORMATION.

DIRECTORS INFORMATION

The following general disclosures of interests were received in relation to the year ended 30 June 2016:

Director	Relevant Interest in Ordinary Shares	Relevant Interest in Listed Options
IJ Pringle	Nil	4,000,000
FC O'Connor	Nil	1,500,000
MG Hill	5,000	1,500,000
GG Hill	47,200,485	5,157,264
D Geldard	Nil	1,500,000

DIRECTORS DISCLOSURE OF INTERESTS

The following general disclosures of interests were received in relation to the year ended 30 June 2016:

Director	Entity	Status
MG Hill	New Talisman Gold Mines Limited	Director
	International Pacific Capital Limited	Director
	Hill Family Group Pty Ltd	Director & beneficiary of a trust for which it is trustee
GG Hill	International Pacific Capital Limited	Director
	Frank Dowling Pty Ltd	Director
	Nimpod Pty Ltd	Director
	Top Sail Limited	Director
	International Pacific Securities Ltd (HK)	Director
	International Pacific Securities Ltd	Director
	IPS Nominees Limited	Shareholder
	HFT Nominees Pty Ltd	Beneficiary of a trust for which it is trustee
Hill Family Group Pty Ltd	Beneficiary of a trust for which it is trustee	

SHAREHOLDER INFORMATION AS AT 23 AUGUST 2016

SUBSTANTIAL SHAREHOLDERS

Name	No. of Ordinary Shares	% of Ordinary Shares
Hill Family Group Pty Ltd	34,391,000	23.57%

DISTRIBUTION OF EQUITY SECURITIES

Size of Holding	Ordinary Shares	Options exercisable @ 8c expiring 12/11/2019 (Quoted)
1 – 1000	62	3
1,001 - 5,000	27	39
5,001 – 10,000	189	18
10,001 to 100,000	378	63
100,001 and over	199	50
TOTAL	855	173
Number of securities	145,885,428	53,077,361

The number of holders of ordinary shares that held unmarketable parcels was 102.

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.

20 LARGEST SHAREHOLDERS

Name	No. Ordinary Shares	% Ordinary Shares
Hill Family Group Pty Ltd	34,391,000	23.57%
Hong Kong Far East Capital Limited	3,880,000	2.66%
Australian Minerals Investments Pty Ltd <Ballotta A/C>	3,330,000	2.28%
Zacob Pty Ltd <R&M Biancardi A/C>	3,033,750	2.12%
John Wardman & Associates Pty Ltd <The Wardman Super Fund A/C>	2,600,000	1.78%
Gregorach Pty Ltd	2,550,185	1.75%
Ellie Barikhan <Ballotta A/C>	2,500,000	1.71%
IPS Nominees Limited	2,482,100	1.70%
Gregorach Pty Ltd <Grigor Superfund A/C>	2,446,785	1.68%
Soon Enterprises Pty Ltd <LOH Family Super Fund A/C>	2,373,513	1.63%
Gregorach Pty Ltd	2,250,585	1.54%
Aquastir Pty Ltd <The PMW Family A/C>	2,085,185	1.43%
Zacob Pty Ltd <R&L Biancardi Suoer Fund A/C>	2,085,185	1.43%
R E G Investments Pty Ltd	1,650,000	1.13%
HSBC Custody Nominees (Australia) Ltd <Euroclear Bank SA NV A/C>	1,562,500	1.07%
ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,278,496	0.88%
Shan Holdings Ltd	1,260,000	0.86%
Fitzwilliam Holdings Pty Ltd	1,250,000	0.86%
International Pacific Capital Limited	1,185,164	0.81%
McGee Constructions Pty Ltd <McGorman Superfund A/C>	1,095,000	0.80%
Totals	75,351,176	51.65%

20 LARGEST OPTIONHOLDERS – QUOTED OPTIONS

Name	No. Options exercisable @ 8c expiring 12/11/2019 (Quoted)	% Options (Quoted)
Trinity Management Pty Ltd	11,000,000	20.72%
Zacob Pty Ltd <R&M Biancardi A/C>	3,983,750	7.51%
Hong Kong Far East Capital Limited	3,880,000	7.31%
Australian Minerals Investments Pty Ltd <Ballotta A/C>	3,280,000	6.18%
Ellie Barikhan <Ballotta A/C>	2,500,000	4.71%
Gregorach Pty Ltd	2,483,015	4.68%
IPS Nominees Limited	2,482,100	4.68%
John Wardman & Associates Pty Ltd <The Wardman Super Fund A/C>	2,138,750	4.03%
Gregorach Pty Ltd	2,065,400	3.89%
Mr K Korkidas Pty Ltd <M&K Korkidas P/L S/Fund A/c>	1,441,482	2.72%
Fitzwilliam Holdings Pty Ltd	1,250,000	2.36%
International Pacific Capital	1,175,164	2.21%
Lobster Beach Pty Ltd	1,000,000	1.88%
Mr Jonathan Gwynne Meyer	1,000,000	1.88%
McGee Constructions Pty Ltd <McGorman Super Fund A/C>	995,000	1.87%
Aquastir Pty Ltd <The PMW Family A/C>	950,000	1.79%
Mr Ulrich Muco	600,000	1.13%
Three Bridges Capital Pty Ltd	550,000	1.04%
Mr Christopher Geoffrey Lancaster	512,500	0.97%
Mr Steven Valtas + Mrs Helen Nina Valtas	500,000	0.94%
Totals	43,787,161	82.50%

TENEMENTS AS AT 30 JUNE 2016

Tenement Name	Tenement No.	Location	Ownership
Thackaringa Cobalt Project			
Pine Ridge	EL6622	Broken Hill, NSW Australia	100%
Felspar Creek	EL8143	Broken Hill, NSW Australia	100%
Pyrite Hill	ML86	Broken Hill, NSW Australia	100%
Big Hill	ML87	Broken Hill, NSW Australia	100%
South Broken Hill Heavy Mineral Sands Project			
Nanya North	EL 8308	Broken Hill, NSW Australia	100%
Springwood	EL 8309	Broken Hill, NSW Australia	100%
Milkengay	EL 8310	Broken Hill, NSW Australia	100%
Heavy Mineral Sands Joint Venture*			
Woolcunda	EL8311	Broken Hill, NSW Australia	60%
Copi	EL8312	Broken Hill, NSW Australia	60%
Sunshine	EL8385	Broken Hill, NSW Australia	60%

*Exploration Licences EL8311, EL8312 and EL8385 are subject to a joint venture and farm in agreement with Relentless Resources Limited (RRL). As at 1 July 2016 the interest in these tenements changed to 50%.

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.
4. The Corporate Governance Statement is listed in our website at <http://www.bhpl.biz/wp-content/uploads/2011/09/Corporate-Governance-Statement-2016.pdf>

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PROSPECTING

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