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BROKEN HILL PROSPECTING LIMITED

**HALF YEAR REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2014**

BROKEN HILL PROSPECTING LIMITED

(Incorporated in New Zealand)

NZ Company Number: 322887

NZ Financial Services Provider Number FSP32949

ABN: 83 003 453 503 (Australia)

HALF YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

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BROKEN HILL PROSPECTING LIMITED

**COMPANY DIRECTORY
AS AT 31 DECEMBER 2014**

<p>DIRECTORS F Creagh O'Connor (Chairman) Ian J Pringle (Managing Director) Matthew G Hill</p>	<p>AUDITORS K.S. Black & Co. Level 6 350 Kent Street Sydney NSW 2000</p>																		
<p>COMPANY SECRETARY Francesco Giroto</p>	<p>BANKERS National Australia Bank, Sydney</p>																		
<p>REGISTERED OFFICE Ground Floor Nathan House 541 Parnell Road Parnell, Auckland 1052 New Zealand</p>	<p>SECURITIES LISTED Australian Securities Exchange: Code BPL (shares)</p>																		
<p>AUSTRALIAN OFFICE Level 14, 52 Phillip Street Sydney NSW 2000</p> <p>Box 3486 GPO SYDNEY NSW 2001</p> <p>Phone: (+61 2) 9252 5300 Fax: (+61 2) 9252 8400 Email: info@bhpl.biz</p> <hr/> <p>WEBSITE www.bhpl.biz</p>	<p>SHARE REGISTRAR AUSTRALIA Computershare Investor Services Pty Ltd Level 5, 115 Grenfell Street Adelaide, South Australia 5001 Phone: 1300 556 161 (within Australia) (+61 3) 9415 4000 (outside Australia)</p> <p>www.computershare.com.au</p>																		
<p>INTERESTS IN MINING TENEMENTS HELD BY THE COMPANY AND ITS SUBSIDIARIES</p> <table border="0"> <tr> <td>Mining Lease 86, Broken Hill NSW Australia</td> <td align="right">- 100%</td> </tr> <tr> <td>Mining Lease 87, Broken Hill NSW Australia</td> <td align="right">- 100%</td> </tr> <tr> <td>Exploration License 6622, Broken Hill NSW Australia</td> <td align="right">- 100%</td> </tr> <tr> <td>Exploration License 8143, Broken Hill NSW Australia</td> <td align="right">- 100%</td> </tr> <tr> <td>Exploration License 8308, Broken Hill NSW Australia</td> <td align="right">- 100%</td> </tr> <tr> <td>Exploration License 8309, Broken Hill NSW Australia</td> <td align="right">- 100%</td> </tr> <tr> <td>Exploration License 8310, Broken Hill NSW Australia</td> <td align="right">- 100%</td> </tr> <tr> <td>Exploration License 8311, Broken Hill NSW Australia</td> <td align="right">- 100% (JV, 80% Broken Hill Minerals Pty Ltd, 20% Relentless Resources Ltd)</td> </tr> <tr> <td>Exploration License 8312, Broken Hill NSW Australia</td> <td align="right">- 100% (JV, 80% Broken Hill Minerals Pty Ltd, 20% Relentless Resources Ltd)</td> </tr> </table>		Mining Lease 86 , Broken Hill NSW Australia	- 100%	Mining Lease 87 , Broken Hill NSW Australia	- 100%	Exploration License 6622 , Broken Hill NSW Australia	- 100%	Exploration License 8143 , Broken Hill NSW Australia	- 100%	Exploration License 8308 , Broken Hill NSW Australia	- 100%	Exploration License 8309 , Broken Hill NSW Australia	- 100%	Exploration License 8310 , Broken Hill NSW Australia	- 100%	Exploration License 8311 , Broken Hill NSW Australia	- 100% (JV, 80% Broken Hill Minerals Pty Ltd, 20% Relentless Resources Ltd)	Exploration License 8312 , Broken Hill NSW Australia	- 100% (JV, 80% Broken Hill Minerals Pty Ltd, 20% Relentless Resources Ltd)
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BROKEN HILL PROSPECTING LIMITED
DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

The Directors present the following report including financial statements of the company for the six months ended 31 December 2014.

DIRECTORS

The names of the Directors of the Company during the half-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
Matthew Geoffrey Hill	Non-Executive Director	Appointed 14 March 2012
Robert George Barnes	Non-Executive Director	Appointed 6 July 2012 – Retired 19 November 2014

ACTIVITIES

The principal activity of Broken Hill Prospecting Limited (BPL) is exploration for cobalt and base metals in the Broken Hill district (NSW). The nature of the company's business has not changed during the period under review.

Broken Hill Prospecting Limited ("BPL") is pleased to provide the following summary on exploration activities undertaken at the Company's projects near Broken Hill. Additional information about the Company is available on BPL's website at www.bhpl.biz.

The 2014 Research & Development Tax Incentive Schedule for Broken Hill Prospecting Limited for the year ended 30 June 2014 was calculated with assistance from KPMG and a refundable R&D Tax offset amount of \$154,003 was received in October 2014.

THACKARINGA COBALT PROJECT

During late 2014 a University of NSW study on the effect of deep weathering on cobaltiferous pyrite was completed and this work has important implications for BPL's ongoing exploration for undiscovered high-grade cobalt deposits within the Thackaringa project area.

NEW TENEMENTS – HEAVY MINERAL SAND

Broken Hill Minerals Pty Ltd, a 100% owned subsidiary of BPL was granted five Exploration Licences (EL8308, EL8309, EL8310, EL8311 and EL8312) to explore for heavy mineral sand prospects (titanium and zirconium) in the extensive Murray Basin of south western NSW. These new tenements add considerable value to BPL and provide important synergies for future development of BPL's cobalt-pyrite deposits. The new tenements are located south of Broken Hill in western NSW.

EVENTS AFTER BALANCE DATE

On the 22 January 2015 Broken Hill Minerals Pty Ltd a 100% owned subsidiary of the company, entered into a Joint Venture agreement with Relentless Resources Ltd, an Australian unlisted company. The agreement allows for the Joint Venture to explore and establish JORC resources and reserves of heavy mineral sands (HMS), complete feasibility studies and establish a viable HMS mining operation(s) in EL8311 and/or EL8312. As part of this Joint Venture drilling programmes at two known HMS prospects (Copi North and Magic) commenced during February and will provide infill drilling detail for JORC resource assessments.

Signed for and on behalf of the Board



Creagh O'Connor, Director

12 March 2015



Ian Pringle, Director

12 March 2015

Competent Person Statement

Exploration activities and results contained in this report are based on information compiled by Dr Ian Pringle, a Member of the Australasian Institute of Mining and Metallurgy. Dr Pringle is the Managing Director of Broken Hill Prospecting Ltd and also a Director of Ian J Pringle & Associates Pty Ltd, a consultancy company in minerals exploration. He has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in both the December 2004 and December 2012 editions of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Dr Pringle has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

BROKEN HILL PROSPECTING LIMITED

NZ COY No. 322887

ABN 83 003 453 503

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

Report on the Half Year Financial Report

I have reviewed the accompanying half year financial report of Broken Hill Prospecting Limited Limited which comprises of

- a. the Statement of Financial Position as at 31 December 2014;
- b. the Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the six month period ended on 31 December 2014;
- c. a statement of accounting policies and other explanatory notes, and the Directors declaration

Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report that gives a true and fair view and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Reviewing Auditors Responsibility

My responsibility is to express a conclusion on the financial report based on our review. I have conducted my review in accordance with Statement of Review Engagements Standard RS-1 issued by the External Reporting Board. This standard requires that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, which is not an audit, I have not become aware of any material matter that causes me to believe that the half year financial report of Broken Hill Prospecting Limited does not:

- a. give a true and fair view of the company financial position at 31 December 2014 and of its half year performance for the half year ended on that date, and
- b. comply with NZ IAS -34 Interim Financial Reporting.

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Matter of Emphasis

Without amendment to my conclusion I emphasise the following matter.

Going Concern:

The Directors opinion, as detailed in the Note 13 to the Financial Statements, of the ability of the company to fund its operations, and the consequent preparation of the half year report on a Going Concern basis.

Subsequent to 31 December 2014, the company received \$500,000, being Stage 1 of the Joint Venture Agreement announced on 22 January 2015.



T.O. Nolan
Registered New Zealand Auditor

Address:
K.S. Black & Co
Sydney

Dated: ¹².....March 2015

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BROKEN HILL PROSPECTING LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	6 Months 31 December 2014 A\$	6 Months 31 December 2013 A\$
Continuing Operations		
Interest received	2,723	3,599
Research & development tax incentive	154,003	344,974
Auditors' remuneration – auditing the accounts	(7,654)	(6,995)
Marketing & promotion	(4,036)	(8,218)
Management fees	(106,000)	(123,500)
Accounting, secretarial, legal	(93,529)	(63,300)
Consulting fees	(23,738)	(38,019)
Administration expenses	(55,802)	(54,667)
Directors' fees	(31,490)	(41,564)
Rent & outgoings	-	(2,605)
Depreciation	(212)	(212)
Exploration expenses written off	-	(258,912)
Profit/(loss) for the period before income tax	(165,735)	(249,419)
Income tax expense	-	-
Profit/(loss) for the period	(165,735)	(249,419)
Net profit/(loss) and comprehensive income/(loss) attributable to members of the parent entity	(165,735)	(249,419)
Earnings per share		
Basic earnings/(loss) per share from continuing operations	(0.18) cents	(0.30) cents
Diluted earnings/(loss) per share from continuing operations	(0.12) cents	(0.19) cents

The accompanying notes form part of these financial statements.

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BROKEN HILL PROSPECTING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Share capital	Option reserve	Accumulated losses	Foreign currency translation	Total
	A\$	A\$	A\$	A\$	A\$
2014					
Comprehensive income (loss)	-	-	(165,735)	-	(165,735)
Proceeds from share capital issued	441,798				441,798
Share issue costs	(34,047)	-	-	-	(34,047)
Movement in equity for the period	407,751	-	(165,735)	-	242,016
Equity at 1 July 2014	5,425,188	133,200	(3,233,029)	(477)	2,324,882
Equity at 31 December 2014	5,832,939	133,200	(3,398,764)	(477)	2,566,898
2013					
Comprehensive income (loss)	-	-	(249,419)	-	(249,419)
Movement in equity for the period	-	-	(249,419)	-	(249,419)
Equity at 1 July 2013	5,181,720	133,200	(2,699,626)	(477)	2,614,817
Equity at 31 December 2013	5,181,720	133,200	(2,949,045)	(477)	2,365,398

The accompanying notes form part of these financial statements.

BROKEN HILL PROSPECTING LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Note	6 months 31/12/2014 A\$	6 months 31/12/2013 A\$
Cash flows from operating activities			
Interest received		2,723	3,793
Research & development tax incentive		154,003	344,974
Payments to suppliers and employees		(374,143)	(308,572)
Net cash applied to operating activities	3	<u>(217,417)</u>	<u>40,195</u>
Cash flows from investing activities			
Prospecting expenditure		(54,872)	(27,346)
Net cash applied to investing activities		<u>(54,872)</u>	<u>(27,346)</u>
Cash flows from financing activities			
Share capital issued		441,798	-
Shares issue costs		(34,047)	-
Net cash provided from financing activities		<u>407,751</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents held		135,462	12,849
Cash and cash equivalents at the beginning of the period		<u>278,511</u>	<u>363,572</u>
Cash and cash equivalents at the end of the period		<u>413,973</u>	<u>376,421</u>
Cash comprises:			
Cash at bank		<u>413,973</u>	<u>376,421</u>
		<u>413,973</u>	<u>376,421</u>

The accompanying notes form part of these financial statements.

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BROKEN HILL PROSPECTING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

1. Summary of significant accounting policies

General: Broken Hill Prospecting Limited (BPL) is a company incorporated in New Zealand and registered under the Companies Act 1993. BPL is an issuer for the purposes of the Financial Reporting Act 1993 and is listed on the Australian Securities Exchange (ASX).

The principal activity of the company and its subsidiaries (the "group") is minerals exploration.

The group consists of Broken Hill Prospecting Limited and its wholly-owned subsidiaries, Broken Hill Uranium Pty Ltd, Broken Hill Chemical Pty Limited and Broken Hill Minerals Pty Ltd.

These consolidated financial statements have been reviewed but not audited.

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

Basis of preparation: These interim consolidated financial statements have been prepared in accordance with NZ IAS-34, Interim Financial Reporting and should be read in conjunction with the accounting policies set out in the annual financial statements for the year ended 30 June 2014.

These accounts have been prepared in accordance with generally accepted accounting practice in New Zealand and therefore also comply with International Financial Reporting Standards. For this purpose, the company has designated itself as profit-oriented.

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis have been followed by the group.

Seasonality of operations: The results are unaffected to any significant extent by seasonal factors.

Changes in accounting policies: There have been no changes in accounting policies during the period. The accounting policies and method of computation applied during the previous year were applied on a consistent basis during the current period.

BROKEN HILL PROSPECTING LIMITED

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

2. Share capital	31/12/2014 A\$	31/12/2013 A\$
Ordinary shares – 99,404,617 (2013: 82,581,900)	5,832,939	5,181,720
	<hr/>	<hr/>
Movement in share capital	No. of shares	A\$
Share capital at 30 June 2014	88,359,660	5,425,188
Movements:		
12/11/2014 Private Placement	11,044,957	407,751
	<hr/>	<hr/>
	99,404,617	5,832,939
	<hr/>	<hr/>
Movement in Options	No. of options	A\$
Options as at 30 June 2014	38,650,000	133,200
Movements:		
12/11/2014 Private Placement (free attaching options)	11,044,957	-
	<hr/>	<hr/>
	49,694,957	133,200
	<hr/>	<hr/>

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

3. Reconciliation of operating cash flow & net income	31/12/2014 A\$	31/12/2013 A\$
Net income / (loss)	(165,735)	(249,419)
	<hr/>	<hr/>
Add non-cash items:		
Depreciation	212	212
Non-cash payment to suppliers & employees	-	-
Add (less):		
Decrease (increase) in interest receivable	-	194
Decrease (increase) in GST receivable	(4,715)	6,212
Decrease (increase) in deposits paid	(50,000)	(10,000)
Decrease (increase) in other debtors	51	(51)
Decrease (increase) in prepayments	9,718	9,771
Increase (decrease) in payables & accruals	(6,948)	24,364
Decrease (increase) in prospecting costs written off	-	258,912
	<hr/>	<hr/>
Net cash applied to operating activities	(217,417)	40,195
	<hr/>	<hr/>

BROKEN HILL PROSPECTING LIMITED

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

4. Property, plant & equipment	31/12/2014	31/12/2013
	A\$	A\$
Opening balance	622	1,046
Additions at cost	-	-
Depreciation for the period	(212)	(212)
	<hr/>	<hr/>
Total property, plant & equipment	410	834
	<hr/>	<hr/>

5. Commitments

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

Expenditure requirements for tenements	31/12/2014	31/12/2013
	A\$	A\$
Not later than 1 year	322,334	216,000
Later than 1 year but not later than 5 years	373,810	504,041
	<hr/>	<hr/>
Total	696,144	720,041
	<hr/>	<hr/>

6. Directors and related party disclosure

Transactions between related parties are on normal commercial terms and at conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with directors and directors' related entities	31/12/2014	31/12/2013
	A\$	A\$
Directors' fees	31,490	41,250
Amounts paid and payable to directors for consulting and other services	106,000	127,215
Amounts paid and payable to directors' related entities for consulting and other services	320	3,020
	<hr/>	<hr/>
Total	137,810	171,485
	<hr/>	<hr/>

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BROKEN HILL PROSPECTING LIMITED

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

Identification of related parties and balances of shares and options	31/12/2014		31/12/2013	
	No. of shares	%	No. of shares	%
So Co Limited (Ultimate holding company)	34,371,000	35%	34,371,000	42%
New Talisman Gold Mines Limited	17,929,000	18%	17,929,000	22%
Directors and related entities	5,000	-	1,445,000	1%
Non-related parties	47,099,617	47%	28,836,900	35%
Total shares on issue	99,404,617	100%	82,581,900	100%

	31/12/2014		31/12/2013	
	No. of options		No. of options	%
So Co Limited (Ultimate holding company)	17,185,000	35%	17,185,000	34%
New Talisman Gold Mines Limited	8,964,000	18%	8,964,000	18%
Directors and related entities	5,000,000	10%	7,345,000	15%
Non-related parties	18,545,957	37%	16,346,950	33%
Total options on issue	49,694,957	100%	49,840,950	100%

Matthew Hill is a director of So Co Limited.

Ian Pringle and Matthew Hill are directors of New Talisman Gold Mines Limited.

Directors and directors' related entities balances	31/12/2014	31/12/2013
	A\$	A\$
Amounts due to related parties		
- Trade and other payables	-	-
Payable to directors	28,125	18,250
Total due to directors and directors' related entities	28,125	18,250

7. Controlled entities

Broken Hill Uranium Pty Ltd - fully owned.

Broken Hill Chemical Pty Limited - fully owned.

Broken Hill Minerals Pty Ltd - fully owned.

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BROKEN HILL PROSPECTING LIMITED

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

8. Intangible assets

Prospecting costs and mining tenements	6 months 31/12/2014 A\$	Year ended 30/6/2014 A\$	6 months 31/12/2013 A\$
Balance at the beginning of the year	2,036,907	2,239,489	2,239,489
Exploration & evaluation expenses	75,714	56,329	27,346
Less expenses written off	-	(258,911)	(258,911)
Closing balance	<u>2,112,621</u>	<u>2,036,907</u>	<u>2,007,924</u>

9. Contingent liabilities

There were no contingent liabilities at 31 December 2014 (31 December 2013: nil).

10. Seasonality of operations

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

11. Segment information

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

12. Subsequent events

On the 22 January 2015 a 100% owned subsidiary of the company, Broken Hill Minerals Pty Ltd entered into a Joint Venture agreement with Relentless Resources Ltd, an Australian unlisted company. The agreement allows for the Joint Venture to explore and establish JORC resources and reserves of heavy mineral sands (HMS), complete feasibility studies and establish a viable HMS mining operation(s) in EL8311 and/or EL8312.

13. Going concern

The financial report has been prepared on a going concern basis. The directors retain sufficient funds to meet the expected financial obligations at least to the end of the financial year. The directors are working with potential business partners and investors to raise further funds. The validity of the going concern assumption in the longer term is dependent on the success of these initiatives.

BROKEN HILL PROSPECTING LIMITED

DIRECTORS' STATEMENT

The Directors of the company declare that:

1. The financial statements and notes, as set out in the half yearly report to 31 December 2014:
 - (a) comply with New Zealand International Accounting Standard 34, Interim Financial Reporting, and
 - (b) give a true and fair view of the economic entity's financial position as at 31 December 2014 and its performance and cash flows for the period ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

For and on behalf of the Board



Creagh O'Connor, Director
12 March 2015



Ian Pringle, Director
12 March 2015