

BROKEN HILL PROSPECTING LIMITED

**HALF YEAR REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2012**

BROKEN HILL PROSPECTING LIMITED

(Incorporated in New Zealand)

NZ Company Number: 322887, NZ Overseas Issuer Number 2541657

NZ Financial Services Provider Number FSP32949

Australian ABN: 83 003 453 503

HALF YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

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BROKEN HILL PROSPECTING LIMITED

**COMPANY DIRECTORY
AS AT 31 DECEMBER 2012**

<p>DIRECTORS F Creagh O'Connor (Chairman) Ian J Pringle (Managing Director) Peter R Atkinson Geoffrey G Hill Robert G Barnes Matthew G Hill (alternate of Geoffrey 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 New Zealand Stock Exchange: Code BPL (delisted on 28 February 2013)</p>
<p>AUSTRALIAN OFFICE Level 14, 52 Phillip Street Sydney NSW 2000 Box 3486 GPO SYDNEY NSW 2001 Phone: (+61 2) 9252 5300 Fax: (+61 2) 9252 8400 Email: info@bhpl.biz</p> <hr/> <p>WEBSITE www.bhpl.biz</p>	<p>SHARE REGISTRARS AUSTRALIA Computershare Investor Services Pty Ltd Level 5, 115 Grenfell Street Adelaide, South Australia 5000 Phone: (+61 8) 8236 2300 www.computershare.com.au</p> <p>NEW ZEALAND (up to 28 February 2013) Computershare Investor Services Pty Ltd Level 2, 159 Hurstmere Road, Takapuna, Auckland Phone: (+64 9) 488 8777 www.computershare.co.nz</p>
<p>INTERESTS IN MINING TENEMENTS</p> <p>Exploration License 6622, Broken Hill NSW Australia - 100% Mining Lease 86, Broken Hill NSW Australia - 100% Mining Lease 87, Broken Hill NSW Australia - 100%</p>	

BROKEN HILL PROSPECTING LIMITED

DIRECTORS' REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

The Directors present the following report including financial statements of the company for the six months ended 31 December 2012.

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
Peter Robert Atkinson	Non-Executive Director	Appointed 30 July 1999
Geoffrey Guild Hill	Non-Executive Director	Appointed 15 February 1989
Ralph Nicholas Stagg	Non-Executive Director	Appointed 1 June 2004 Resigned 29 November 2012
Matthew Geoffrey Hill	Alternate of Geoffrey G Hill	Appointed 14 March 2012
Robert George Barnes	Non-Executive Director	Appointed 6 July 2012

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.

NEW SUBSIDIARY

On 16 October 2012 the company incorporated in Australia a 100% owned company named Broken Hill Uranium Pty Ltd. The activity will be mainly focused on mineral exploration of Uranium.

OPTIONS

During the six months to 31 December 2012, the company issued 9,000,000 Unlisted Options to the directors and contractors in accordance with shareholders resolution on the 29 November 2012.

EVENTS AFTER BALANCE DATE

On the 28 February 2013 the company delisted from the New Zealand Stock Exchange (NZX) in accordance with shareholders resolution on the 29 November 2012.

The decision to delist from the NZX was taken after the consideration of a number of factors including that now the operations of the Company are exclusively in Australia, the level of liquidity in trading of the Company's shares on the NZX and the additional listing, compliance and administrative costs associated with maintaining a dual listing of the Company's securities in both the NZX and Australian Stock Exchange (ASX).

BPL recently applied for an additional Exploration License Application 4763 (five units) in Broken Hill NSW Australia which is contiguous to the southern boundary of EL6622.

EXPLORATION

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.

During the second half of 2012 BPL completed a resource update (Table 1) which showed that drilling in the first six months of 2012 resulted in a considerable upgrade on previous estimates of the contained cobalt ("Co") of the project in reportable JORC Inferred Mineral Resources (2004) from 32 million pounds to 66

million pounds. In addition, the evaluation has also estimated between 63 million pounds and 101 million pounds of Potential¹ contained cobalt (of similar average grade).

Summary of resource update undertaken by H&S Consultants Ltd	Million tonnes	Cobalt Grade (ppm)	Cobalt grade (pound/t)	Contained Co (million pounds)
Inferred Mineral Resources total	35.7	841	1.85	66
Potential ¹	35 - 59	775	1.7	63 - 101

Table 1. Summary of Mineral Resource and Potential¹

This resource update includes a maiden Inferred Mineral Resource Estimate for the Railway Cobalt Deposit of 14.9 million tonnes of 1.83 pound per tonne of cobalt (27 million pounds of contained cobalt) as well as additional Potential¹ of the Railway Cobalt Deposit which was estimated between 23-35 million tonnes of similar mineralisation.

BPL completed a scoping study for various options to produce a pyrite concentrate (containing cobalt) which could be either processed on site or exported to a separate facility for production of cobalt and sulphuric acid.

The study determined robust economics for possible production of sulphuric acid bi-product. It considered five fast-track, low cost development options with nominal processing ore rates of between 1.5 million and 7.5 million tonnes per annum. The work also identified a growing Australian and world-wide sulphuric acid requirement for fertiliser and mineral processing industries.

Both resource update and scoping study have enhanced project flexibility for the potential future development of a large open-cut cobalt/pyrite mine and they are the first steps of an on-going infrastructure and marketing evaluation for a world-class cobalt-sulphuric acid development

During 2013 BPL will seek interest from other parties to assist in taking the project forward. Considerable work will be required to advance through feasibility and resource drilling upgrade and BPL will endeavour to seek participation by a large group which has an interest to secure, long term supply of either cobalt or sulphuric acid.

Signed for and on behalf of the Board

Creagh O'Connor, Director

Ian Pringle, Director

13 March 2013

Competent Person Statement

The review of exploration activities and results contained in this report is 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 Principle of Ian J Pringle & Associates Pty Ltd, a consultancy company in minerals exploration. He has sufficient experience which is relevant to the style of mineralization and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition 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

¹ Potential occurs within the modelled mineralisation envelope and lies outside of the Inferred Mineral Resource because of the absence of nearby drilling. It is conceptual in nature and more drilling is required to further define it. There is no certainty that more drilling will result in up-grade of Potential to Mineral Resource.

AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF BROKEN HILL PROSPECTING LIMITED

Report on the Half-Year Financial Statements

We have completed a review of the accompanying interim financial Statements in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board and Review Engagement Standard RG-1 issued by the New Zealand Institute of Chartered Accountants. The financial statements provide information about the past performance of Broken Hill Prospecting Limited and its controlled entities ('the Group') and their financial position as at 31 December 2012.

Directors' Responsibilities

The Directors of Broken Hill Prospecting Limited are responsible for the preparation of the interim financial statements which give a true and fair view of the financial position of the Group as at 31 December 2012 and the results of its operations for the six month period ended on that date.

Reviewers' Responsibilities

It is our responsibility to express an independent opinion on the interim financial statements presented by the Directors and report our opinion to you.

Basis of Opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to the financial data and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

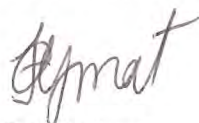
Other than in our capacity as auditors, we have no relationship with or interests in Broken Hill Prospecting Limited.

Review Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not give a true and fair view of the financial position of the Group as at 31 December 2012 and the results of their operations and cash flows for the six month period ended on that date in accordance with NZ IAS 34 Interim Financial Reporting.

Our review was completed on 13 March 2013 and our opinion is expressed as at that date.

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner

Sydney, 13 March 2013



BROKEN HILL PROSPECTING LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

	31 December 2012 A\$	31 December 2011 A\$
Continuing Operations		
Interest received	25,202	82,034
Research & development tax incentive	325,813	-
Auditors' remuneration – auditing the accounts	(8,887)	(8,871)
Marketing & promotion	(29,070)	(31,881)
Management fees	(147,500)	(116,000)
Accounting, secretarial, legal	(116,928)	(99,550)
Administration expenses	(105,247)	(107,173)
Directors' fees	(104,022)	(87,500)
Rent & outgoings	(27,623)	(22,627)
Share based payments	(133,200)	-
Consultants' fees	(49,721)	-
Depreciation	(2,791)	(2,624)
	<hr/>	<hr/>
Loss for the year before income tax	(373,974)	(394,192)
Income tax expense	-	-
	<hr/>	<hr/>
Loss for the year	(373,974)	(394,192)
	<hr/>	<hr/>
Comprehensive income / (loss) attributable to shareholders	(373,974)	(394,192)
	<hr/>	<hr/>
 Earnings per share		
Basic earnings/(loss) per share from continuing operations	(0.45) cents	(0.48) cents
Diluted earnings/(loss) per share from continuing operations	(0.30) cents	(0.32) cents

The accompanying notes form part of these financial statements.

BROKEN HILL PROSPECTING LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

	Share capital	Option reserve	Accumulate d losses	Foreign currency translation	Total
	A\$	A\$	A\$	A\$	A\$
2012					
Comprehensive income (loss)	-	-	(373,974)	-	(373,974)
Options issued	-	133,200	-	-	133,200
Movement in equity for the period	-	133,200	(373,974)	-	(240,774)
Equity at 1 July 2012	5,181,720	-	(1,895,808)	(477)	3,285,435
Equity at 31 December 2012	5,181,720	133,200	(2,269,782)	(477)	3,044,661
2011					
Comprehensive income (loss)	-	-	(394,192)	-	(394,192)
Movement in equity for the period	-	-	(394,192)	-	(394,192)
Equity at 1 July 2011	5,181,720	-	(1,118,835)	(477)	4,062,408
Equity at 31 December 2011	5,181,720	-	(1,513,027)	(477)	3,668,216

The accompanying notes form part of these financial statements.

BROKEN HILL PROSPECTING LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Note	31/12/2012 A\$	30/6/2012 A\$	31/12/2011 A\$
Equity				
Share capital	2	5,181,720	5,181,720	5,181,720
Foreign currency translation		(477)	(477)	(477)
Reserves		133,200	-	-
Accumulated losses		(2,269,782)	(1,895,808)	(1,513,027)
Total Equity		3,044,661	3,285,435	3,668,216
Represented by:				
Current assets				
Cash and cash equivalents		941,058	1,465,160	2,213,860
Receivables		41,647	66,995	126,804
Prepayments		8,957	23,622	18,869
Total current assets		991,662	1,555,777	2,359,533
Non-current assets				
Property, plant & equipment	4	14,153	16,944	19,144
Intangible assets	8	2,055,193	1,791,158	1,321,139
Security deposits		42,269	42,269	33,069
Total non-current assets		2,111,615	1,850,371	1,373,352
Total assets		3,103,277	3,406,148	3,732,885
Current liabilities				
Trade and other payables		52,471	79,626	60,149
Due to related parties	6	6,145	41,087	4,520
Total current liabilities		58,616	120,713	64,669
Total liabilities		58,616	120,713	64,669
Shareholders equity		3,044,661	3,285,435	3,668,216
Net tangible assets per security		1.19 cents	1.81 cents	2.84 cents

For and on behalf of the Board



Creagh O'Connor, Director
13 March 2013



Ian Pringle, Director
13 March 2013

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 2012**

	Note	6 months 31/12/2012 A\$	6 months 31/12/2011 A\$
Cash flows from operating activities			
Interest received		25,597	22,651
Research & development tax incentive		325,813	-
Payments to suppliers and employees		(610,643)	(539,578)
Net cash applied to operating activities	3	(259,233)	(516,927)
Cash flows from investing activities			
Payments for property, plant & equipment		-	(21,767)
Prospecting expenditure		(264,869)	(488,013)
Net cash applied to investing activities		(264,869)	(509,780)
Cash flows from financing activities			
		-	-
Net cash provided from financing activities		-	-
Net (decrease) / increase in cash and cash equivalents held		(524,102)	(1,026,707)
Cash and cash equivalents at the beginning of the year		1,465,160	3,240,567
Cash and cash equivalents at the end of the year		941,058	2,213,860
Cash comprises:			
Cash at bank		341,058	213,860
Short term deposits		600,000	2,000,000
		941,058	2,213,860

The accompanying notes form part of these financial statements.

BROKEN HILL PROSPECTING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

1. Summary of significant accounting policies

Reporting entity: Broken Hill Prospecting Limited (BPL) is a company incorporated in New Zealand and registered under the Companies Act 1993. On 17 February 2011 BPL listed on the Australian Securities Exchange (ASX) and New Zealand Stock Exchange (NZX). On 28 February 2013 the listing on the NZX ceased in accordance with a resolution of the shareholders at the Annual General Meeting of the 29 November 2012.

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

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

Basis of preparation: These interim 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 2012.

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.

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. Additional accounting policies not reported before are listed below.

Consolidation: The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by BPL at the end of the reporting period. 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.

BROKEN HILL PROSPECTING LIMITED
Notes to the financial statements
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

2. Share capital	31/12/2012	31/12/2011
	A\$	A\$
Ordinary Shares – 82,581,900 (2011: 82,581,900)	5,181,720	5,181,720
	<hr/>	<hr/>
Movement in share capital	No. of shares	A\$
Share capital at 30 June 2012	82,581,900	5,181,720
Movements	-	-
	<hr/>	<hr/>
	82,581,900	5,181,720
	<hr/>	<hr/>
Movement in Options	No. of options	A\$
Options as at 30 June 2012	42,340,950	-
5/12/2012 options issued	9,000,000	-
	<hr/>	<hr/>
	51,340,950	-
	<hr/>	<hr/>

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

During the period, the company issued 9,000,000 options under a share-options plan to the directors and contractor in accordance with the shareholders resolution on 29 November 2012. These options are unlisted and are exercisable at 20 cents with expiry date 17/2/2016.

3. Reconciliation of operating cash flow & net income	31/12/2012	31/12/2011
	A\$	A\$
Net income / (loss)	(373,974)	(394,192)
	<hr/>	<hr/>
Add non-cash items:		
Depreciation	2,791	2,624
Non-cash payment to suppliers & employees	133,200	-
Add (less):		
Decrease (increase) in interest receivable	395	(59,383)
Decrease (increase) in GST receivable	24,954	(26,526)
Decrease (increase) in deposits paid	-	(33,069)
Decrease (increase) in prepayments	14,665	(11)
Increase (decrease) in payables & accruals	(61,264)	(6,370)
	<hr/>	<hr/>
Net cash applied to operating activities	(259,233)	(516,927)
	<hr/>	<hr/>

BROKEN HILL PROSPECTING LIMITED
Notes to the financial statements
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

4. Property, plant & equipment	31/12/2012	31/12/2011
	A\$	A\$
Opening balance	16,944	-
Additions at cost	-	21,768
Depreciation for the period	(2,791)	(2,624)
	<hr/>	<hr/>
Total property, plant & equipment	<u>14,153</u>	<u>19,144</u>

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.

Office Lease - this is a non-cancellable sub-lease with an annual rent review of 4.5%.

Expenditure requirements for tenements	31/12/2012	31/12/2011
	A\$	A\$
Not later than 1 year	184,548	202,000
Later than 1 year but not later than 5 years	600,000	634,335
Later than 5 years	-	126,575
	<hr/>	<hr/>
	<u>784,548</u>	<u>962,910</u>

Office lease

Not later than 1 year	46,191	42,368
Later than 1 year but not later than 5 years	75,616	114,716
	<hr/>	<hr/>
	<u>121,807</u>	<u>157,084</u>

6. Related party disclosure

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

Transactions with related parties	31/12/2012	31/12/2011
	A\$	A\$
<u>Directors and director related entities</u>		
Directors' remuneration	251,522	203,500
Amounts paid and payable to directors or related entities for consulting and other services	16,940	12,820
9,000,000 options issued under a share-option plan to directors and contractor	133,200	-

BROKEN HILL PROSPECTING LIMITED
Notes to the financial statements
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

Identification of related parties Including share and option movements	31/12/2012		31/12/2011	
	No. of shares	%	No. of shares	%
So Co Limited (Ultimate holding company)	34,371,000	42%	34,371,000	42%
New Talisman Gold Mines Limited	17,929,000	22%	17,929,000	22%
Other Director related entities	1,445,000	1%	1,390,000	1%
Non-related parties	28,836,900	35%	28,891,900	35%
Total shares on issue	82,581,900	100%	82,581,900	100%

	31/12/2012		31/12/2011	
	No. of options	%	No. of options	%
So Co Limited	17,185,000	34%	17,185,000	41%
New Talisman Gold Mines Limited	8,964,000	17%	8,964,000	21%
Other Directors and director related entities	9,345,000	18%	1,145,000	3%
Non-related parties	15,846,950	31%	15,046,950	35%
Total options on issue	51,340,950	100%	42,340,950	100%

G Hill is a director and shareholder of So Co Limited.

I Pringle and Matthew Hill are directors of New Talisman Gold Mines Limited (previously known as Heritage Gold NZ Limited).

Related parties balances	31/12/2012	31/12/2011
	A\$	A\$
Amounts due to related parties		
Trade and other payables		
- Payable to directors' related entities	6,145	4,520
Total due to related parties	6,145	4,520

The amount payable to the directors is for reimbursement of travel and other expenses.

7. Controlled entities

On 16 October 2012 the company incorporated in Australia a 100% owned company named Broken Hill Uranium Pty Ltd. The activity is mineral exploration.

BROKEN HILL PROSPECTING LIMITED
Notes to the financial statements
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

8. Intangible assets

Prospecting costs and mining tenements	6 months 31/12/20112 A\$	Year ended 30/6/2012 A\$	6 months 31/12/2011 A\$
Balance at the beginning of the year	1,791,158	840,238	840,238
Exploration & evaluation expenses	264,035	950,920	480,901
Closing balance	<u>2,055,193</u>	<u>1,791,158</u>	<u>1,321,139</u>

9. Contingencies

There were no contingent liabilities at balance date (31/12/2011 - nil).

10. Seasonality of operations

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

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

12. Subsequent Events

On the 28 February 2013 the company delisted from the New Zealand Stock Exchange (NZX) in accordance with shareholders resolution on the 29 November 2012.

Other than the item above there have been no material events subsequent to the end of the period that have not been reflected in the financial statements.

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 for at least the next 12 months. The directors are working with potential business partners and investors to raise further funds. The validity of the going concern assumption in the longer term is dependent on the success of these initiatives.

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 2012:
 - (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 2012 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
13 March 2013



Ian Pringle, Director
13 March 2013