

Quarterly newsletter - September 2011



Drilling at Pyrite Hill South

Dear Shareholder and Broken Hill Prospecting Supporter,

Welcome to the second newsletter for Broken Hill Prospecting Limited ('BPL' or 'the Company'). This will continue to be a quarterly communication to update you on BPL's results and to keep you informed of our plans, activities and vision.

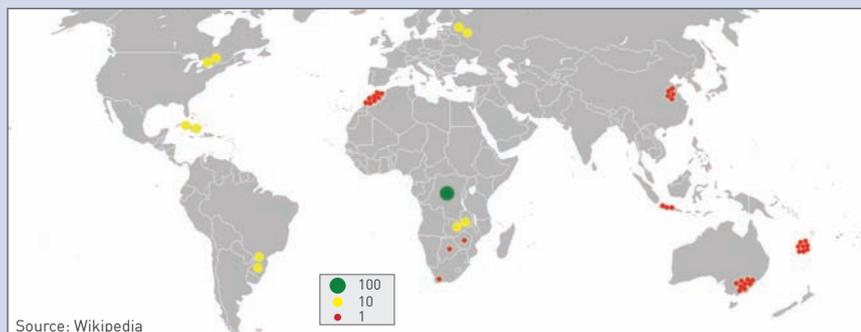
Uncertain cobalt supply to USA, Japan and Europe

The USA, Japan and Europe have no domestic cobalt production and rely on imports for supply. As manufacturers in western world countries continue to use cobalt they will have to find new sources, become more efficient at recycling or become dependent on China and Central Africa for refined cobalt and cobalt ore supplies.

The United States is the world's largest consumer of cobalt and considers cobalt a strategic metal which is vital for communications and military requirements.

Currently, about 15% of USA cobalt consumption is from recycled scrap and the remainder imported, mostly from China.

Cobalt made the short list of four metals that the European Union chose to name as representative of the 40 metals it classifies as 'critical'. Japan's state stockpiling arm (JOGMEC) keeps cobalt stockpiles for about two months of domestic consumption and is keeping a close watch on new cobalt sources for Japanese manufacturing industries.



Source: Wikipedia

Global distribution of mined output of cobalt in 2005 as a percentage of the top producer (Congo Dem. Rep. - 22,000 tonnes).

Cobalt - a metal for the future

BPL has an excellent opportunity for future growth as a significant cobalt metal producer.

Cobalt is mostly produced as a by-product from either nickel mining or as an additional metal by-product in some copper deposits, many of which are located in central Africa. Africa (predominantly the Democratic Republic of Congo) accounted for more than 60% of cobalt production in 2010. Clearly, due to the political and economic risk associated with Central Africa, production of cobalt from these deposits cannot easily be increased to supply a rapid rise in market demand (such as in times of high cobalt consumption or when the cobalt price undergoes a significant increase).

During the last 10 years, China has been a significant influence on the cobalt market and is the world's leading refiner, producing 33,000 tonnes of the total 76,050 tonnes refined in 2010.

(Continued page 2)

Why BPL is unique

BPL stands out from the small explorer/miner 'crowd' because it has considerable resources of cobalt (Inferred Mineral Resource of 15 million tonnes of 2.1 pounds per tonne of cobalt) and, through our current drilling program, we hope to show that these deposits are considerably larger than previous thought. In addition, our cobalt deposits are in an excellent location to fast track feasibility and development stages.

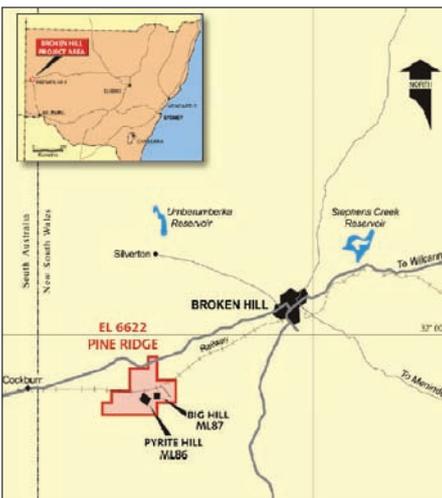
Cobalt is a metal in fast-growing demand for its use in rechargeable batteries. Lithium-ion batteries contain as much as 60% cobalt and are the main components of the next generation of electric cars, computers, smart telephones

as well as for numerous other high tech and environmental applications.

China refined almost 40% of the world's cobalt in 2010, having spent over \$US9 billion 'securing' ore supply in the Congo. China exports refined cobalt to the USA, Japan and Europe which have no cobalt producing mines and regard cobalt as a strategic metal.

BPL is fortunate in having 15 million tonnes of 'near-surface' cobalt mineral deposits located close to good mining infrastructure. They are accessible via an all weather road, located only 500 metres from the trans-continental railway and only 25 kilometres from Broken Hill. These are unique deposits and I have been unable to identify any other mineralisation of this type anywhere outside the Broken Hill district.

We believe our Company is well positioned to take advantage of the current cobalt supply and demand situation and BPL shares should see positive price fluctuations in line with the future demand for cobalt.



Location map of BPL projects.

USA limits

"conflict minerals"

The Dodd-Frank Reform Act passed by the USA Senate in 2010 included a provision that requires public companies to indicate what measures they are taking to ensure that minerals in their supply chain don't benefit 'war lords' in conflict-ravaged Congo.

The provision came about in no small part because of the work of high-profile advocacy groups like the Enough Project and Global Witness, which have been working towards ending what they call 'conflict minerals.' Consumer demand for electronics, such as cell phones and laptops, as well as automotive and aerospace technologies and the mineral exports from 'conflict areas' like the Congo are fuelling acts of genocide and warfare.

With the majority of the cobalt supply coming from mines in the Congo and Zambia, the supply risk for the industry is the health and functionality of these regions, which have ravaged by chronic corruption and violence. The Dodd-Frank Reform Act and similar legislation in Canada and European Union requires labelling of all electronics that contain cobalt and other metals sourced from the Congo and other areas of conflict.

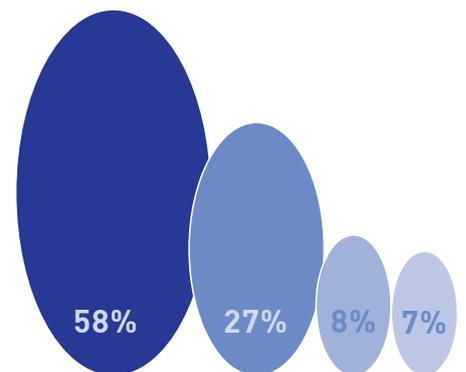
Cobalt - a metal for the future (continued)

The appetite for cobalt in China is growing at an increasing rate and China competes with the USA, Europe and Japan for access to a small number of geographically isolated cobalt deposits.

The USA accounted for 58% of cobalt consumption in 2010 but like Japan and Europe has no cobalt producing mines of its own. The USA views cobalt as a 'strategic metal' and is dependent on supplies from

Central Africa.

Cobalt prices during the last several months have ranged between US\$33,000 and US\$40,000 per tonne. The metal has not shared the recent steep price rises of gold, silver and some other metals, despite peaks of over US\$80,000 per tonne in 1977 and 2007.



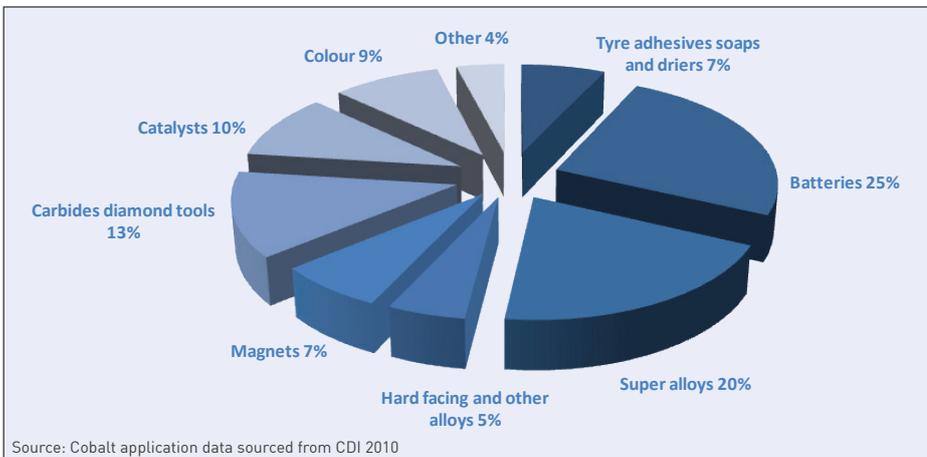
Source: Formation Metals Inc.

Super-alloy cobalt consumption by region.

Cobalt uses

A sustained cobalt price increase could occur during the next few years as the electric car battery market expands in line with demand for low emission vehicles. Lithium-ion batteries, the main components of electric vehicle motors, contain as much as 60% cobalt. Considerable quantities of cobalt are blended into many super-alloys, with much of the metal being used in jet engines, turbines and hardened metal, mainly because of its ability to operate at high temperatures. Cobalt is essential for the construction of wind turbines, satellites, magnets, pigments

and catalysts, each of which are sizeable consumers of cobalt. Because cobalt is the main component of vitamin B12, it is in growing demand for medical applications and for human and animal food additives. Increasing aircraft manufacture is a cornerstone of China's new strategic industrial plan as it seeks to challenge Boeing and Airbus as the world's largest jet aircraft manufacturer. Similarly construction of new cities, defense, space and energy infrastructure in China will require new cobalt sources as industrial growth continues.



Growth in demand for cobalt.

Drilling completed at Pyrite Hill South cobalt deposit

During late August three reverse circulation drill holes were completed at the Pyrite Hill South cobalt prospect where surface mapping and sampling in early 2011 identified anomalous cobalt in scattered outcrops of iron gossan several hundred metres south east of the Pyrite Hill cobalt deposit in ML86. The sulphide gossans

in this area are very similar to outcropping gossan at Pyrite Hill and Big Hill and they occur within a zone of at least 200 metres long by 20 metres wide. Cobalt analyses of drill samples are not expected until late September and the results will be reported when they are at hand.



Pyrite mineralisation.

Cobalt – a new metal for wedding rings

CNN Money (1 September) reported that increasing gold and platinum prices are turning consumers towards metals like cobalt and tungsten for their wedding bands. Scott Kay, a leading manufacturer of wedding jewellery in the USA has been designing bridal jewellery for 27 years. He is one of a growing number of jewellery manufacturers who are using cobalt because it has the same sheen as platinum but costs substantially less.

Kay's cobalt jewellery is growing in popularity and he attributes this to clear advantages over more expensive gold and platinum since it is "by far, the most sophisticated, safe, white, hypoallergenic, 100% solid, scratch-resistant, and luxurious medical grade cobalt alloy in the world."

Cobalt – attracting green investors

A vision for reducing the use of fossil fuels such as oil, coal and natural gas and lowering their environmental impacts is focused on three main solutions; hybrid electric vehicles, solar energy and wind energy. Each of these involves the use of cobalt.

Most rechargeable batteries designed to power hybrid electric vehicles contain between 3-7 pounds of cobalt. Estimates by some automotive consultants suggest that global hybrid electric vehicle sales will reach 2.7 million units by 2015.

In addition to cobalt uses in energy storage, most wind and water turbines contain cobalt-based magnets and in their hardened metal blades and solar panels require cobalt which, when combined with steel has high heat and wear tolerance.

Drilling complete at the Pyrite Hill cobalt deposit

Drill testing has been completed at the Pyrite Hill cobalt deposit in ML86, where a series of 8 drill holes with an average depth of about 200 metres tested the depth extent of the pyrite hosted cobalt mineralisation. Previous work has shown that the cobalt mineralisation extends from the surface to a depth of about 100 metres and this drilling tested the depth continuity of the mineralisation below 100 metres.

Combined, the Pyrite Hill and Big Hill cobalt deposits contain an Inferred Resource of 15 million tonnes of 2.1 pound per tonne cobalt and most of this mineralisation occurs at Pyrite Hill. Discovery of down-dip extensions to the mineralisation could add significantly to the size of the resource and larger resource size could enhance any future development prospects for the deposits.

I anticipate that final geochemical data for much of the work will be received in mid October and the results will be reported when the assays are received and assessed.



Rob Barnes, Ian Pringle and Wolfgang Leyh at Pyrite Hill.

Disclaimer - Information in this document is public domain and verifiable via the ASX or the company's website (www.bhpl.biz). Investment in Broken Hill Prospecting is speculative as the exploration for and development of natural resources involves a high degree of financial risk. Investors should undertake due diligence.

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 Pty 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.

Induced Polarization (IP) geophysical studies

BPL's field mapping has shown that the ridges trending north east from the Big Hill cobalt deposit in ML87 include anomalous cobalt horizons. A drill hole completed by another company in 1998, along this trend and 3.5 kilometres north east of the Big Hill deposit, intersected a 35 metre wide zone which averaged 2.1 lb/t cobalt, a similar grade to the defined mineral resources. No systematic exploration for cobalt along these ridges has been undertaken and further exploration of this anomalous trend is a high priority. BPL is planning to survey these ridges using IP to define areas of thicker and more extensive pyrite

(cobalt) zones and provide targets for follow-up drilling.

Given the strong correlation between pyrite content of the host rock and cobalt grades and the demonstrated effectiveness of IP to locate pyritic mineralisation, this approach is considered the best method of exploration for semi-massive and disseminated pyrite. Fender Geophysics has been contracted to undertake the IP work which is planned to commence in late September. Results, interpretation and reporting of Fender's work are expected to be completed in mid October.

Commencement of new website

The Company has recently reformatted and updated its website which covers, or links to, recent news, metals prices, stock price, project and company information. Please visit our site at www.bhpl.biz.



Opportunities for investors

BPL is the 100% owner of near-surface cobalt resources with significant potential to increase these resources.

We believe our cobalt resources will increase in value as cobalt prices rise due to looming concerns over how the current world's cobalt supply will meet a growing demand for cobalt use in rechargeable batteries and hardened metal.

BPL offers an opportunity to invest in the rapidly growing,

worldwide cobalt market through an Australian company which has defined and well located cobalt resources with a low technical risk.

I look forward to our exciting path ahead and to keeping you updated on our work as it progresses.

Yours faithfully,



Dr Ian Pringle
Managing Director

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