

Quarterly newsletter - October 2012



Dear Shareholder and Broken Hill Prospecting Supporter,

This is BPL's fifth newsletter and I am pleased to report that since our last publication in July we have significantly boosted our cobalt resource at the Company's 100% owned Thackaringa Project near Broken Hill after releasing a maiden resource evaluation on the newly discovered Railway Deposit. This followed other sizeable resource upgrades since we listed on the Australian and New Zealand stock exchanges in early 2011.

Contained cobalt within BPL deposits has more than doubled

Estimates of contained cobalt within the combined Inferred Mineral Resources of BPL's five near-surface pyrite deposits (Pyrite Hill, Big Hill, North East Big Hill, Offset and Railway) have increased from 32 million pounds

to 66 million pounds (Refer to Table 1 below for details). In addition, our exploration has added between 63 and 101 million pounds of 'Potential'* contained cobalt with a similar average grade.

Pyrite – can be processed into sulphuric acid

Quite a few shareholders and friends have asked about possible bi-products from likely future processing of the cobalt rock, one of the more interesting being sulphuric acid. I believe it is important in this newsletter to provide some recent information on this valuable product.

The cobalt mineralisation at Thackaringa is very different from most cobalt deposits because it does not occur with copper or nickel. Instead, it occurs within pyrite (FeS₂) which is commonly known as fool's gold. Pyrite can be 'roasted' with excess oxygen to produce sulphur trioxide, which forms sulphuric acid when combined with water.

Total Thackaringa Project Resources (July 2012)	Million tonnes	Cobalt (ppm)	Cobalt (pound/t)	Contained Co (million pounds)
Inferred Mineral Resource	35.7	841	1.85	66
Potential	35 - 39	775	1.7	63 - 101

Table 1. Mineral Resource Estimates (using 500ppm cobalt cut-off)

*The 'Potential' lies outside of the Inferred Resource. This target is conceptual and more drilling is required to further define it. There is no certainty that this will result in a Mineral Resource.

Pyrite – can be processed into sulphuric acid (continued)

Cobaltiferous pyrite can make up most of the rock in our deposits at Thackaringa, but it is usually between 10-30%. It contains almost all of the cobalt and, as a first step to separating the cobalt, future processing will require concentration of the pyrite by gravity or by other methods. Ongoing studies are investigating efficient and practical ways of upgrading the pyrite into a concentrate which can then be further processed on site or sent elsewhere to recover the cobalt and sulphuric acid.

Processing options to extract cobalt from pyrite concentrate mostly result in production of sulphuric acid (1.5-2 tonnes of acid from each tonne of pyrite concentrate). Sulphuric acid has many uses in industry and during recent years has been in demand to supply a rapidly growing phosphate fertiliser market. Clearly, sulphuric acid production could add considerable value to our ore.



Typical cobalt rock from Railway deposit with about 20% pyrite content

Sulphuric acid – industry's most used chemical

In volume terms, sulphuric acid has the largest world-wide use of any chemical and more than 2,200 million tonnes are produced globally each year.

The dynamics of the sulphuric acid market are complex, involving the interplay of by-product supply and variable demand. There are major variations in pricing between regions because of transport and raw material availability.

The production of phosphate fertiliser materials is the major end use for sulphuric acid, accounting for nearly 52% of total world consumption in 2011.

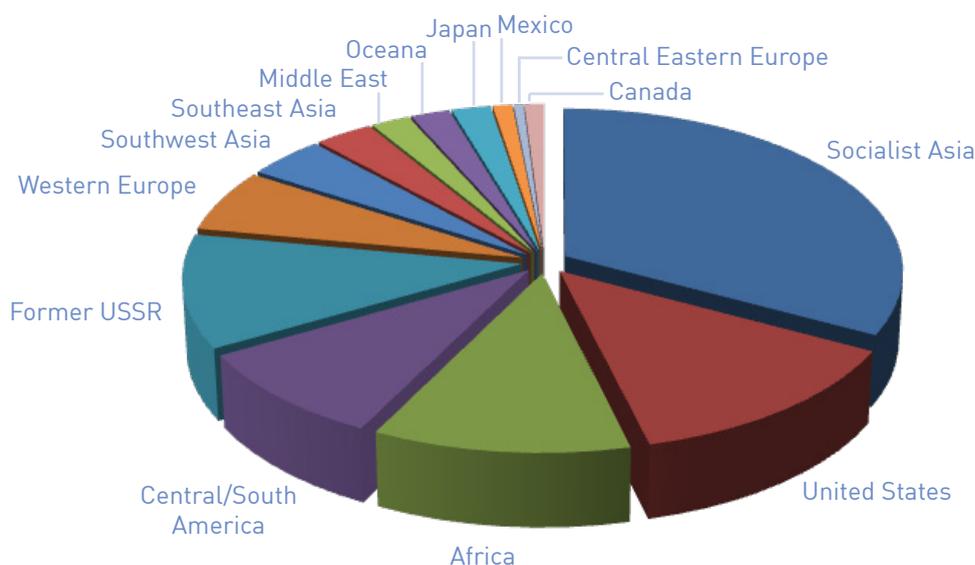
The remainder is consumed by a wide range of industries including plastics, fibres, oil refining, metals and mineral processing.

Overall, there has been a general increase in demand for sulphuric acid with world consumption increasing by about 58% between 1990 and 2011. A decline in consumption has occurred in Russia and Europe since the late 1980s, but there has been a considerable increase in demand by socialist Asia (China, Cambodia, North Korea, Laos, Mongolia and Vietnam) since 1990. Australia is a net importer.

Future growth in sulphuric acid use is anticipated as increasing populations in developing countries switch to higher nutrition food crops that require soil improvement.

In a recent report on sulphuric acid supply and demand, HIS Chemical (July 2012) predicted that global demand for sulphuric acid would rise at an average annual rate of almost 2.5% over the next five years. It also forecast that fertiliser demand for sulphuric acid would grow at about 2.3% during 2011–2016. Other research groups, like London based CRU, are less bullish and predict a weakening market for sulphuric acid during the next few years.

As mine developments continue to come on stream, new mineral processing markets for sulphuric acid are also expected. Nickel and copper ore leaching projects increased consumption of sulphuric acid by more than 8 million tonnes between 2009 and 2012. The market for copper oxide ore leaching, particularly in Chile, is also increasing. Planned major phosphate-related fertiliser projects in Brazil, China, Morocco, Saudi Arabia and Australia could add another 8 million tonnes of capacity and would require sulphuric acid.



World consumption of sulphuric acid in 2011

Value of pyrite for sulphuric acid production

Global pyrite production was about 6.7 million tonnes (sulphur equivalent) in 2009 and has increased since then. More than 85% is produced and consumed in China.

Pyrite competes directly with sulphur and by-product sulphuric acid (from smelters and mineral processing). Fluctuations in the availability of these products have a direct impact on the supply and demand of pyrite as well as trade price for concentrate. Recent purchases of

high grade pyrite concentrate by the China market have ranged between A\$250-A\$400/tonne.

Residue from 'roasted' pyrite concentrate may have considerable commercial value. Cinder which is produced as a very high-iron ash residue after pyrite roasting is extensively used in the cement industry. Iron cinder can also be used in steel mills as source feedstock and for blending with low grade ores.

Sulphuric acid in Australian fertiliser industry – safety concerns over supply and transport

In late 2011, Incitec Pivot announced plans to construct a A\$400m acid plant at its NW Queensland fertiliser site at Phosphate Hill. This will replace sulphuric acid supplies it receives from Mt Isa when Xstrata's copper smelter closes in 2016.

The expansion plan also underlines concerns over acid transportation following a train derailment of sulphuric acid tankers in early 2012. Fortunately, there was only very small spillage despite the train carrying more than 1.5 megalitres of acid.

Local market for pyrite concentrate

BPL's pyrite deposits are of a type which could supply pyrite for sulphuric acid generation at mineral processing industries such as BHP Billiton's expanded Olympic Dam uranium-copper-gold operation in South Australia. Currently, a sulphuric acid plant at Olympic Dam provides part of the mine's requirements but additional acid has to be imported by road. As new processing options are advanced, BHP could require a substantial supply of pyrite which does not have uranium or significant heavy metal content.

Also in South Australia, the Beverley and Honeymoon uranium mines use substantial amounts of low-grade sulphuric acid to dissolve uranium minerals using in-situ leaching technology.

Near Dubbo, NSW, Alkane Resources is planning a world-class zirconia-rare earth mineral development (Dubbo Zirconia Project) and this will include a chemical plant to provide sulphuric acid for whole-of-ore processing. BPL's deposits are well located to provide pyrite to Dubbo via the NSW railway network.

News from the Democratic Republic of Congo (DRC)

During 2011, mines in Central Africa accounted for more than 65% of world cobalt production and almost all of this came from Katanga Province in southern DRC. Clearly, any civil unrest or logistical disruption in the DRC has the potential to interrupt international cobalt production. I keep watch on news from Central Africa for this reason, and report below on recent developments.

Violence continues in eastern DRC

The M23 rebel group in the eastern DRC has been accused of committing widespread war crimes. Human Rights Watch recently alleged that the March 23 Movement conducted mass rapes, killings, torture, abductions and recruited children to work as soldiers. They say that M23 is leaving behind a "horrific trail of atrocities" in eastern DRC.

M23 is made up of army mutineers who launched a rebellion in April and eventually drove Congolese troops from some areas in the east. The UN has accused the Rwandan government of actively supporting M23, which is made up of ethnic Tutsis. The Rwandan government has denied the accusation and talks have failed to end the violence. At least 220,000 people have been forced to flee.

Ebola outbreak spreads to the eastern DRC

Dozens of people have died in the current outbreak, which started in mid-August in eastern DRC. Local authorities say the population's lack of information on ebola and the traditional practice of washing corpses before funerals are helping the epidemic to spread. This is the ninth outbreak of the deadly ebola disease in the country and is the first in the Haut-Uele territory, in the north-eastern region.

DRC Government acquires copper-cobalt asset

The DRC's state-owned mining company Gecamines is buying out its joint venture partner, Copper Belt Minerals from two projects (Deziwa and Ecaille C). The Deziwa copper-cobalt project is located 40 kilometres south east of Kolwezi and contains mineral resources of approximately 4.5 million tonnes of copper and 0.4 million tonnes of cobalt.

Once one of Africa's largest copper producers, Gecamines has been hit by more than two decades of decline as production has dwindled to 20,000 tonnes of copper a year and debts have grown to an estimated US\$1.5 billion.

Formula E – electric car racing will use cobalt-based batteries

Racing motor sport's governing body, the FIA has announced plans for a new motor racing series, designed exclusively for electric cars. The new championship, known as Formula E, is due to begin in 2014 and manufacturers are being invited to design and build their own cars, which will race on city-centre circuits around the world.



Many of the new electric Formula E race cars will be powered by lithium-cobalt batteries. Ground-breaking research has developed batteries with cobalt oxide nanoparticles anchored on conducting graphene. The graphene (carbon) lattice can massively cut the amount of time it takes to recharge a lithium-ion cell – from about two hours to just a few minutes. Other benefits include longer battery life and lower operating temperatures.

A Bluebird Bat mobile-style GTL concept race car which is currently under aerodynamic testing for Formula E racing.

BPL's cobaltiferous deposits are well located for mining and transport

BPL's cobaltiferous pyrite deposits are located beside the main trunk railway near Broken Hill. Because pyrite concentrate is relatively inert and much safer to transport than concentrated acid, future development scenarios for the deposits will consider options to produce a pyrite concentrate at Thackaringa that would be suitable for freighting by rail. Production of sulphuric acid and cobalt are likely to be undertaken at the locations of chemical facilities or by companies that could use the acid.

Annual meeting of shareholders

BPL's Annual Meeting of Shareholders will be held on Thursday 29th November 2012 at Level 14, 52 Phillip Street, Sydney, Australia at 11:00am (Sydney time) and simultaneously via audio connection in 545 Parnell Road, Parnell, Auckland (New Zealand) at 1:00pm (NZ time). Please come along, meet our team and ask us about what has been a very eventful period for the company

BPL's cobaltiferous pyrite deposits are well located close to rail and road. They are less than a half hour

drive from Broken Hill, a mining town with an established mining workforce and support facilities.

BPL is investigating several processing options for future mine development and these include scoping studies for pyrite concentrate production. This will provide cost parameters and identify issues for future development options.

The Company is well placed to fast track concentrate production thanks to strengthening cobalt prices

and opportunities in an expanding sulphuric acid market.

I look forward to providing updates as our work progresses and invite you to visit our website at www.bhpl.biz.

Yours faithfully,

Dr Ian Pringle
Managing Director

Competent Person and Reporting Statement

The 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 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 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.

Reporting of resources was undertaken by Hellman & Schofield Pty Ltd ('H&S') and these are reported in accordance with JORC Code (2004) standards. H&S quantified a potential target size within the modelled mineralisation envelope and this potential lies outside of the Inferred Resource because of the absence of nearby drilling. This target is conceptual in nature and more drilling is required to further define it. There is no certainty that this target will result in a Mineral Resource.

Website

The Company has recently reformatted and updated its website www.bhpl.biz. Please visit our site for links to recent news, video interview, metal prices, share prices as well as project and company information.

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