

16 January 2014

Australian Stock Exchange Limited

BROKEN HILL PROSPECTING LTD
QUARTERLY REPORT FOR THE PERIOD TO 31 December 2013

Broken Hill Prospecting Limited ("BPL") is pleased to provide the following report on corporate news and activities undertaken at the Company's 100% owned Broken Hill cobalt-pyrite projects during the three month period ending 31 December 2013. Additional information about the Company is available at BPL's website www.bhpl.biz.

Chemical Business and Process Planning

BPL is evaluating opportunities to establish a sulphuric acid industry with pyrite concentrate from BPL's deposits as a feed source for a pyrite roasting plant. Several established chemical companies are assessing the business model.

There is a growing east Australia market for sulphuric acid and this is likely to expand with increasing growth of industries which require sulphuric acid for processing. These include developing mineral sand (ilmenite) processing, rare earth metals deposits, phosphate fertiliser resources, nickel, copper, and uranium mining and chemical industries. Many new project developments can be limited by sulphuric acid supply as well as unreliable and costly freight, and vagaries of off-shore acid and sulphur sourcing, distribution, and storage.

BPL's cobaltiferous pyrite deposits are particularly well suited to acid production as they contain negligible deleterious metals, are very large and are well located for cost effective open-cut development.

BPL has proposed several process options for future development of the cobalt-pyrite resources and production of sulphuric acid. Following mining and concentration of the cobalt-pyrite ore at the planned mine site a pyrite roast/sulphuric acid facility could be constructed at a favourable location for acid customers. This could be located at the future mine site or nearby at Broken Hill where a terminal for sorting and loading of mineral sands from Cristal Mining's Murray basin deposits has been established. In its June 2013 quarterly report, Cristal Mining Australia reported it produced 41,726 tonnes of ilmenite from its Murray Basin operations for the quarter. Other acid plant locations could include mid-west NSW (e.g. Dubbo) or in central Northern Territory where undeveloped phosphate and rare earth deposits could benefit from local sulphuric acid production.

Cobalt will be retained in the ash/cinder after the pyrite roast process and this could be recovered by solvent extraction/electro winning (SX/EW) either at Thackaringa or at the pyrite roast plant or sold directly to another mineral processor. After the cobalt has been extracted the fine-grained hematite residue may be saleable to Portland cement producers.

New website for Broken Hill Chemical Ltd

A new website (<http://brokenhillchemical.com>) to promote new chemical opportunities from sulphuric acid production from future processing of cobalt-pyrite ore has been established. Because of recent interest in both future sulphuric acid and cobalt production from Chinese-based groups, the website includes a mandarin translation.

Broken Hill Prospecting Limited

ARBN: 003 453 503

Level 14, 52 Phillip Street, Sydney NSW 2000 Box 3486 GPO, Sydney NSW 2001

P: +61 2 9252 5300 F: +61 2 9252 8400 E: info@bhpl.biz W: www.bhpl.biz

Feature in Mining Chronicle

The Mining Chronicle newspaper of Perth is preparing a feature on Broken Hill Prospecting for the February 2014 edition. The feature will provide a summary of the cobalt-pyrite deposit and focus on the proposed chemical industry and sulphuric acid production.

University of NSW Research

Ricky Li has submitted a thesis entitled "Geochemistry of the Sulphide Mineralisation at the Railway Prospect, Broken Hill, Australia" as partial fulfillment of the requirements for the degree of Bachelor of Science at the School of Biological, Earth and Environmental Sciences (BEES) of the University of NSW. Ricky undertook detail field and laboratory studies on rocks from the Railway Cobalt Prospect and described the petrology and pyrite mineralogy of drill core samples. The study compared the deposit with sediment hosted base-metal sulphide deposits and suggested that cobalt was carried in ore-forming fluids and substituted for iron in the pyrite mineral structure. Sulphur isotope analyses were interpreted by Ricky to imply that sulphur in the pyrite mineralisation is derived from a mixed sedimentary/magmatic source.

In early December Emma Cohen commenced field work for a dissertation entitled "The Effect of Deep Weathering on Cobaltiferous Pyrite: A Case Study on the Thackaringa Cobalt Deposits, NSW". Emma, also at BEES, will focus her study on cobalt in regolith and gossans with particular emphasis on mobility of cobalt in the weathering processes. Emma's work will study soils and sediments surrounding the deposits and will have important implications for BPL's ongoing exploration for secondary, redeposited cobalt mineralisation (Figure 1).



Figure 1.

University of NSW field party collecting samples of soil regolith.

The ridge in the background forms the outcropping central portion of the Pyrite Hill cobalt-pyrite deposit.

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AGSM

The Australian Graduate School of Management, University of NSW (AGSM) is using the Broken Hill Chemical business as a case study for a small team of graduate students. The study will commence in early 2014 and take several months to complete as part of the AGSM's MBA graduate course. Results of the work will assist Broken Hill Prospecting with valuable data and insight for strategic planning of a new start-up chemical business.

2013 R&D Tax Incentive schedule

The 2013 Research & Development Tax Incentive Schedule for Broken Hill Prospecting Limited for the year ended 30 June 2013 was calculated with assistance from KMPG and a refundable R&D Tax offset amount of \$344,973.60 was received in early December.

I look forward to keeping shareholders and other interested parties updated on new developments as work is progressed.

Yours faithfully,



Ian J Pringle
(Managing Director)

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.

About Broken Hill Prospecting Limited ("BPL")

BPL is progressing with exploration and evaluation of cobalt-pyrite deposits in the Broken Hill area. Within two exploration tenements (EL6622 and EL8143) and two mining leases (ML86 and ML87) BPL has located cobalt mineralisation (JORC 2004 Inferred Mineral Resources) which total 35.7 million tonnes at a combined average grade of 1.85lb/tonne cobalt (Pyrite Hill, Railway and Big Hill deposits) as well as potential mineralisation between 37-59Mt of similar grade at the Pyrite Hill and Railway Deposits (Hellman & Schofield, Nov 2011 and H&SC, July 2012). Exploration for additional cobalt-pyrite mineralisation along-trend and at depth beneath these deposits is in progress. BPL is in an excellent position to take advantage of an increasing demand for cobalt and sulphuric acid to meet growth in environmental and industrial uses ranging from rechargeable batteries in automobiles to fertiliser production.

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BPL is among the next generation of companies that is exploring for major new mineral deposits near the historic western NSW mining centre of Broken Hill, where more than 200 million tonnes of high-grade base metal ore worth an estimated \$80 billion has been produced during the past 127 years.

Cobalt Statistics

- Cobalt price (LME, 11 January 2014): US\$26,500 per tonne (approximately \$13 per pound).
- 1 pound = 0.4536 kilograms
- Mines in Central Africa accounted for approximately 60% of cobalt production in 2012 and most came from the Democratic Republic of Congo.
- The USA accounted for over 50% of cobalt consumption in 2012.
- The USA, Japan, and the European Union have no producing cobalt mines.
- China imported ore from Africa and produced >40% of refined cobalt production in 2012.
- More than 95% of cobalt production is a by-product of copper or nickel mining.
- Many lithium-ion batteries contain up to 60% cobalt and will be widely used in the new generation of electric vehicles.
- Cobalt is used in a wide range of industries (including production of super alloys and hardened metals) where high heat and wear tolerance is required (aircraft, turbines, windmills, military hardware), high-strength magnets, carbides and diamond tools, catalysts (petroleum production), colouring (cobalt blue), adhesive, soaps, driers and food supplements (vitamin B12).

Sulphuric Acid Information

In volume terms, sulphuric acid (H₂SO₄) has the largest world-wide use of any chemical..

- The production of phosphate fertiliser materials is the major end use for sulphuric acid, accounting for nearly 52% of total world consumption in 2011.
- Other uses include manufacture of plastics, fibers, 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.
- 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.
- Global pyrite production was about 6.7mt (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.

For further information contact;

Dr Ian Pringle, Managing Director, Broken Hill Prospecting Ltd +61 408 548 767 ipringle@bhpl.biz
Australian media – Alan Deans, Partner, Last Word Corporate Communications +61 427 490 992
alan.deans@lastwordcc.com.au

Broken Hill Prospecting Ltd has recently completed a new website which covers recent developments in pyrite roasting to produce sulphuric acid (<http://brokenhillchemical.com>).

Please also visit our main website site at www.bhpl.biz

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Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Broken Hill Prospecting Limited

ABN

83 003 453 503

Quarter ended ("current quarter")

31st December 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(21)	(42)
(b) development	-	-
(c) production	-	-
(d) administration	(151)	(295)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) R&D tax incentive	345	345
Net Operating Cash Flows	175	12
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	175	12

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	175	12
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	175	12
1.20	Cash at beginning of quarter/year to date	201	364
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	376	376

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	90
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Salaries, fees and consulting services at standard commercial rates.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

n/a

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

n/a

Financing facilities available

+ See chapter 19 for defined terms.

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	30
4.2 Development	-
4.3 Production	-
4.4 Administration	130
Total	160

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	18	31
5.2 Deposits at call	358	170
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	376	201

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	n/a		
6.2	Interests in mining tenements acquired or increased	n/a		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	82,581,900	82,581,900	n/a	n/a
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	11,190,950 38,650,000	11,190,950 Nil	<i>Exercise price</i> 20c 20c	<i>Expiry date</i> 17/2/2014 17/2/2016
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)	-	-
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.


 Sign here: Date: 16/1/2014
 (Company secretary)

Print name: Francesco Girotto

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.