ASX and Media Announcement 15th April 2014

## CLARIFICATION - SIGNIFICANT VALUE IN SULPHURIC ACID PROJECT, STUDY FINDS

Broken Hill Prospecting Limited (ASX:BPL) ("BPL" or "the Company") refers to the announcement to the Australian Securities Exchange dated 14th April 2014 relating to a business model study completed by students at the Australian Graduate School of Management as part of their MBA Graduate course ("Graduate Study").

The purpose of the Graduate Study was to assess a business model to produce sulphuric acid from cobalt pyrite concentrate produced from the Company's cobalt pyrite deposits ("Thackaringa Project") near Broken Hill.

Investors are advised that the Graduate Study has not established the economic viability or definite value of the Thackaringa Project. While the Graduate Study was based on the Company's existing and previously announced Inferred Mineral Resource estimates, they are not in themselves sufficient to define the economic viability of producing sulphuric acid from concentrate produced from the Thackaringa Project. Under the JORC Code, Inferred Mineral Resource estimates are not sufficient to permit the application of the type of technical and economic parameters required to imply economic viability.

BPL is exploring and evaluating 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 between 1.70-1.85lb/tonne cobalt at the Pyrite Hill and Railway Deposits (Hellman & Schofield, Nov 2011 and H&SC, July 2012). The Potential is conceptual in nature and more drilling is required to further define it. There is no certainty that this potential will result in a Mineral Resource.

For the Company to establish economic viability of producing sulphuric acid from Thackaringa Project cobalt pyrite, it would need to establish sufficient Indicated Mineral Resources and further consider mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and government factors. As a result, some economic assumptions used in the Graduate Study may not be realised.

Statements implying economic viability require a reasonable basis, otherwise they are taken to be misleading to shareholders. Given that the Company is concerned that investors may attribute the Graduate Study as proving the Thackaringa Project's economic viability, it wishes to clarify those statements of economic viability and production and cautions against using them as a basis for investment decisions relating to securities in the Company.

As set out in the announcement released to ASX on 14th April 2014, the Company intends to use the results of the Graduate Study to further progress evaluation and development of the Thackaringa Project. This may include drill testing to better define the Inferred Mineral Resource, as well as metallurgical work and other studies to

determine whether the Company is able to establish an Indicated Mineral Resource on which to base a sulphuric acid and cobalt recovery business.

Yours faithfully,

Ian J Pringle
(Managing Director)

***Competent Person Statement***
*Exploration activities and results contained in this notice 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 the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Potential is conceptual. More drilling is required to further define it and there is no certainty that this will result in a Mineral Resource. 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.*

***Sulphuric Acid Information***
*In volume terms, sulphuric acid ($H_2SO_4$) 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 half of total world consumption.*
- *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;***
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