



BROKEN HILL PROSPECTING LIMITED

(Incorporated in New Zealand)

NZ Company Number: 322887, NZ Overseas Issuer Number: 2541657

NZ Financial Services Provider Number: FSP32949

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**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2017**

BROKEN HILL PROSPECTING LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017**

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BROKEN HILL PROSPECTING LIMITED

CORPORATE DIRECTORY

Non – Executive Directors

F Creagh O'Connor (Chairman)

Matthew G Hill

Denis Geldard

Geoffrey G Hill

CEO

Anthony (Trangie) Johnston

Company Secretary

Ian Morgan

Registered Office

Ground Floor Nathan House

541 Parnell Road

Parnell, Auckland 1052

New Zealand

Office in Australia

Suite 1002, Level 10

171 Clarence Street

Sydney 2000

GPO Box 1546

SYDNEY NSW 2001

Phone: (+61 2) 9238 1175

Email: info@bhpl.biz

Twitter

@BH_PL

Auditor

K.S. Black & Co.

Level 5

350 Kent Street

Sydney NSW 2000

Bankers

National Australia Bank

Commonwealth Bank of Australia

Securities Listed

Australian Securities Exchange:

Code BPL (shares)

Code BPLO (options)

Share Registrar

Computershare Investor Services Pty Ltd

Level 5, 115 Grenfell Street

Adelaide, South Australia 5001

Phone: 1300 556 161 (within Australia)

(+61 3) 9415 4000 (outside Australia)

www.computershare.com.au

Website

www.bhpl.biz

Interests in Mining Tenements

As at 30 June 2017

Tenement Name	Tenement Type and Number	Location	Group Ownership
Pine Ridge	Exploration Licence-EL6622	Broken Hill NSW Australia	100%
Felspar Creek	Exploration Licence-EL8143	Broken Hill NSW Australia	100%
Tararra	Exploration Licence-EL8558	Mildura NSW Australia	100%
Central Para	Exploration Licence-EL8559	Mildura NSW Australia	100%
Euston South	Exploration Licence Application-ELA5518	Mildura NSW Australia	100%
Euston North	Exploration Licence Application-ELA5519	Mildura NSW Australia	100%
Pyrite Hill	Mining Lease-ML86	Broken Hill NSW Australia	100%
Big Hill	Mining Lease-ML87	Broken Hill NSW Australia	100%

CHAIRMAN'S MESSAGE

Dear Fellow Shareholders,

Delivering the Chairman's message for this 2017 Annual Report of your Company (BPL, or the Company) has given me cause to reflect on the major, transformative initiatives that were successfully taken on and achieved during the year.

The two major initiatives I refer to; one embarked on willingly, the other out of necessity, were the successful spin-off of Cobalt Blue (ASX: COB) and the successful resolution of the joint venture dispute with Relentless Resources (Relentless).

I will deal with each in turn.

After a rigorous review of alternative value capture and liquidity event structures, BPL initiated an Initial Public Offering (IPO) of the Thackaringa Cobalt Project in late 2016, through the sale of the cobalt rights at Thackaringa to COB. This course was chosen as an optimal method of capitalising on the historically strong price of cobalt, which is based heavily on the emerging and rapidly growing energy storage / battery industry.

The Cobalt Blue IPO was completed in early 2017, raising \$10 million. Cobalt Blue has committed to an extensive, four-stage work program to be concluded by June 2020. That programme includes detailed exploration and completion of a range of industry-standard studies, culminating in a bankable feasibility study and, ultimately, if supported, a decision to develop a mine.

COB's shares commenced trading on the Australian Securities Exchange (ASX) in February 2017 and have been strongly supported by investors. Importantly, our own shareholders directly benefited as they received an in-specie distribution of Cobalt Blue shares and loyalty options (plus a priority entitlement in the accompanying Cobalt Blue capital raising). This was a win-win deal and saw a dollar value in Cobalt Blue shares and loyalty options of approximately \$8.1 million returned to BPL's shareholders.

Prior to the Cobalt Blue listing, a significant drilling program was initiated at Thackaringa to increase the size of the known, near surface cobalt resources at the Railway, Pyrite Hill and Big Hill deposits. This led to higher grades of cobalt mineralisation being found at each of these three deposits, leading to an upgrade of the total mineral resource estimate to 54.9 million tonnes (combined Inferred and Indicated) at 910 ppm cobalt. This represents a 66% increase in overall tonnes and a 9% increase in cobalt grade. Just after the end of the 2017 financial year, a high-quality scoping study was completed, demonstrating that an economically and technically viable project is possible at Thackaringa. Work has continued, including a new geophysical survey over the entire project area delivering a better understanding of BPL's multiple base metal and precious metal prospects. Additional drilling and a range of studies are underway, designed to support the delivery of a high quality preliminary feasibility study in the first calendar half of 2018.

I take this opportunity to express my thanks to the Board and executives of Cobalt Blue, who we are working closely with and with whom we share the success of the project.

I turn now to our mineral sands projects and the dispute with Relentless.

BPL has, for several years, been developing a portfolio of mineral sands projects in the Murray Basin area of Western New South Wales; a world-class mineral sands province. The conceptual development route underpinning these projects has been to utilise smaller scale, mobile 'mining and processing' plant to render these deposits commercially viable.

Having entered into a joint venture over certain mineral sands assets, with Relentless in the previous year, BPL focussed on its 100% -owned prospects during 2017. These 100% owned projects were identified as being highly prospective based on detailed historical drilling data held within our proprietary database.

Now, in early 2017, BPL and Relentless became involved in a legal dispute related to those joint venture tenements. I won't outline in detail the background or course of that dispute here, as it has been dealt with in our periodic announcements and, in any event, is now settled. Key to that settlement though is that BPL was able to vend the disputed tenements and other tenements of its choice to Relentless for a total sum of A\$3.9 million. The Board was extremely pleased with the outcome of the settlement. BPL remains the third largest mineral sands tenement portfolio holder in the Murray Basin. In addition, our team has identified new mineral sands deposits of significance and our plans to develop shallow, high-grade and low tonnage deposits that could be mined using low-cost, mobile equipment remain as strong as ever.

These new mineral sands deposits include 'Jaws' and 'Gilligans' which together host an. Inferred mineral of 113 million tonnes at 1.8% heavy mineral at a cut-off grade of 1%. Priority is being given to testing higher grade zones within these deposits, and also to pursuing other advanced targets and acquiring more mineral sands tenements in the region.

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It is particularly encouraging that our focus on the Murray Basin comes when world markets for mineral sands are improving. Titanium pigment and zircon prices have increased for much of last year, and indications are that prices could rise higher at least in the near term. We look forward to reporting advancements on these projects over time.

The initiatives described above, and the normal day to day running of your Company, have kept our executive team extremely busy.

Under Chief Executive Officer Anthony (Trangie) Johnston, and with strong guidance and assistance from the Board, the financial year 2017 sees the Company well financed and positioned to achieve growth.

BPL's growth comes from participation in the Thackaringa joint venture and residual base and precious metal ownership, the Company's ongoing mineral sands initiatives, and other mineral projects that the Company may identify.

I take this opportunity to thank the executive team and my fellow Directors. Also of course, my thanks to you, the owners of the Company for your ongoing support.

I look forward to sharing a successful 2018 with you.

A handwritten signature in blue ink, appearing to read 'Creagh O'Connor', is positioned above a horizontal line.

Creagh O'Connor AM
Chairman

DIRECTORS' REPORT

Review of Operations

Heavy Mineral Sands, Murray Basin

An increased focus on exploration and development programs on Broken Hill Prospecting Limited's core heavy mineral sands leases (HMS) achieved strong results. A restructure of its interests in the NSW sector of the world leading Murray Basin has set up the company for growth in coming years.

2017 Highlights

- **BPL established as the third largest tenement holder in the Murray Basin and now fully owns all leases. It is expanding its tenement portfolio across the Basin after strategic reviews of the best opportunities.**
- **After the end of the financial year, it was announced that a combined Inferred Mineral Resource of 113Mt at 1.8% HM at a cut-off grade of 1% had been estimated for two advanced areas – Jaws and Gilligans in EL8559. Priority focus for exploration will be on higher grade zones within in these two strand deposits.**
 - **Jaws has an Inferred Mineral Resource estimate of 63Mt at 1.9% HM and 5% clay, containing 1.2Mt of HM with an assemblage of 10% zircon, 29% rutile and 10% total ilmenite.**
 - **Gilligans has an Inferred Mineral Resource estimate of 50Mt at 1.6% HM and 2% clay, containing 0.8Mt of HM with an assemblage of 9% zircon, 23% rutile and 8% total ilmenite.**
- **Settlement was reached with Relentless Resources Ltd late in the financial year regarding the management of the joint venture on the Copi North & Magic Projects. Partial divestment of the heavy mineral sands portfolio has put the Company in a strong financial position.**

Broken Hill Prospecting, through their wholly owned subsidiary, Murray Basin Minerals secured an increased tenement portfolio during 2017. The expanded interest is the result of an extensive data compilation and prospectivity analysis undertaken by the company during 2017. This synthesis of publicly available data has equipped BPL with a unique proprietary database comprising approximately 40,000 drill holes for 1.3 million metres of drilling. The database reflects a total exploration replacement value of approximately \$55 million in today's terms (drilling and assay only).

The addition of five (5) tenements for a total of 2,340km² established the Company as the third largest tenement holder in the NSW Murray Basin, behind industry leaders Iluka Resources and Cristal Mining. Part of the expanded portfolio was divested together with the Company's joint venture projects (Copi North and Magic) in June 2017 for \$3.9 million.

Maiden Mineral Resource estimates for the Jaws and Gilligans strandlines on recently granted EL 8559 comprised a total of 113 Mt at 1.8% HM and 3% clay containing 2 Mt of HM with an assemblage of 10% zircon, 26% rutile and 10% total ilmenite including:

- Jaws Inferred Mineral Resource estimate of 63 Mt at 1.9% HM and 5% clay containing 1.2 Mt of HM with an assemblage of 10% zircon, 29% rutile and 10% total ilmenite
- Gilligans Inferred Mineral Resource estimate of 50 Mt at 1.6% HM and 2% clay containing 0.8 Mt of HM with an assemblage of 9% zircon, 23% rutile and 8% total ilmenite

In addition, the Gilligans strandline has an Exploration Target of:

- 6 – 24Mt at 1 – 2% HM and 7 – 8% clay with an assemblage of 9% zircon, 23% rutile and 8% total ilmenite¹

The potential quantity and grade of these targets is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in determination of a Mineral Resource.

The Jaws and Gilligans deposits are located in south-western New South Wales approximately 50 km north of Mildura and lie approximately 20 km east of the Silver City Highway which links Mildura to Broken Hill.

At a 1% HM cut-off grade, the Gilligans deposit is approximately 23 km long and 250 m to 700 m wide on average. The Exploration Target within the deposit length is approximately 8 km long and 150 m to 300 m wide on average and comprises the south-east part of the deposit. Gilligans ranges in thickness from approximately 1 m to 18 m with an average thickness of 7.5 m and an average depth of 30 m.

¹ Exploration Target ranges reported a cut-off grades of 0.7% and 1.3% HM

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The Mineral Resource for Jaws is approximately 16 km long and is split by the 400 m wide buffer of the Darling River into two areas, one to the north-west which is 5 km long and the other to the south-east which is 11 km long. Jaws is on average 150 m to 300 m wide, ranges in thickness from 1 m to 18 m with an average thickness of 8.5 m and an average depth of 30 m.

Mineral Resources

Mineral resources are tabulated by geographic area. Note small rounding errors may have occurred in the compilation of mineral resources.

Table 1. Mineral Resource estimates for the Jaws and Gilligans deposits as reported at a 1% HM cut-off grade and released 10 August 2017 under JORC 2012.

Summary of Mineral Resources							HM Assemblage				
Mineral Resource Category	Deposit	Material (Mt)	In Situ HM (Mt)	HM (%)	Clay (%)	Oversize (%)	Ilmenite (%)	Zircon (%)	Rutile (%)	Magnetic Leucoxene (%)	Non-Magnetic Leucoxene (%)
Inferred	Jaws	63	1.2	1.9	5	1	10	10	29	22	1
Inferred	Gilligans	50	0.8	1.6	2	2	8	9	23	20	2
Total		113	2.0	1.8	3	1	10	10	26	21	2

Table 2. Mineral Resource estimates for the Copi North deposit as reported at a 2.5% HM cut-off grade and released 27 May 2016 under JORC 2012.

Summary of Mineral Resources							HM Assemblage				
Mineral Resource Category	Deposit	Material (Mt)	In Situ HM (Mt)	HM (%)	Clay (%)	Oversize (%)	Ilmenite (%)	Zircon (%)	Rutile (%)	Leucoxene (%)	Other HM (%)
Inferred	Copi North	3.2	0.2	6.8	2.8	1.6	54.4	11.3	10.8	10.0	13.6
Indicated	Copi North	11.0	0.7	6.3	2.7	2.1	54.4	11.3	10.8	10.0	13.6
Total		14.2	0.9	6.6	2.8	1	54.4	11.3	10.8	10.0	13.6

Table 3. Mineral Resource estimates for the Magic deposit as reported at a 2% HM cut-off grade and released 10 September 2015 under JORC 2012.

Summary of Mineral Resources							HM Assemblage				
Mineral Resource Category	Deposit	Material (Mt)	In Situ HM (Mt)	HM (%)	Clay (%)	Oversize (%)	Ilmenite (%)	Zircon (%)	Rutile (%)	Leucoxene (%)	Other HM (%)
Inferred	Magic	15	0.6	3.7	4	1	62	14	6	10	8
Total		15	0.6	3.7	4	1	62	14	6	10	8

Note: Divestment of the Company's former joint venture assets with Relentless Resources (RRL) has resulted in BPL and its subsidiaries no longer holding an interest in the Copi North (EL8312 & EL8385) or Magic (EL8311) projects.

Thackaringa Cobalt-Base-Precious Metal Project

Considerable work has been undertaken at the Thackaringa Cobalt Project after a joint venture agreement was reached with Cobalt Blue Holdings Limited (COB) on a four-stage exploration and development program due for completion by June 2020.

2017 Highlights

- A significant drilling campaign completed in early 2017 supported a substantial Mineral Resource upgrade now comprising 54.9Mt at 910ppm cobalt, 9.56% sulphur and 10.19% iron. Thackaringa now contains 50Kt of cobalt at a 500ppm cut-off grade.
- A positive scoping study was received at the end of the financial year. It concluded that an economically and technically viable project was possible. The project has now moved into Pre-feasibility studies.
- Plans were developed for a major geophysical survey over the entire permit area at Thackaringa, including high resolution electromagnetic and magnetics. This would focus on cobalt mineralisation and, importantly, base metals and precious metal prospects that BPL retains fully in its own right.

- **The terms of the joint venture with COB were modified to suit both parties. COB can still earn 100% of the Thackaringa Cobalt Project, but modifications were made to the work schedule for the 2017-18 year.**

The successful spin-off of Cobalt Blue Holdings Limited (ASX: COB) in February 2017, marked the acceleration of exploration activities at Thackaringa which successfully increased the cobalt Mineral Resource inventory; now comprising 54.9Mt at 910ppm cobalt, 9.56% sulphur & 10.19% iron for 50Kt contained cobalt (at a 500ppm cobalt cut-off). The drilling program was the most significant campaign at Thackaringa to date; comprising 22 diamond and 38 reverse circulation drill holes for a total of 7,956.9 metres. With improved geological modelling and extensive drilling, the continuity of mineralisation was confirmed and included multiple high-grade zones within the broader mineralised envelope.

The revised Mineral Resource estimate formed the basis of a series of technical studies ultimately underpinning a positive Scoping Study delivered to the Company by COB in June 2017. The study provided encouraging results and sufficient justification for the joint venture partners to commit to the next stage of exploration and development.

The latter half of the year focussed on the advancement of base and precious exploration targets for which BPL retain the rights under the Thackaringa JV agreement. This resulted in the development of a high resolution electromagnetic survey plan targeting expansion of known cobalt resources and seeking new base and precious metal prospects. The survey will cover the entire project area for a total of 655-line kilometres at nominal 100 m line spacing. Fully funded by COB under its JV commitments the survey is scheduled for completion in September 2017.

The data is to be used in conjunction with geological mapping to produce a new tenement-scale, 3D geological model to assist in the targeting of all styles of mineralisation and is expected to improve targeting at identified prospects including:

- Pyramid Hill (Cu-Au-Ag)
- Himalaya North (Cu-Pb-Zn-Ag)
- Camels Hump (Cu-Zn)
- Ram Paddock (Cu-Co)
- Alders Tank (Co)
- Old Coolgardie North and West (Cu-Au)
- TSQV (Cu-Au-Ag)

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Mineral Resources

Mineral resources are tabulated by geographic area. Note small rounding errors may have occurred in the compilation of mineral resources.

Table 4. Mineral Resource estimates for the Thackaringa deposits as reported at a 500ppm Co cut-off grade and released 5 June 2017 under JORC 2012.

Category	Mt	Co ppm	Fe %	S %	Pyrite %	Co Tonnes	Py Mt	Density
Pyrite Hill (at a 500ppm Co cut-off)								
Indicated	2.8	1001	10.99	10.42	19.54	2,758	0.54	2.87
Inferred	20.8	948	11.03	10.22	19.16	19,710	3.98	2.87
Total	23.5	954	11.02	10.24	19.21	22,468	4.52	2.87
Big Hill (at a 500ppm Co cut-off)								
Indicated	0.8	787	7.41	6.77	12.7	596	0.1	2.76
Inferred	7.4	760	7.42	7.19	13.49	5,638	1	2.78
Total	8.2	763	7.42	7.15	13.41	6,234	1.1	2.78
Railway (at a 500ppm Co cut-off)								
Indicated	3	947	10.93	10.29	19.29	2,828	0.58	2.87
Inferred	20.2	913	10.23	9.63	18.05	18,456	3.65	2.85
Total	23.2	917	10.32	9.71	18.21	21,284	4.22	2.85
Total (at a 500ppm Co cut-off)								
Indicated	6.5	951	10.54	9.93	18.63	6,182	1.21	2.86
Inferred	48.4	905	10.14	9.51	17.83	43,804	8.63	2.85
Total	54.9	910	10.19	9.56	17.92	49,986	9.84	2.85

Mineral Resources Statement

The Mineral Resources statements have been prepared in accordance with JORC 2012. The company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and that all material assumptions and technical parameters underpinning these Mineral Resource estimates in the relevant market announcements continue to apply and have not materially changed.

The Mineral Resources statement is based on and fairly represents information and supporting documentation prepared by the competent persons named in each relevant market announcement. The Mineral Resources statement, as a whole, has been approved by Mr Johnston who is a Member of the Australian Institute of Mining and Metallurgy and is a full-time employee of the Company.

Annual Review of Mineral Resources

Material changes from the Mineral Resources declared in the 2016 Annual Report are summarised below.

Mineral Sands

Magic

The Magic Mineral Resource has remained unchanged from the 2016 Annual Report.

Copi North

The Copi North Mineral Resource has remained unchanged from the 2016 Annual Report.

Thackaringa

During the year a significant infill and extensional drilling program was completed at the Thackaringa deposits including Pyrite Hill, Big Hill and Railway. The additional data was incorporated into a revised Mineral Resource estimate which was released on 5 June 2017 by COB. The material changes in these resources can be attributed to:

- Inclusion of an additional 22 diamond and 38 reverse circulation drill holes for a total of 7,956.9 metres
- An updated 3D geological model incorporating new drilling, detailed surface mapping and lithogeochemical interpretation
- Sample compositing to 1m as opposed to 2m to match the dominant sample interval

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- Density modelling as opposed to using default values. The average value for the three deposits is now 2.85t/m³ compared to the previously used default of 2.8t/m³

A comparison between the superseded Thackaringa Mineral Resources and the updated Thackaringa Mineral Resources is presented below.

Category	Mt	Co ppm	Fe %	S %	Pyrite %	Co Tonnes	Py Mt
Pyrite Hill (at a 500ppm Co cut-off)							
Inferred	16.4	830	-	-	-	13,600	-
Total	16.4	830	-	-	-	13,600	-
Big Hill (at a 500ppm Co cut-off)							
Inferred	4.4	910	-	-	-	4,100	-
Total	4.4	910	-	-	-	4,100	-
Railway (at a 500ppm Co cut-off)							
Inferred	14.9	831	-	-	-	12,300	-
Total	14.9	831	-	-	-	12,300	-
Total (at a 500ppm Co cut-off)							
Inferred	35.7	841	-	-	-	30,000	-
Total	35.7	841	-	-	-	30,000	-

Table 5. Updated Mineral Resource estimates for the Thackaringa deposits as reported at a 500ppm Co cut-off grade and released 5 June 2017 under JORC 2012.

Category	Mt	Co ppm	Fe %	S %	Pyrite %	Co Tonnes	Py Mt
Pyrite Hill (at a 500ppm Co cut-off)							
Indicated	2.8	1001	10.99	10.42	19.54	2,758	0.54
Inferred	20.8	948	11.03	10.22	19.16	19,710	3.98
Total	23.5	954	11.02	10.24	19.21	22,468	4.52
Big Hill (at a 500ppm Co cut-off)							
Indicated	0.8	787	7.41	6.77	12.7	596	0.1
Inferred	7.4	760	7.42	7.19	13.49	5,638	1
Total	8.2	763	7.42	7.15	13.41	6,234	1.1
Railway (at a 500ppm Co cut-off)							
Indicated	3	947	10.93	10.29	19.29	2,828	0.58
Inferred	20.2	913	10.23	9.63	18.05	18,456	3.65
Total	23.2	917	10.32	9.71	18.21	21,284	4.22
Total (at a 500ppm Co cut-off)							
Indicated	6.5	951	10.54	9.93	18.63	6,182	1.21
Inferred	48.4	905	10.14	9.51	17.83	43,804	8.63
Total	54.9	910	10.19	9.56	17.92	49,986	9.84



Figure 1. Massive cobaltiferous pyrite mineralisation intersected by diamond drilling at Railway deposit, Thackaringa Project

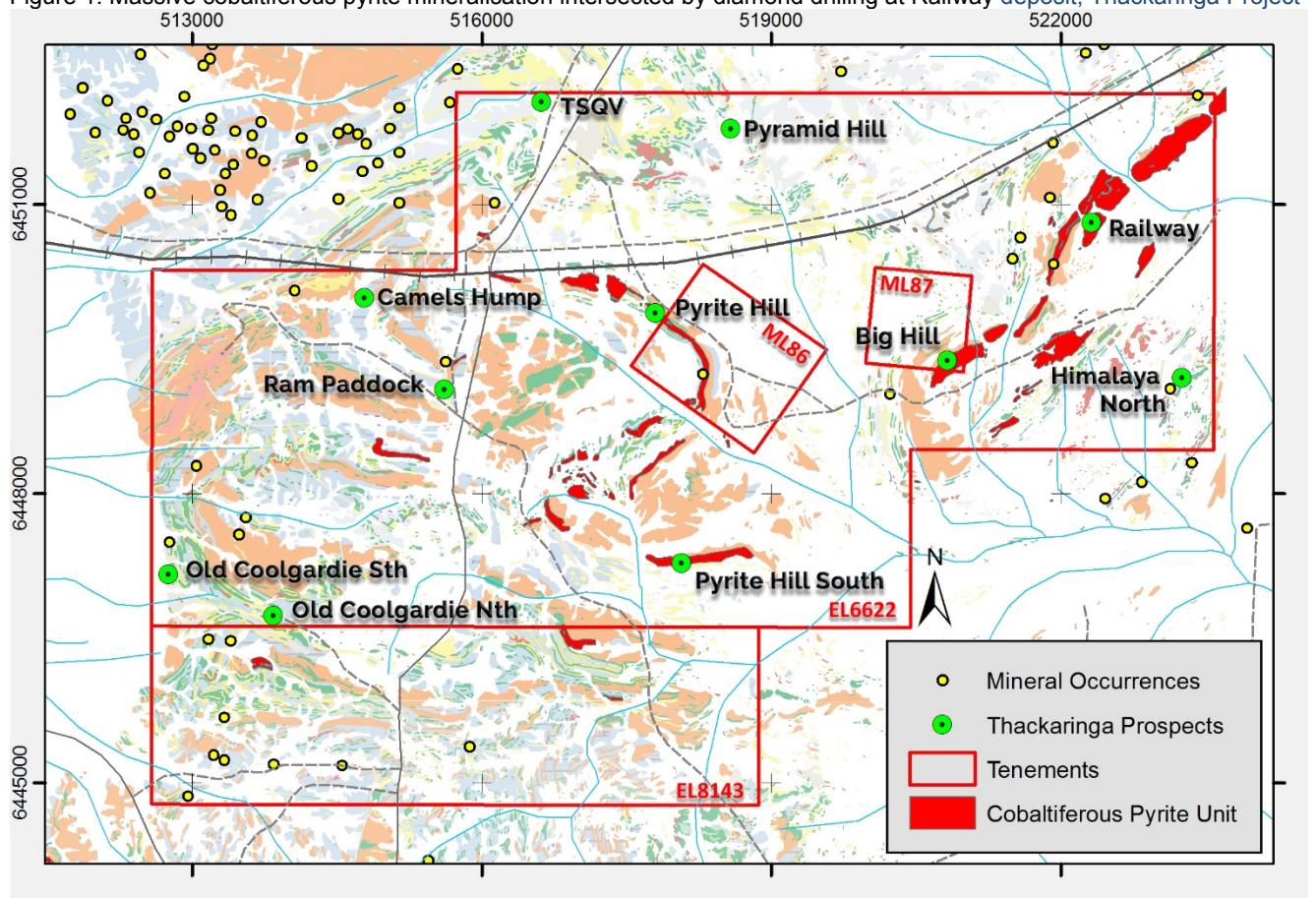


Figure 2. Thackaringa Project area highlighting base and precious metal prospects outside the current cobalt deposits at Railway, Pyrite Hill and Big Hill.

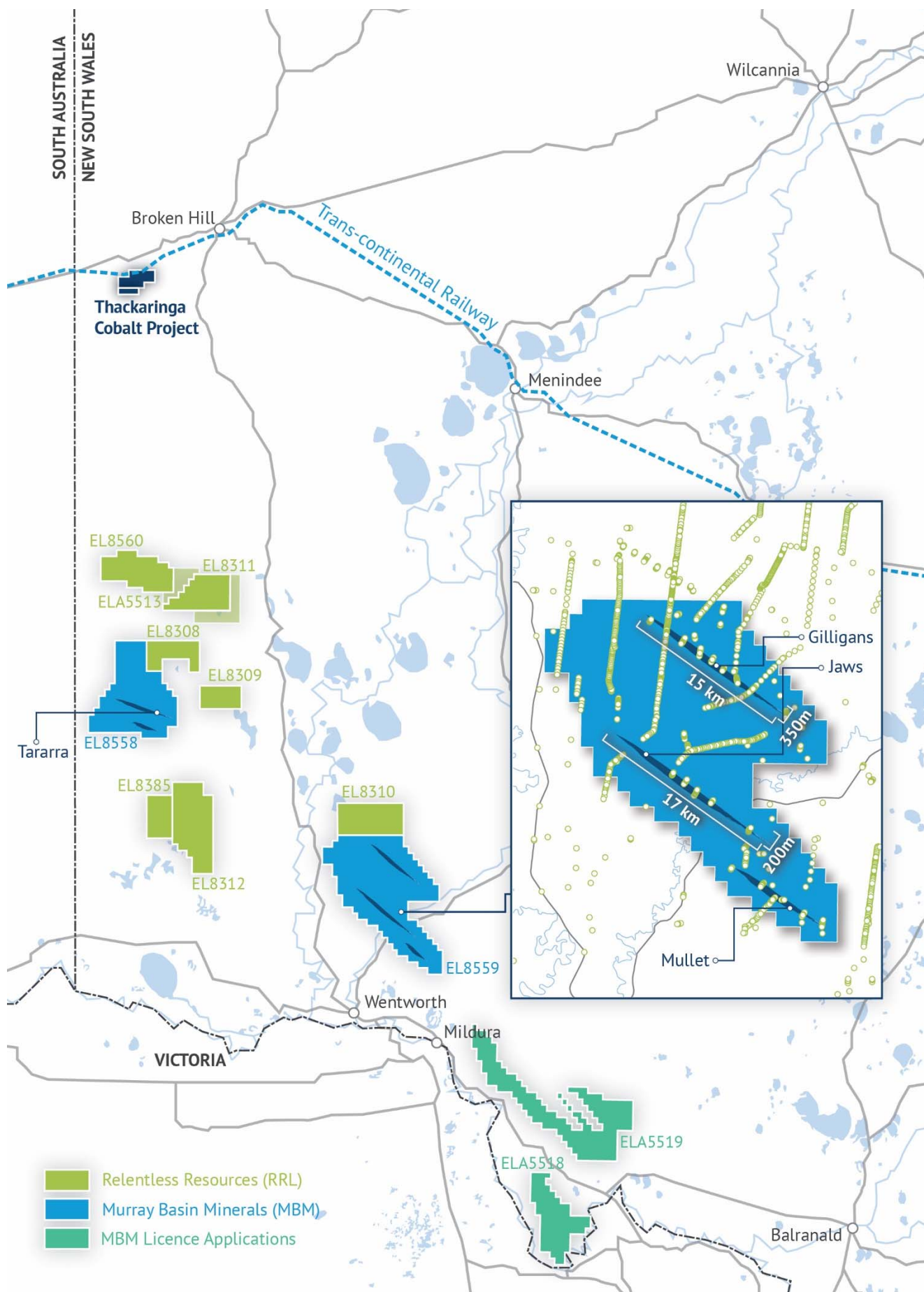


Figure 3. BPL's extensive HMS tenement portfolio within the world-class Murray Basin, western New South Wales. New tenement applications form part of our expansion strategy made to the east of Mildura, after extensive prospectivity analysis.



Figure 4. Heli-borne electromagnetic survey operations at the Thackaringa Project.

Competent Persons Statement

The information in this report that relates to Mineral Resources and Exploration Targets is based on information compiled by Mr Anthony Johnston, BSc (Hons), who is a Member of the Australian Institute of Mining and Metallurgy and is a full time employee of the Company. Mr Johnston has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 & 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Johnston consents to the inclusion in the announcement of the matters based on his information in the form and context that the information appears. The company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of mineral resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Board of Directors

The names of the Directors of the Company during the year and up to the date of this report are:

Francis Creagh O'Connor	Non-Executive Chairman	Appointed 22 June 2000
Matthew Geoffrey Hill	Non-Executive Director	Appointed 14 March 2012
Denis Geldard	Non-Executive Director	Appointed 3 August 2015
Geoffrey Guild Hill	Non-Executive Director	Appointed 27 August 2015

Directors' Meetings: The number of meetings of the Board of Directors and Audit Committee held during the year ended 30 June 2017 and the numbers of meetings attended by each director were:

Directors:	Board of Directors		Audit Committee		Remuneration Committee	
	<i>Eligible to attend</i>	<i>Attended</i>	<i>Eligible to attend</i>	<i>Attended</i>	<i>Eligible to attend</i>	<i>Attended</i>
FC O'Connor	15	15	1	1	1	1
MG Hill	15	13	1	1	1	1
D Geldard	15	14	1	1	-	-
GG Hill	15	13	-	-	1	1

In addition a number of matters were resolved by circular resolution during the period.

Details of Directors:

Francis Creagh O'Connor: AM, FAIM, FAICD. Chairman and Non-Executive Director (Independent). Member of the Remuneration Committee, Member of the Audit Committee.

Term of office 17 years.

Creagh O'Connor was appointed to the Board in 2000 and to the role of Chairman in 2004. He has approximately 40 years senior management experience in providing consulting and advisory services for oil, gas and mineral projects throughout Australia and overseas. He is a leading consultant for Australian construction and development consortiums. He has served as a Director and Chairman on a number of listed and private companies.

Matthew Geoffrey Hill: MBA, AFSL, FFin, APDT. Non-Executive Director, Member of the Remuneration Committee, Chairman of the Audit Committee.

Term of office 5 years.

Matthew Hill was the alternate Director of Geoffrey Hill from 14 March 2012 to 6 June 2014. On that date he was appointed Non-Executive Director. Geoffrey Hill retired as Non Executive Director on 30 June 2014. Matthew has over 20 years experience in financial services and investment banking. He is currently Executive Director of publicly listed New Talisman Gold Mines Limited. Matthew has previous experience with the Private Equity and Capital Markets sectors employed by News Corporation and Softbank's E-ventures, Potter Warburg and Souls Private Equity Limited.

Denis Geldard: AWASM, MAIMM. Non-Executive Director (Independent), Member of the Audit Committee.

Term of office 2 years.

Denis Geldard was appointed to the Board on 3 August 2015 and has over 40 year's technical and operational experience in exploration and project development in Australia and internationally. He has over 20 years' experience specifically in the Heavy Mineral Sands Industry with companies such as Western Titanium Ltd, Associated Minerals Consolidated and Iluka Resources. Denis is a Mining Engineering graduate from the Kalgoorlie School of Mines in Western Australia. He has managed and run a number of junior and mid-tier mining and exploration companies and mining operations over the past 40 years including directorships of a number of Australian listed mining and exploration companies.

Board of Directors (continued)

Geoffrey Guild Hill: B.Ec., MBA, FCPA, ASIA, FAICD. Non-Executive Director, Member of the Remuneration Committee.

Appointed 27 August 2015

Geoff Hill was a founding director of the Company, serving from 1989 to 30 June 2014. He re-joined the Board on 27 August 2015. Geoff is a merchant banker, based in Hong Kong, with experience in mergers and capital raising and has acted for a wide range of corporate clients in Australia and overseas, particularly in the resources sector. He is Chairman of the International Pacific Securities Group. He is Chairman of ASX listed Pacific American Coal Limited and Asian Property Investments Limited. In the last three years he was previously Chairman of Mount Gibson Iron Ore Limited and a director of New Talisman Gold Mines Limited.

CEO and OTHER OFFICERS

Anthony (Trangie) Johnston: B.Sc, M.Sc. Chief Executive Officer. Appointed 20 May 2016

Trangie Johnston was appointed to the post of Chief Executive Officer (CEO) on 20 May 2016. Trangie is a skilled geologist with 20 years' experience in exploration, project development and mining activities. His diversified career spans the private, public, consulting and government sectors, with experience throughout Australia and internationally.

Ian H Morgan: B Bus (UTS), MComLaw (Macquarie University), Grad Dip App Fin (FINSIA), CA, ACIS, ACSA, MAICD, F Fin, Company Secretary. Appointed 13 September 2016

Ian is a qualified Company Secretary and Chartered Accountant with over 30 years of experience in businesses operating in Australia and overseas. Ian holds a Bachelor of Business from the NSW Institute of Technology (now University of Technology, Sydney), a Master of Commercial Law from Macquarie University, and a Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia (now FINSIA). He is an Associate Member of the Institute of Chartered Accountants in Australia, an Associate Member of Chartered Secretaries Australia, a Member of the Australian Institute of Company Directors, and a Fellow of the Financial Services Institute of Australasia (FINSIA).

Donald W de Boer: BA, CA. Company Secretary. Appointed 24 May 2016, resigned 13 September 2016. Member of the Audit Committee since 22 January 2010.

Donald de Boer has extensive experience in corporate compliance for both listed and unlisted companies. He has been a chartered accountant for over 35 years.

Remuneration Report

The Company is incorporated in New Zealand and is a foreign company in terms of the Australian Corporations Act 2001 so a separate remuneration report is not required. However an abridged report (unaudited) on remuneration of the key management personnel (KMP) of the consolidated entity which follows most of the principles required by the Corporation Act 2001 is included below.

Remuneration policy

The remuneration policy, which sets the terms and conditions for the key management personnel (KMP), was developed by the remuneration committee and was approved by the Board.

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors and key management of the highest calibre, whilst incurring a cost which is acceptable by the shareholders.

The remuneration of the Chairman and Non-Executive Directors is not currently based on Company performance and is paid by fixed sum. The remuneration of the Chief Executive Officer appointed on 20 May 2016 is a fixed salary package which is not currently based on Company performance.

In the 2012 financial year the Company established a long term share-option equity plan (the "Plan") for the purpose of providing a long term equity incentive structure to deliver equity based benefits to the Directors, contractors and employees. The Board strongly believes that this Plan better aligns the rewards of the key management personnel with the interests of the shareholders.

On 15 January 2016 in accordance with shareholders resolution the Company made a contribution to the plan equivalent to the issue of 11,000,000 listed options with an exercise price of A\$0.08 and expiry date 12 November 2019. The issue of options was to provide some reward to the KMP for their time spent in growing the Company's business and gives a strong incentive to align their interest to those of the shareholders.

For the 2016 financial year the key management personnel of the Company consisted of the Directors of Company and its subsidiaries, and, from 20 May 2016, the CEO Trangie Johnston.

Non-Executive Director's fees

The current maximum aggregate limit for Non-Executive Directors' fees is A\$400,000 per annum. Non-Executive Directors' fees are those as set at the time of the Initial Public Offering (IPO) of shares in the Company. The Board had initially agreed that each non-executive Director be paid a fee of A\$40,000 per annum and the Chairman a fee of A\$50,000. Directors who also chair the Audit Committee are entitled to further Directors' fee of an additional A\$5,000 per annum. There are no guaranteed annual increases in any Director's fees. To assist with the cash position, the Directors agreed to reduce all of their fees by half as from 1st April 2013.

BROKEN HILL PROSPECTING LIMITED

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director on normal commercial terms and conditions no more favourable than those available to other parties, in addition to or instead of the remuneration referred to above.

However, no payment as Director's fee can be made if the effect would be to exceed the maximum aggregate amount payable to non-executive Directors. A non-executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Director's or general meetings of the Company or otherwise in connection with the business of the Company.

Service agreement - Chief Executive Officer

An Employment Agreement dated 18 May 2016 has been entered into between the Company and Trangie Johnston. The Agreement commenced on 20 May 2016. The Agreement can be terminated by either party with one month's notice. The CEO's fixed remuneration under the Agreement is \$250,000 per annum, inclusive of superannuation. In addition, the Agreement allows, at the expiry of a probationary period of 90 days, for a bonus of \$35,000 as a sign on fee in the form of 500,000 shares at \$A0.07 per share, and the entitlement to participate in the Company's Share and Incentive Plan.

Directors and Officers insurance and indemnity

During the financial year, as provided for under the Company's Constitution, the Company paid an insurance premium, insuring the Company's Directors and Officers against liabilities not prohibited from insurance by the *Companies Act 1993*.

Details of remuneration

Details of the remuneration and benefits of the Directors and key management personnel for the current and prior financial year are set out in note 9 of the financial statements.

The balances of the options held by the Directors and key management personnel at year end were:

FC O'Connor	1,500,000
MG Hill	1,500,000
GG Hill	1,500,000
D Geldard	1,500,000
	<u>6,000,000</u>

All options are vested, have an exercise price of A\$ 0.08 and expiry date 12 November 2019.

Level 6
350 Kent Street
SYDNEY NSW 2000

75 Lyons Road
DRUMMOYNE NSW 2047

K.S. Black & Co.

ABN 48 117 620 558

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS
ACT 2001 TO THE DIRECTORS OF BROKEN HILL PROSPECTING LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there has been:

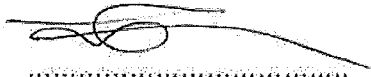
- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

The entities relate to Broken Hill Prospecting Limited and the entities it controlled during the period.

Name of Firm: KS Black & Co

Name of Partner: Scott Bennison

Dated in Sydney on this 29th day of September 2017



Scott Bennison
Partner

Phone 02 8839 3000
Fax 02 8839 3055

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Level 6
350 Kent Street
SYDNEY NSW 2000

75 Lyons Road
DRUMMOYNE NSW 2047

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ABN 48 117 620 556

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INDEPENDENT AUDITOR'S REPORT

To the Members of Broken Hill Prospecting Limited

Opinion

We have audited the financial statements of Broken Hill Prospecting Limited and its subsidiaries on pages 21 to 40 inclusive, which comprise the consolidated and separate statement of financial position as at 30 June 2017, the consolidated and separate statement of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 207(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report or for the opinions we have formed.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those Standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Fax 02 8839 3055



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Key

Impairment of mining tenements

Refer to note 6.

At 30 June 2017, the Group has capitalised mining tenement costs of \$2.23M. IAS 136, 'Impairment of Assets' requires that the recoverable amount of an asset, or cash generating unit to which it belongs, be determined whenever an indicator of impairment exists.

The Group's assessment of the recoverable amount of its reserves was a key audit matter because the carrying value of the assets are material to the financial statements and management's assessment of recoverable amounts incorporated significant internal and external judgments and assumption including commodity prices, available reserves, residual values and discount rates.

Our procedures included, amongst others:

- Assessing whether the external expert engaged by management to provide independent valuations was appropriately experienced and qualified;
- We evaluated management's key assumptions and estimates used to determine the recoverable amount of its assets, including those related to forecast commodity prices and revenue costs, discounted rates an estimated residual values;
- We checked the mathematical accuracy of the cash flow models, testing inputs, from valuation reports produced, as well as external inputs, including spot and forecast process for bauxite at the reporting date;
- We assessed the accuracy of management's forecasting by assessing the reliability of historical forecasts and reviewing whether current market conditions would impact those forecasts; and
- Assessing whether appropriate disclosure regarding significant areas of uncertainty has been made in the financial report.

Receivables and Prepayments

Refer to note 10 (Receivables and Prepayments)

At 30 June 2017, the Group has receivables of \$4.393M.

The receivable includes an amount of \$3.9M due from Relentless Resources for the sale of mining tenements. As at today's date \$3.175 M of this amount has been received by BPL.

Our procedures included, amongst others:

- Assessing the recoverability of the debt
- Reviewing terms of the short binding heads of agreement between Relentless Resources Ltd, Broken Hill Minerals Pty Ltd and Murray Basin Minerals Pty Ltd.
- Reviewing subsequent bank statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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ABN 48 117 820 558

20 Grose Street
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North Parramatta NSW 1750

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and which give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the audit of the financial report

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Other than in our capacity as auditor, we have no relationship with or interests in Broken Hill Prospecting Limited or its subsidiaries

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Fax 02 8839 3055



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A further description of our representation of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.



Scott Bennison
A partner of KS Black & Co
Dated: 29/9/17
Sydney

Phone 02 8839 3000
Fax 02 8839 3055



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BROKEN HILL PROSPECTING LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated 2017 A\$	2016 A\$	Parent 2017 A\$	2016 A\$
	Note				
Continuing operations					
Revenue	3	1,034,946	302,352	892,397	269,114
Non-continuing operations					
Share of profit of joint venture operations	26	16,477	-	-	-
Administrative and exploration expenses	4	(2,068,555)	(1,019,999)	(1,003,216)	(798,841)
Profit/(loss) for the year before income tax		(1,017,132)	(717,647)	(110,819)	(529,727)
Income tax expense	2	-	-	-	-
Profit/(loss) for the year		(1,017,132)	(717,647)	(110,819)	(529,727)
Discontinued operations					
Profit from discontinued operation, net of tax	26	2,703,107	-	-	-
Other comprehensive income/(loss)					
Profit on disposal of interest in joint venture tenements, net of tax	20b	-	521,159	-	-
Total comprehensive income/(loss) attributable to members of the parent entity		1,685,975	(196,488)	(110,819)	(529,727)
Earnings per share					
Basic earnings/(loss) per share from operations	17	1.16 cents	(0.16) cents	(0.08) cents	(0.43) cents
Diluted earnings/(loss) per share from operations	17	1.16 cents	(0.10) cents	(0.08) cents	(0.28) cents

The accompanying notes form part of these financial statements.

BROKEN HILL PROSPECTING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

Consolidated

	Share capital	Option reserve	Accumulated losses	Foreign currency translation	Total equity
	A\$ (note 13)	A\$	A\$ (note 12)	A\$	A\$
2017					
Comprehensive income/ (loss)	-	-	1,685,975	-	1,685,975
Options forfeited	-	(40,000)	40,000	-	-
Transfer to accumulated losses	-	-	-	-	-
Share issue	734,174	-	-	-	734,174
Share issuing costs	(33,866)	-	-	-	(33,866)
Movement in equity for the year	700,308	(40,000)	1,725,975	-	2,386,283
Equity at beginning of year	7,485,051	88,000	(3,328,161)	(477)	4,244,413
Equity at end of year	8,185,359	48,000	(1,602,186)	(477)	6,630,696
2016					
Comprehensive income/ (loss)	-	-	(196,488)	-	(196,488)
Options issued	-	88,000	-	-	88,000
Transfer to accumulated losses	-	(133,200)	133,200	-	-
Share issue	1,987,547	-	-	-	1,987,547
Share issuing costs	(334,184)	-	-	-	(334,184)
Movement in equity for the year	1,653,363	(45,200)	(63,288)	-	1,544,875
Equity at beginning of year	5,831,688	133,200	(3,264,873)	(477)	2,699,538
Equity at end of year	7,485,051	88,000	(3,328,161)	(477)	4,244,413

Parent

	(note 13)		(note 12)		
2017					
Comprehensive income/ (loss)	-	-	(110,819)	-	(110,819)
Options forfeited	-	(40,000)	40,000	-	-
Transfer to accumulated losses	-	-	-	-	-
Share issue	734,174	-	-	-	734,174
Share issuing costs	(33,866)	-	-	-	(33,866)
Movement in equity for the year	700,308	(40,000)	(70,819)	-	589,489
Equity at beginning of year	7,485,051	88,000	(3,957,308)	(477)	3,615,266
Equity at end of year	8,185,359	48,000	(4,028,127)	(477)	4,204,755
2016					
Comprehensive income/ (loss)	-	-	(529,727)	-	(529,727)
Options issued	-	88,000	-	-	88,000
Transfer to accumulated losses	-	(133,200)	133,200	-	-
Share issue	1,987,547	-	-	-	1,987,547
Share issuing costs	(334,184)	-	-	-	(334,184)
Movement in equity for the year	1,653,363	(45,200)	(396,527)	-	1,211,636
Equity at beginning of year	5,831,688	133,200	(3,560,781)	(477)	2,403,630
Equity at end of year	7,485,051	88,000	(3,957,308)	(477)	3,615,266

The accompanying notes form part of these financial statements.

BROKEN HILL PROSPECTING LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	Consolidated 2017 A\$	2016 A\$	Parent 2017 A\$	2016 A\$
Equity					
Total equity	12,13	6,630,696	4,244,413	4,204,755	3,615,266
Total equity		6,630,696	4,244,413	4,204,755	3,615,266
Represented by:					
Current assets					
Cash and cash equivalents		802,732	1,391,675	802,732	1,355,997
Receivables and prepayments	10	4,432,601	63,603	393,497	47,737
Due from group companies	10	-	-	1,391,924	164,645
Total current assets		5,235,333	1,455,278	2,588,153	1,568,379
Non-current assets					
Property, plant & equipment	5	-	-	-	-
Intangible assets	6	2,226,339	2,864,932	2,118,343	2,118,343
Security deposits	19	145,000	125,000	50,000	20,000
Investment in subsidiaries	21	-	-	3,000	3,000
Total non-current assets		2,371,339	2,989,932	2,171,343	2,141,343
Total assets		7,606,672	4,445,210	4,759,496	3,709,722
Current liabilities					
Trade and other payables	7	754,612	74,218	519,564	72,877
Provisions	22	15,177	1,579	15,177	1,579
Tax payable		186,187	-	-	-
Total current liabilities		955,976	75,797	534,741	74,456
Non-current liabilities					
Provisions	22	20,000	125,000	20,000	20,000
Total non-current liabilities		20,000	125,000	20,000	20,000
Total liabilities		975,976	200,797	554,741	94,456
Net assets		6,630,696	4,244,413	4,204,755	3,615,266

The accompanying notes form part of these financial statements.

For and on behalf of the Board



Creagh O'Connor AM
Chairman

29 September 2017



Matthew Hill
Director

29 September 2017

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated		Parent	
	Note	2017 A\$	2016 A\$	2017 A\$	2016 A\$
Cash flows from operating activities					
Interest received		18,462	17,452	18,414	12,640
Fees received		611,460	43,526	611,460	-
Research and development tax incentive		-	256,474	-	256,474
Payments to suppliers and employees		(1,548,720)	(907,441)	(591,168)	(790,124)
Net cash (applied to)/provided from operating activities	14	(918,798)	(589,989)	38,706	(521,010)
Cash flows from investing activities					
Prospecting expenditure		(239,774)	(525,442)	-	(27,252)
Security deposits		(60,000)	-	(30,000)	-
Proceeds from disposal of joint venture interest		-	600,000	-	-
Cash disposed of on sale of joint venture interest		(35,679)	-	-	-
Net cash provided from/(applied to) investing activities		(335,453)	74,558	(30,000)	(27,252)
Cash flows from financing activities					
Net loans (to)/from subsidiaries		-	-	(1,227,279)	2,185
Issue of options		-	88,000	-	88,000
Issue of shares		857,124	1,987,547	857,124	1,987,547
Share issuing costs		(33,866)	(283,084)	(33,866)	(283,084)
Return of capital		(157,950)	-	(157,950)	-
Net cash provided from/(applied to) financing activities		665,308	1,792,463	(561,971)	1,794,648
Net (decrease)/increase in cash and cash equivalents held					
Cash and cash equivalents at the beginning of the year		(588,943)	1,277,032	(553,265)	1,246,386
		1,391,675	114,643	1,355,997	109,611
Cash and cash equivalents at the end of the year					
		802,732	1,391,675	802,732	1,355,997
Cash comprises:					
Cash at bank		802,732	1,391,675	802,732	1,355,997

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. Statement of accounting policies

Reporting entity: Broken Hill Prospecting Limited is a profit-oriented company incorporated in New Zealand registered under the Companies Act 1993 and listed on the Australian Securities Exchange (ASX).

Broken Hill Prospecting Limited is an issuer for the purposes of the Financial Reporting Act 2013. The financial statements of Broken Hill Prospecting Limited have been prepared in accordance with the Financial Reporting Act 2013.

The group consists of Broken Hill Prospecting Limited (the "Company") and its 100% owned subsidiaries (the "group"). A list of the subsidiaries is provided in Note 21. These financial statements comprise the separate financial statements of the parent company and the consolidated financial statement of the group. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation.

The Company and its subsidiaries are engaged in minerals exploration.

The Directors authorise these financial statements for issue on 29 September 2017.

Statement of compliance: These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP), the requirements of the Companies Act 1993 and comply with New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for for-profit oriented entities.

Measurement base: The accounting principles adopted are those recognised as appropriate for the measurement and reporting of financial performance and financial position on the historical cost basis modified by the revaluation of certain assets. The accruals basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

Reporting currency: The functional and presentation currency is Australian dollars (A\$).

Use of estimates and judgements: The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant assumptions and estimates is provided in the relevant accounting policy or will be provided in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Changes in accounting policies: There have been no significant changes in accounting policies. All policies have been applied on bases consistent with those used in the prior period. The impact of new Standards is not expected to be material.

New and revised standards: New Standards and amendments not adopted early:

- NZ IFRS 9 *Financial Instruments* (effective for accounting periods beginning on or after 1 January 2018)
- NZ IFRS 14 *Regulatory Deferral Accounts* (effective for accounting periods beginning on or after 1 January 2016)
- NZ IFRS 15 *Revenue from Contracts with Customers* (effective for accounting periods beginning on or after 1 January 2017)
- NZ IFRS 16 *Leases* (effective for accounting periods beginning on or after 1 January 2019)

There would be no changes to the financial statements as a result of these changes and amendments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017 (continued)

Specific accounting policies: The following specific accounting policies which materially affect the measurement of profit and financial position have been applied:

- (a) Foreign currencies: The functional and presentation currency is Australian dollars. Monetary assets and liabilities in foreign currencies are translated into Australian currency at the closing rates of exchange.

Transactions in foreign currencies are converted into Australian currency at the rate of exchange ruling at the date of receipt or payment.

All exchange variations are included in the statement of comprehensive income.

- (b) Income taxation: The income tax expense charged to the consolidated statement of comprehensive income includes both the current year's provision and the income tax effect of taxable temporary differences and deductible temporary differences to the extent that it is probable that they will be utilised.

Income tax benefits and deferred tax assets are recognised only to the extent that it is probable there will be future taxable profit to utilise them.

- (c) Financial instruments: Financial instruments recognised in the consolidated statement of financial position include cash at bank, receivables, payables and borrowings. Receivables and payables are initially recorded at fair value and subsequently amortised using the effective interest method. Borrowings are initially recorded at fair value net of transaction costs and subsequently at amortised cost using the effective interest method. Borrowing costs are recognized as an expense in the period incurred.

The Company has no off-balance sheet financial instruments.

A gain or a loss on a financial asset that is measured at amortised cost is recognised in the statement of comprehensive income through the amortization process, when the financial assets is derecognised, impaired or reclassified. Due allowance is made for impaired receivable (doubtful debts). The carrying amount for receivable is not materially different from estimated realisable value.

- (d) Prospecting costs: Acquisition, exploration and development expenditure on exploration and mining tenements is initially recorded at cost. Exploration and evaluation costs are capitalised as deferred expenditure.

In the event where exploration demonstrates a tenement is no longer prospective for economically recoverable reserves, or the exploration licence is relinquished, the value or cost of the tenement is immediately recognised as an expense in the statement of comprehensive income.

Prospecting costs are expected to be recovered from future mining revenues. The recoverability of the exploration and evaluation asset is contingent upon future events, such as technical success and commercial development, sale of the area of interest, the results of further exploration, agreements entered into with other parties, and also upon meeting commitments under the terms of the tenement licences.

- (e) Mining tenements: When a tenement is assessed as capable of sustaining commercial mining operations, capitalised exploration and evaluation expenditure is reclassified as assets under construction and is disclosed as a component of property, plant and equipment. All subsequent development expenditure, net of any proceeds from ore sales during the development stage, is capitalised and classified as assets under construction. On completion of development, the value or cost of accumulated exploration and development costs will be reclassified as other mineral assets and amortised on the basis of units of production over the expected productive life of the mine.

Provision is made for estimated future rehabilitation and reinstatement costs following mining. These costs will be amortised over the life of the mine.

- (f) Segment information: Operating segments are reported if:

Revenue is 10% or more of combined operating segment revenues; The absolute value of profit or loss is greater than 10% of the combined reported profits or losses of all operating segments, whichever is greater; Assets are 10% or more of combined assets of all operating segments; or Information about the segment would be useful to users of the financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017 (continued)**

- (g) Share capital: Ordinary shares and options are classified as equity. Direct costs of issuing shares and options are deducted from the proceeds of the issue.
- (h) Property, plant, and equipment: The group has one class of property, plant and equipment - office equipment. All property, plant and equipment is initially recorded at cost.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in profit or loss and is calculated as the difference between the sale price and the carrying value of the item. Depreciation is provided for on a straight-line basis on all plant and equipment at depreciation rates calculated to allocate the assets' cost or valuation less estimated residual value over their estimated useful lives.

Leased assets are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets.

Major depreciation periods are:

Leasehold improvements and office equipment	4 years
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- (i) Cashflows: For the purpose of the statement of cash flows, cash includes cash on hand and deposits held on term deposit or at call with banks.
- (j) Goods and service tax: All amounts are shown exclusive of Goods and Service Tax (GST), except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of the receivables or payables balance in the statement of financial position.

- (k) Leases: The Company leases certain plant and equipment. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.
- (l) Earnings per share: The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shareholders outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprises share options.

- (m) Consolidation: The consolidated financial statements incorporate the financial statements of the Parent Company and all subsidiaries over which the Parent Company has the power to control the financial reporting and operating policies. The purchase method is used to prepare the consolidated financial statements, which involves adding together like terms of assets, liabilities, income and expenses on a line-by-line basis. 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.
- (n) Restoration and rehabilitation provisions: Both for close down restoration and for environmental clean-up costs from exploration programs, if any, a provision will be made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.
- (o) Provision for employee entitlements: Provision is made in the accounts for obligations in respect of annual leave entitlements not taken by employees at balance sheet date.

BROKEN HILL PROSPECTING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

2. Taxation

	Consolidated		Parent	
	2017	2016	2017	2016
	A\$	A\$	A\$	A\$
Accounting profit/(loss) before taxation	1,872,162	(196,488)	(110,819)	(529,728)
Prima facie income tax (benefit) at 27.5% (2016: 30%)	514,844	(58,947)	(30,475)	(158,918)
Add (subtract) tax effect of permanent differences	134,299	(100,103)	(71,606)	(100,103)
Prior year tax losses recouped	(433,257)	-	-	-
Taxable profit/ tax losses	215,886	(159,050)	(102,081)	(259,021)
Temporary differences	(29,699)	(73,950)	-	(1,966)
Income tax expense/ (benefit) not recognised	186,187	(233,000)	(102,081)	(260,987)

Deferred tax and income tax benefits are not recognised unless future taxable income is probable.

The company has established that the business operations and the central management and control are currently in Australia. It follows that in accordance with the double tax agreement between Australia and New Zealand, the company is treated as a resident of Australia.

Losses accrued in Australia will be available to offset future taxable income only if:

- (a) The company derives future assessable income of a nature and amount sufficient to offset the losses.
- (b) The company continues to comply with the conditions for deductibility imposed by the Law; and
- (c) There are no changes in the legislation that would adversely affect the deductibility of the losses.

The company from 1 July 2014 is part of a consolidated group for tax purposes. Carried forward losses of the consolidated entity are A\$2,414,430 (2016: A\$4,844,183) calculated before R&D adjustments.

There were no movements through the company's imputation credit account during the year. The balance at 30 June 2017 was A\$ nil (2016 – A\$ nil).

3. Revenue

	Consolidated		Parent	
	2017	2016	2017	2016
	A\$	A\$	A\$	A\$
Interest received	18,462	17,452	18,414	12,640
Management fees	657,871	28,426	620,370	-
Research and development tax incentive	253,613	256,474	253,613	256,474
Other income				
- provision for restoration expenses written -back	105,000	-	-	-
Total revenue	1,034,946	302,352	892,397	269,114

BROKEN HILL PROSPECTING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

4. Administrative and exploration expenses

	Consolidated		Parent	
	2017	2016	2017	2016
	A\$	A\$	A\$	A\$
Auditors' remuneration – auditing the accounts	(31,823)	(30,343)	(31,823)	(30,343)
Management fees	(73,960)	(133,108)	-	(94,348)
Accounting, company secretarial, legal	(1,089,224)	(171,857)	(271,849)	(149,497)
Consulting fees	(217,793)	(156,501)	(73,692)	(156,501)
Directors' fees	(87,500)	(82,554)	(87,500)	(82,554)
Contribution to Option Plan	-	(88,000)	-	(88,000)
Depreciation	-	(198)	-	(198)
Share of expenses in JV	-	(49,952)	-	-
Provision for rehabilitation	-	(125,000)	-	(20,000)
Impairment loss on tenements	(21,601)	-	-	-
Salaries and related expenses	(298,598)	(30,632)	(298,598)	(30,632)
Travelling expenses	(70,341)	(44,070)	(64,665)	(43,973)
Marketing and promotion	(36,536)	(20,876)	(36,536)	(20,876)
Other administrative and exploration expenses	(141,179)	(86,908)	(138,553)	(81,919)
Total administrative and exploration expenses	(2,068,555)	(1,019,999)	(1,003,216)	(798,841)

The total amount of donations made by the company and the group during the year ended 30 June 2017 was A\$ nil (2016 - A\$ nil).

5. Property plant & equipment

	Consolidated		Parent	
Note	2017	2016	2017	2016
	A\$	A\$	A\$	A\$
Office equipment				
Opening balance	-	198	-	198
Depreciation	-	(198)	-	(198)
Total office equipment	-	-	-	-
Total property plant & equipment	-	-	-	-

6. Intangible assets

	Consolidated		Parent	
	2017	2016	2017	2016
	A\$	A\$	A\$	A\$
Prospecting costs and mining tenements				
Balance at the beginning of the year	2,864,932	2,494,492	2,118,343	2,091,931
Exploration and evaluation expenses	239,774	467,825	-	26,412
Exploration costs impaired	(21,601)	-	-	-
Less: Interest disposed	(856,766)	(97,385)	-	-
Balance at year end	2,226,339	2,864,932	2,118,343	2,118,343

Prospecting expenditure including exploration and evaluation expenditure is recorded as an intangible asset and carried at historic cost less any adjustment for impairment.

The ultimate recovery of the carrying amount in the exploration and evaluation expenditure is dependent on the establishment of economic operations or the realisation of the group's economic interest in the relevant mining tenements.

In accordance with NZ IFRS 6 the management has verified that there are no facts and circumstances that may suggest that the carrying value of the exploration and evaluation asset may exceed its recoverable amount.

BROKEN HILL PROSPECTING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

7. Trade and other payables

	Consolidated		Parent	
	2017	2016	2017	2016
	A\$	A\$	A\$	A\$
Current				
Trade payables	338,643	34,965	338,643	34,000
Other payables and accrued expenses	381,469	29,828	178,921	29,827
Due to director related entity	34,500	9,425	-	7,050
Due to subsidiaries	-	-	2,000	2,000
	<u>754,612</u>	<u>74,218</u>	<u>519,564</u>	<u>72,877</u>

8. Related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Amount paid to directors related entities for consulting and other services were both for the parent company and for the group A\$14,000 (2016: A\$2,520). After year end, an amount of A\$34,500 was accrued for the provision of consulting services from a director in relation to the sale of interests in mining tenements and joint venture.

During the year, the Company incorporated a public entity, Cobalt Blue Holdings Limited ("COB") in August 2016 and spun-off COB through its listing in the ASX with shareholders of the Company received in-specie distribution of shares in COB.

COB shares received by Directors of the Company were:

Director	No. of shares	No. of options
FC O'Connor	-	-
MG Hill	1,184	296
D Geldard	-	-
GG Hill	11,494,308	2,873,578

The Hill Family Group Pty Ltd as at balance date holds 23.26% of the shares in the company (2016:25.2%). One of the directors of this entity is also a director of the company. No amounts were due to directors related entities as at balance date (2016: A\$ nil parent and A\$ nil consolidated entity)

On 1 July 2016 the Company sold 10% interest in joint venture mining tenements and a further 50% interest to the joint venture partner, Relentless Resources Limited. Refer to Note 20 and Note 26 for details.

No related party debts were written off during the year.

BROKEN HILL PROSPECTING LIMITED

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017 (continued)**

9. Key management personnel

	Consolidated A\$	A\$	A\$	A\$
	Fixed Fees	Share Based Payment	Consulting & Management Fees	Total
2017				
<u>Directors' fees</u>				
FC O'Connor	25,000	-	-	25,000
D Geldard	20,000	-	14,000	34,000
GG Hill	20,000	-	-	20,000
MG Hill	22,500	-	-	22,500
	87,500	-	14,000	101,500
<u>Salary</u>				
A Johnston (CEO)	250,000	35,000	-	285,000
	337,500	35,000	14,000	386,500

	Consolidated A\$	A\$	A\$	A\$
	Fixed Fees	Contribution Option Plan	Consulting & Management Fees	Total
2016				
<u>Directors' fees</u>				
FC O'Connor	25,000	12,000	-	37,000
D Geldard	18,152	12,000	7,200	37,352
GG Hill	16,902	12,000	-	28,902
MG Hill	22,500	12,000	-	34,500
	82,554	48,000	7,200	137,754
<u>Consulting and Management Fees</u>				
IJ Pringle (Managing Director) (retired 30 April 2016)	-	32,000	191,079	223,079
I Spence (Managing Director of subsidiary)	-	8,000	105,191	113,191
A Johnston (CEO) (appointed 20 May 2016)	29,053	-	-	29,053
	111,607	88,000	303,470	503,077

Portion of the consulting and management fees have been capitalised in the balance sheet as exploration and evaluation expenses. Management fees paid to Dr Ian Pringle include \$43,333 retirement benefit.

Under a deed of release and settlement Dr Pringle is entitled, subject to shareholders approval, to 1,000,000 shares. If shareholders do not approve the grant of the shares then the company will pay an amount equivalent to the value of those shares as at the close of the shareholders meeting date as long as it does not exceed the value of 5% of the equity of the company on that day. Resolution for the issue of these shares will be submitted to the shareholders at the next AGM.

BROKEN HILL PROSPECTING LIMITED

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017 (continued)**

	Parent A\$	A\$	A\$	A\$
	Fixed Fees	Share Based Payment	Consulting and Management Fees	Total
2017				
<u>Directors' fees</u>				
FC O'Connor	25,000	-	-	25,000
Denis Geldard	20,000	-	-	20,000
GG Hill	20,000	-	-	20,000
MG Hill	22,500	-	-	22,500
	87,500	-	-	87,500
<u>Salary</u>				
A Johnston (CEO)	250,000	35,000	-	285,000
	337,500	35,000	-	372,500

	A\$	A\$	A\$	A\$
	Fixed Fees	Contribution Option Plan	Consulting and Management Fees	Total
2016				
<u>Directors' fees</u>				
FC O'Connor	25,000	12,000	-	37,000
Denis Geldard	18,152	12,000	-	30,152
GG Hill	16,902	12,000	-	28,902
MG Hill	22,500	12,000	-	34,500
	82,554	48,000	-	130,554
<u>Consulting and Management Fees</u>				
IJ Pringle	-	32,000	94,348	126,348
Ian Spence	-	8,000	23,875	31,875
	82,554	88,000	118,223	288,777

* Options allocated under the plan were:

	Options granted No.	Grant value A\$
2016		
FC O'Connor	1,500,000	12,000
Denis Geldard	1,500,000	12,000
GG Hill	1,500,000	12,000
MG Hill	1,500,000	12,000
Ian Pringle	4,000,000	32,000
Ian Spence	1,000,000	8,000
	11,000,000	88,000

Remuneration of employees: The number of employees, who are not Directors, whose remuneration and benefits exceeded A\$100,000 during the financial year, was one (2016: nil).

BROKEN HILL PROSPECTING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

10. Receivables and prepayments

	Consolidated		Parent	
	2017	2016	2017	2016
	A\$	A\$	A\$	A\$
Trade receivables	50,243	5,624	9,801	-
GST refundable	116,921	41,975	78,284	31,734
Other receivables:				
- sale of interest in mining tenements	750,000	-	-	-
- sale of interest in joint venture	3,150,000	-	-	-
- R & D tax offset	253,613	-	253,613	-
- security deposits refund receivable	40,000	-	-	-
- miscellaneous receivables	32,473	-	32,473	-
Prepayments	39,351	16,004	19,326	16,003
	<u>4,432,601</u>	<u>63,603</u>	<u>393,497</u>	<u>47,737</u>

All financial assets are within the contracted terms.

	Parent	
	2017	2016
	A\$	A\$
Amounts due from group		
Current		
Due from subsidiary – Broken Hill Minerals Pty Ltd	1,258,434	164,645
Due from subsidiary – Murray Basin Minerals Pty Ltd	133,490	-
	<u>1,391,924</u>	<u>164,645</u>

11. Share-based payments

Upon the engagement of Chief Executive Officer in May 2016, it was agreed to provide an incentive to the CEO with the issue of 500,000 shares at 7 cents per share, ie \$35,000 as a sign on bonus at the expiry of a probationary period of 90 days. These shares were issued on 22 November 2016.

Following shareholders resolutions made on the 18 November 2015, the company made a contribution to the share incentive plan (Plan) for the benefit of directors and contractors of A\$88,000. The contribution was used by the Plan to acquire 11,000,000 options in the company for the same value. The options which are the same class of the listed options, are exercisable at 8 cents and have expiry date 12/11/2019. The options hold no dividend or voting rights and vest immediately. The fair value of the options granted represents the closing market value on the ASX on the day of granting (A\$0.008).

A summary of the movements of all Company options issued as equity-settled share-based payments and related weighted average exercise price (WAEP) is as follows:

	Consolidated		Parent	
	Number	WAEP	Number	WAEP
	of options	A\$	of options	A\$
	2017	2017	2016	2015
Options outstanding as at 1 st July	11,000,000	0.20	9,900,000	0.20
Granted	-	0.08	11,000,000	0.08
Forfeited	(5,000,000)	0.08	-	-
Exercised	-	-	-	-
Expired	-	-	(9,900,000)	0.20
Options outstanding as at 30 June	<u>6,000,000</u>	<u>0.08</u>	<u>11,000,000</u>	<u>0.08</u>

All outstanding options are vested and exercisable.

The weighted average contractual life of options outstanding at year-end was 2.4 years (2016: 3.4 years). Share based payments that were included in the statement of comprehensive income was \$35,000 (2016: \$88,000).

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to another component of the equity account.

BROKEN HILL PROSPECTING LIMITED
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017 (continued)**
12. Retained earnings / (carried forward losses)

Note	Consolidated		Parent	
	2017 A\$	2016 A\$	2017 A\$	2016 A\$
Balance at the beginning of the year	(3,328,161)	(3,264,873)	(3,957,308)	(3,560,781)
Transfer from option reserve (on expiry of options)	40,000	133,200	40,000	133,200
Profit/(loss) for the year	1,685,975	(196,488)	(110,819)	(529,727)
Balance at the end of the year	(1,602,186)	(3,328,161)	(4,028,127)	(3,957,308)

13. Share capital

	Consolidated		Parent	
	2017 A\$	2016 A\$	2017 A\$	2016 A\$
147,773,401 Ordinary shares – (2016: 136,674,521)	8,185,359	7,485,051	8,185,359	7,485,051
Movement in share capital	No. of shares	A\$	No. of shares	A\$
Share capital at 30 June 2015	99,404,617	5,831,688	99,404,617	5,831,688
Movements during the year ended 30 June 2016:				
20 July 2015 share issue	24,851,154	994,047	24,851,154	994,047
30 May 2015 exercise of options	18,750	1,500	18,750	1,500
8 June 2016 private placement	12,400,000	992,000	12,400,000	992,000
Share issue costs	-	(334,184)	-	(334,184)
Share capital at 30 June 2016	136,674,521	7,485,051	136,674,521	7,485,051
Movements during the year ended 30 June 2017:				
19 August 2016 share purchase plan	9,210,90	746,086	9,210,90	746,086
21 November 2016 exercise of options	1,387,97	111,038	1,387,97	111,038
21 November 2016 share based payment	500,00	35,000	500,00	35,000
Return of capital – COB in-specie distribution	-	(157,950)	-	(157,950)
Share issue costs	-	(33,866)	-	(33,866)
Share capital at 30 June 2017	147,773,40	8,185,359	147,773,40	8,185,359
Movement in options	No of options	A\$	No of options	A\$
Options with expiry 17 February 2016, ex. price 20 cents				
Options at 30 June 2015	38,650,000	133,200	38,650,000	133,200
17 February 2016 options expired	(38,650,000)	(133,200)	(38,650,000)	(133,200)
Options at 30 June 2016	-	-	-	-
Options with expiry 12/11/2019, ex. price 8 cents				
Options at 30 June 2015	11,044,957	-	11,044,957	-
20 July 2015 options issued	24,851,154	-	24,851,154	-
18 January 2016 options issued	11,000,000	88,000	11,000,000	88,000
30 May 2016 options exercised	(18,750)	-	(18,750)	-
8 June 2016 options issued	6,200,000	-	6,200,000	-
Options at 30 June 2016	53,077,361	88,000	53,077,361	88,000
22 Nov 2016 options cancelled	(5,000,000)	(40,000)	(5,000,000)	(40,000)
22 Nov 2016 options exercised	(1,387,973)	-	(1,387,973)	-
Options at 30 June 2017	46,689,388	48,000	46,689,388	48,000

BROKEN HILL PROSPECTING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

13. Share capital (continued)

The company's capital is managed with the objective of maintaining adequate working capital so that all obligations can be met on time. All components of equity are regarded as "capital". All internal capital management objectives have been met.

All shares have equal voting rights and will share equally in dividends and surplus on winding up. Ordinary shares have no par value and are fully paid up.

14. Reconciliation of operating cash flow & net income

	Consolidated		Parent	
Note	2017 A\$	2016 A\$	2017 A\$	2016 A\$
Net income / (loss)	1,685,975	(196,488)	(110,819)	(529,727)
Add non-cash items:				
Depreciation	-	198	-	198
Profit on disposal of interest in tenements net of tax	(2,703,107)	(521,159)	-	-
Impairment of tenements	21,601	-	-	-
Share of joint venture profit	(16,477)	-	-	-
Share based payments	35,000	-	35,000	-
Provision for restoration written back	(105,000)	-	-	-
Add (less) movement in working capital:				
Increase (decrease) in payables and accruals	588,923	(169)	446,687	10,600
Decrease (increase) in security deposits	-	(10,000)	-	-
Decrease (increase) in trade receivables	(44,619)	(1,470)	(9,801)	-
Decrease (increase) in other receivables	(296,399)	-	(286,086)	-
Decrease (increase) in prepayments	(23,347)	(1,035)	(3,323)	(1,035)
Decrease (increase) in accrued income	-	6,208	-	-
Decrease (increase) in GST receivable	(74,946)	7,347	(46,550)	(22,625)
Increase (decrease) in provisions	13,598	126,579	13,598	21,579
Net cash flows applied to operating activities	(918,798)	(589,989)	38,706	(521,010)

15. Financial instruments

Credit Risk: Financial instruments which potentially subject the group to credit risk principally consist of bank balances and receivables. Maximum exposure to credit risk at balance date is represented by the carrying value of the financial instruments. No collateral is held on these assets and none are considered overdue or impaired. All bank deposits were held with an authorised bank in Australia with at least an A credit rating and represented 100% of cash.

Currency Risk: The group has no direct exposure to foreign currency exchange risk as transactions from normal trading activities are mainly denominated in Australian currencies. The group only holds funds in Australian currency bank accounts.

Liquidity Risk: Management supervises liquidity by budgeting and by carefully controlling cash outflows from existing cash resources. The group relies on new equity to fund exploration expenditure.

Interest Rate Risk: The group currently has little exposure to interest rate given the size of the cash balances. There is no bank borrowing.

Over the long term, changes in interest rates and increased amounts on deposit will affect profit or loss.

Fair Values: Estimated fair values of financial instruments are considered to be the same as carrying values.

BROKEN HILL PROSPECTING LIMITED**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017 (continued)****16. Segment information**

During the current period, the group had only one business segment – mineral exploration within Australia.

17. Earnings per share

	Consolidated		Parent	
	2017	2016	2017	2016
	A\$	A\$	A\$	A\$
Profit/(loss) from operations	1,685,975	(\$196,488)	(\$110,819)	(\$529,727)
Weighted average number of shares on issue	145,766,789	124,145,964	145,766,789	124,145,964
Basic earnings/(loss) per shares	1.16 cents	(0.16) cents	(0.08) cents	(0.43) cents
Diluted average shares on issue	145,766,789	189,195,212	145,766,789	189,195,212
Diluted earnings/(loss) per share	1.16 cents	(0.10) cents	(0.08) cents	(0.28) cents

Earnings/(loss) per share is based on the average weighted number of ordinary shares on issue during the year and on the operating deficit after tax attributable to shareholders. Movement in the number of shares on issue is shown in Note 13.

18. Commitments**Expenditure requirements for tenements**

In order to maintain current rights of tenure to exploration and mining tenements, the Company is required to meet minimum expenditure requirements.

Note	Consolidated		Parent	
	2017	2016	2017	2016
	A\$	A\$	A\$	A\$
Not later than 1 year	158,238	256,046	113,192	216,000
Later than 1 year but not later than 5 years	10,582	62,774	126,732	61,233
Later than 5 years	-	-	-	-
	<u>168,820</u>	<u>318,820</u>	<u>239,924</u>	<u>277,233</u>

19. Security deposits

	Consolidated		Parent	
	2017	2016	2017	2016
	A\$	A\$	A\$	A\$
Security deposits for tenements	145,000	125,000	20,000	20,000
	<u>145,000</u>	<u>125,000</u>	<u>20,000</u>	<u>20,000</u>

20. Joint Ventures

Broken Hill Minerals Pty Ltd (BHM), a 100% subsidiary of the parent company, had 60% interest in a joint venture with Relentless Resources Limited (RRL) on 30 June 2016. On 1 July 2016, according to the farm-in agreement, BHM disposed of another 10% interest to RRL and held 50% interest up to 26 June 2017. The aim of this joint venture was to fund and manage the company's advanced Heavy Mineral Sands (HMS) projects in EL8311, EL8312 and EL8385. The Joint Venture was to seek to define an initial resource base of between 20-40 million tonnes of HMS with high content of heavy minerals (>8%) relative to other nearby deposits and operations. This could provide the basis for a low-cost, small footprint mining operation with higher grade feed than nearby operating mines (Cristal's Ginkgo and Snapper mines and Murray Zircon's Mindarie mine) which have average HMS grades of between 3.6% HM and 3.9% HM.

BHM as manager of the JV was entitled to a service payment of 10% of the direct management costs. Total fees received or receivable by BHM were A\$37,500, (2016: A\$71,065).

During the year, there was a dispute in relation to the management of the joint venture. This dispute was resolved on 26 June 2017 that RRL agreed to acquire the remaining 50% interest from BHM covering EL8311, EL8312 and EL8385 for A\$3,150,000 which significantly boosting BPL's cash flow.

BROKEN HILL PROSPECTING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

20. Joint Ventures (continued)

In accordance with NZ IFRS 11 the group recognised a gain of A\$125,209 on 1 July 2016 from the disposal of a 10% interest in the joint venture tenements (2016: A\$521,159 for a 20% interest). Upon disposal of the remaining 50% interest in joint venture tenements, the group recognised a further gain of A\$2,259,570 in June 2017 making a total gain of A\$2,384,779 for the year. For further details, see note 26(2).

The Group's share of assets and liabilities in this joint venture at the time disposal in 2017 and that were included in the consolidated financial statements in 2016 are as follows:

	2017 A\$	2016 A\$
Current assets		
Cash and cash equivalents	234,570	35,679
Trade and other receivables	8,526	10,314
Total current assets	243,096	45,993
Non-current assets		
Exploration and evaluation expenditure	691,956	711,188
Total non-current assets	691,956	711,188
Total assets	935,052	757,181
Liabilities		
Trade and other payables	44,622	8,436
Total liabilities	44,622	8,436
Net assets	890,430	748,745
Group's interest in joint venture	-	60%

The ultimate recovery of the carrying amount in the exploration and evaluation expenditure is dependent on the establishment of economic operations or the realisation of the entity's economic interest in the relevant mining tenements.

21. Interests in subsidiaries

Name of Entity	Equity Held		Country of Incorporation	Activity
	2017	2016		
Broken Hill Uranium Pty Ltd	100%	100%	Australia	Inactive
Broken Hill Chemical Pty Ltd	100%	100%	Australia	Inactive
Broken Hill Minerals Pty Ltd	100%	100%	Australia	Mineral Exploration
Murray Basin Minerals Pty Ltd	100%	-	Australia	Mineral Exploration

All subsidiaries are direct subsidiaries of the company and all have the same balance date. The investment in each subsidiary is recorded at cost in the company's statement of financial position.

22. Provisions

	Consolidated		Parent	
	2017 A\$	2016 A\$	2017 A\$	2016 A\$
Current liabilities				
Provision employee entitlements	15,177	1,579	15,177	1,579
Non-current liabilities				
Provision for land rehabilitation	20,000	125,000	20,000	20,000

23. Contingencies

The Company did not have any contingencies at the balance date 30 June 2017 (2016: A\$ nil)

24. Going Concern

The financial report has been prepared on a going concern basis. Since 30 June 2017 the parent company received funds from the sale of interest in mining tenements and received funds from the disposal of interest in joint venture to ensure that expected financial obligations can continue to be met for longer than 12 months (see also note 27).

BROKEN HILL PROSPECTING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

25. Judgement and estimation uncertainty

The preparation of financial statements of necessity involves judgement and estimation. The effect of judgement is greatest in the assessment of impairment to capitalised exploration expenditure. The Directors have reviewed facts and circumstances surrounding the capitalised exploration expenditure and have concluded that these assets are not impaired.

26. Discontinued operations

During the financial year to 30 June 2017, the Company has

Incorporated a controlled entity, Cobalt Blue Holdings Limited ("COB") in August 2016 and spun off this COB through an in-specie distribution to shareholders in February 2017.

Unaudited operating result of COB prior to its spin off was:

	A\$
Revenue	1,583
Administrative expenses	(392,097)
Loss from operating activities	<u>(390,514)</u>

The Company's share of loss incurred by COB was eliminated on deconsolidation when COB left the group.

Unaudited balance sheet of COB prior to its spin off was:

	A\$
Current assets	10,363,180
Non-current assets	<u>13,087</u>
Total assets	10,376,267
Current liabilities	<u>(257,576)</u>
Net assets	<u>10,118,691</u>
Represented by:	
Share capital	10,439,205
Reserves	70,000
Retained earnings	<u>(390,514)</u>
Total equity	<u>10,118,691</u>

Disposed of 60% interest in joint venture operation through 2 stages:

	A\$
Profit on the disposal of 10% interest in joint venture on 1 July 2016	125,209
Profit on the disposal of 50% interest in joint venture on 26 June 2017	<u>2,259,570</u>
Total profit recognised on the disposal of 60% interest in joint venture	2,384,779
Profit on disposal of mining tenements	<u>504,515</u>
Total profit	2,889,294
Income tax	<u>(186,187)</u>
Profit from discontinued operations, net of tax	<u>2,703,107</u>

50% Share of operating result of joint venture operation up to the point of disposal in June 2017 was:

	A\$
Revenue:	
Interest received	3,518
Management fee received	36,980
Administrative expenses	<u>(24,021)</u>
Profit from operating activities	<u>16,477</u>

50% Share of assets and liabilities of joint venture operation at the point of disposal were:

	A\$
Current assets	243,096
Non-current assets	<u>691,956</u>
Total assets	935,052
Current liabilities	<u>(44,622)</u>
Interest in joint venture	<u>890,430</u>

27. Post balance date events

Following the dispute resolution with Relentless Resources Ltd (“RRL”), the Company received a total of \$750,000 on the sale of interest in mining tenements to RRL. Settlement of sale of 50% interest in joint venture occurred on 26 September 2017 with Company received a total of \$2,425,000 per agreement. Apart from this, no matter or circumstance has arisen since 30 June 2017, that has significantly affected, or, may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to 30 June 2017

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DIRECTORS' STATEMENT

The Directors of the Company declare that:

1. The financial statements and notes, as set out in the financial statements to 30 June 2017.
 - (a) Comply with New Zealand International Financial Reporting Standards (IFRS), and
 - (b) Give a true and fair view of the group's financial position as at 30 June 2017 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 AM

Chairman

29 September 2017



Matthew Hill

Director

29 September 2017

BROKEN HILL PROSPECTING LIMITED

ADDITIONAL INFORMATION

DIRECTORS' INFORMATION

The following general disclosures of interests were received in relation to the year ended 30 June 2017:

Director	Relevant Interest in Ordinary Shares	Relevant Interest in Listed Options
FC O'Connor	Nil	1,500,000
MG Hill	5,000	1,500,000
GG Hill	47,200,485	5,157,264
D Geldard	Nil	1,500,000

Directors Disclosure Of Interests

The following general disclosures of interests were received in relation to the year ended 30 June 2017:

Director	Entity	Status
MG Hill	New Talisman Gold Mines Limited International Pacific Capital Limited Hill Family Group Pty Ltd	Director Director Director of a trust for which it is trustee
GG Hill	International Pacific Capital Limited Frank Dowling Pty Ltd Nimpod Pty Ltd Top Sail Limited International Pacific Securities Ltd (HK) International Pacific Securities Ltd IPS Nominees Limited HFT Nominees Pty Ltd Hill Family Group Pty Ltd	Director Director Director Director Director Director Shareholder Beneficiary of a trust for which it is trustee Beneficiary of a trust for which it is trustee

SHAREHOLDER INFORMATION AS AT 21 SEPTEMBER 2017

Substantial Shareholder

Name	No. of Ordinary shares	% of Ordinary Shares
Hill Family Group Pty Ltd	34,371,000	23.26%

Distribution of Equity Securities

SIZE OF HOLDING	Ordinary shares		Options exercisable @ 8c expiring 12/11/2019 (Quoted)	
	Number of Holders	Number of Shares	Number of Holders	Number of Options
1 – 1000	74	1,945	4	777
1,001 - 5,000	25	88,167	36	109,445
5,001 – 10,000	192	1,780,695	17	150,500
10,001 to 100,000	419	17,110,163	54	2,157,694
100,001 and over	179	128,792,431	49	44,270,972
Totals	889	147,773,401	160	46,689,388

There were 364 holders of less than a marketable parcel of ordinary shares (3.2 cents each share). There were 104 holders of less than a marketable parcel of options (0.5 cents each option).

Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hand.

BROKEN HILL PROSPECTING LIMITED

ADDITIONAL INFORMATION (continued)

20 Largest Shareholders

Name	No. Ordinary Shares	% Ordinary Shares
HILL FAMILY GROUP PTY LTD	34,391,000	23.3
JILLIBY PTY LTD	5,000,000	3.4
HONG KONG FAR EAST CAPITAL LIMITED	3,880,000	2.6
GREGORACH PTY LTD	3,750,770	2.5
IPS NOMINEES LIMITED	3,692,100	2.5
NIMADE PTY LIMITED <BARD SUPER FUND A/C>	3,330,000	2.3
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,847,000	1.9
JOHN WARDMAN & ASSOCIATES PTY LTD <THE WARDMAN SUPER FUND A/C>	2,600,000	1.8
ELLIE BARIKHAN <BALLOTTA A/C>	2,500,000	1.7
GREGORACH PTY LTD <GRIGOR SUPERFUND A/C>	2,446,785	1.7
SOON ENTERPRISES PTY LTD <LOH FAMILY SUPER FUND A/C>	2,335,280	1.6
MR ANTON WASYL MAKARYN + MRS MELANIE FRANCES MAKARYN <TMAK SUPER A/C>	2,160,000	1.5
ACEMAC PTY LIMITED <MAC SUPER A/C>	2,135,809	1.4
DOVIDO PTY LTD	1,946,084	1.3
R E G INVESTMENTS PTY LTD	1,650,000	1.1
MR IANAKI SEMERDZIEV	1,642,627	1.1
AQUASTIR PTY LTD <THE PMW FAMILY A/C>	1,573,933	1.1
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	1,562,500	1.1
SOON ENTERPRISES PTY LTD <LOH FAMILY A/C>	1,377,488	0.9
SHAN HOLDINGS LTD	1,260,000	0.9
Totals	82,081,376	55.7

BROKEN HILL PROSPECTING LIMITED

ADDITIONAL INFORMATION (continued)

20 Largest Optionholders

Name	No. Options exercisable @ 8c expiring 12/11/2019 (Quoted)	% Options (Quoted)
SMARTEQUITY EIS PTY LTD	6,000,000	12.9
ZACOB PTY LTD <R&L BIANCARDI SUPER FUND A/C>	3,983,750	8.5
HONG KONG FAR EAST CAPITAL LIMITED	3,880,000	8.3
AUSTRALIAN MINERAL INVESTMENTS PTY LIMITED <BALLOTTA A/C>	3,280,000	7.0
ELLIE BARIKHAN <BALLOTTA A/C>	2,500,000	5.4
GREGORACH PTY LTD	4,548,415	9.7
JOHN WARDMAN & ASSOCIATES PTY LTD <THE WARDMAN SUPER FUND A/C>	2,138,750	4.6
M & K KORKIDAS PTY LTD <M&K KORKIDAS P/L S/FUND A/C>	2,089,982	4.5
IPS NOMINEES LIMITED	1,282,100	2.7
INTERNATIONAL PACIFIC CAPITAL LIMITED	1,175,164	2.5
LOBSTER BEACH PTY LTD	1,000,000	2.1
MR JONATHAN GWYNNE MEYER	1,000,000	2.1
MCGEE CONSTRUCTIONS PTY LTD <MCGORMAN SUPER FUND A/C>	995,000	2.1
AQUASTIR PTY LTD <THE PMW FAMILY A/C>	857,500	1.8
SOON ENTERPRISES PTY LTD <LOH FAMILY A/C>	625,000	1.3
MR CHEE CHIN	612,751	1.3
THREE BRIDGE CAPITAL PTY LTD	550,000	1.2
MR CHRISTOPHER GEOFFREY LANCASTER	512,500	1.1
MR STEVEN VALTAS + MRS HELEN NINA VALTAS	500,000	1.1
BANGALOW INVESTMENTS PTY LTD	487,500	1.0
Totals	38,018,412	81.2

Additional ASX Disclosure Requirements

1. The Company is incorporated in New Zealand.
2. The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act (Australia) dealing with the acquisition of shares (i.e. substantial holdings and takeovers).
3. Limitations on the acquisition of securities imposed by the jurisdiction in which it is incorporated or registered: The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% or more of the voting rights of the Company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of the shares of the Company.
4. The Corporate Governance Statement is listed in our website at <http://www.bhpl.biz>