

22 January 2020

Dear Shareholder,

Your Board is pleased to have announced that Broken Hill Prospecting's (**ASX: BPL** or **Company**) agreed divestment of its Thackaringa Project interest to Cobalt Blue (**ASX: COB**) on Friday 17 January 2020, for a value of **A\$6 Million** comprising cash, freely tradeable shares in COB, a convertible note valued at A\$1 Million and a promissory note valued at A\$3 Million has been executed.

The first tranche of cash (A\$200,000) was received on Friday 17 January 2020, with the second tranche (A\$300,000) due within about 28 days of Completion (expected on or about 5 February 2020). The share component, which comprises of 9 Million COB shares at a price of A\$0.15, has already seen a significant uplift based on today's COB market price (A\$0.17), representing an increase of A\$180,000 over the initial A\$6 Million valuation.

Funds received from the sale of BPL's Thackaringa equity interests will be ringfenced to be used in the post exploration development of BPL's La Paz Rare Earth Project which the technical team's initial analysis has interpreted a significant increase in both resources and grades. The geological interpretation of historical data coupled with the recent sampling undertaken by BPL in October 2019 has already indicated a meaningful uplift in grades from the base case, which is currently being worked on.

The Company continues to retain its exposure to cobalt, and the Thackaringa Project specifically, through both the royalty based on the PFS (preliminary feasibility study), which has been valued at a range of approximately A\$43 million to A\$48 million revenue over the current life of mine¹; plus BPL's base metals exploration rights in the permit area.

Chairman Creagh O Connor said:

"The execution and sale of BPL's remaining project interest in Thackaringa solidifies what has been a significant value uplift to BPL's shareholders, from the decision to capitalise the Project by way of COB's spin off, to the sale completed in the last few days. With the retention of BPL's royalty stream, BPL's shareholders are well positioned to benefit from future life of mine, and COB are well positioned to drive the development of the Thackaringa project."

The Company's balance sheet and cash position continues to strengthen. Following BPL's execution of its agreement with BPL and allotment of the early renounceable rights applications received, the Company is in a relatively healthy cash position with A\$505,000 cash and a further potential maximum cash available to the Company of A\$2,507,000.

RENOUNCEABLE RIGHTS OFFER

Directors appreciate the early support BPL's shareholders have shown to us during the Company's renounceable rights offer (**Offer**) currently underway, with early applications received totalling \$283,952 from 18,930,155 New Shares being issued soon after the original close date of Thursday 9 January 2020.

As set out in the Offer document, the Company reserves the right to allot applications for New Shares on or about the time of any extension to the final close, on Monday 3 February 2020 unless varied, and weekly thereafter as any further applications are received until final close.

Those BPL shareholders whose New Shares have already been issued will receive their free Loyalty Shares (on the basis of one Loyalty Share for every eight New Shares) on or about 12-months from the issue date of their New Shares, conditional upon them retaining the New Shares issued under the Offer for that 12-month period.

In terms of valuing the pricing of the Offer, assuming New Shares (or Shortfall Shares) are continuously held for 12 months, the Offer price of A\$0.015 per New Share is discounted to A\$0.0133, a 39.5% discount to the Company's Share price at 11 December 2019 (A\$0.022).

All up, the Company can raise up to a maximum of A\$2.5 million which will be applied primarily to the La Paz Rare Earth Project.

With a market capitalisation of A\$3 Million and a cash equivalent backing of A\$6 Million, the pricing of the current Offer is attractive on a cash backing basis alone without the addition of the La Paz Rare Earth Project, the royalty value of the

¹ Refer BPL's Quarterly Activities and Cash Flow Reports Sep 2018 released 31 October 2018.

Thackaringa Project and the Murray Basin mineral sands exploration portfolio. The cash equivalent component outlined above includes COB shares, which have seen some 17.2% accretion since execution of the binding heads of agreement.

The early applications received, coupled with the number of parties that have approached the Company offering assistance in finalising the capital raise, represent a very strong vote of confidence in the strategic direction your directors have announced following the transition from Cobalt interests to the La Paz Rare Earth Project.

RARE EARTHS

The Company's recent capital raise offer, which was announced on the Monday 9 December 2019 and will shortly close on the Monday 3 February 2020, unless varied, endeavours to raise up to A\$2.5 million to accelerate the exploration and development well that's held by the Company's US based subsidiary La Paz Rare Earth LLC.

The La Paz Rare Earth Project is located in La Paz County, Arizona, USA. The project lies approximately 170 km northwest of Phoenix and is surrounded by world class infrastructure within a mining friendly jurisdiction. Initial title applications to secure the La Paz deposit comprised 107 unpatented lode mining claims on federally controlled land (Bureau of Land Management: BLM) and a prospecting permit over one section of Arizona State Trust land (259 hectares). The tenements are unencumbered and are now 100% controlled by La Paz Rare Earth LLC.

Recent field activities conducted in October included extensive structural mapping, the collection of rocks chips from surface mineralisation and the collection of bulk samples for metallurgical test work programs. All rock chip samples have been submitted for processing with results expected in the coming months.

Of particular interest to BPL's shareholders, will be the progress of BPL's La Paz Rare Earth Project - the first step in re-establishing the Company's core focus on rare earths.

This initially has been through BPL's acquisition of the La Paz Rare Earth Project, a US based rare earth project which was acquired on the cusp of a major shift in the global market to rare earths where a majority of G7 countries have embarked on rare earths development.

With a significant global interest in rare earths, particularly the G7 countries seeking to find alternative supply to the world's largest supplier of REE (rare earth elements), China, the La Paz Rare Earth Project represents a significant opportunity for BPL's shareholders to expose themselves to a US based and US operated wholly owned subsidiary of BPL (La Paz Rare Earth LLC).

The key attributes of the La Paz Rare Earth Project, which make it unique, are as follows:

1. US Department of Defence placing REE projects in the USA as priority developments.
2. GIS model (Geographic Information System) currently being completed which identifies Rock chip sample locations, bulk sample locations, latest field mapping (incorporates the September / October 2019 field work).
3. High reporting of valuable Light LREO (83%) to Heavy TREO (17%) with extremely low thorium/uranium content with clear environmental advantages.

BPL's technical team is in the process of finalising the geological data from previous work completed on the project in 2011, which identified areas with significant potential for both resource expansion and grade upgrades.

In coming days, the Company expects to be in a position to release the first stage of resource definition, with additional bulk samples recently taken in the permit area.

The Board has recently announced the extension of its renounceable rights offer which aims to raise a maximum of A\$2.5 Million which as set out in the Company's Offer document is to be applied to the exploration and expansion of the NI 43 - 101 Resource Estimate.



Figure 1 BPL received approval for all titles covering the La Paz Rare Earth deposit located in western Arizona.

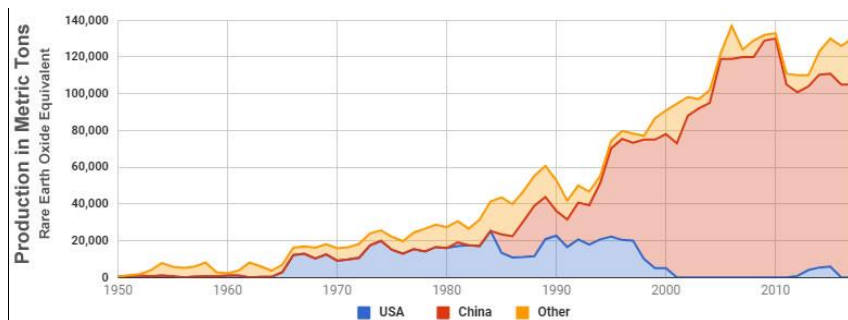


Figure 2 History of rare earth element production, in metric tons of rare earth oxide equivalent (<https://geology.com/articles/rare-earth-elements>)

The Company is transitioning from its focus on cobalt and mineral sands to its acquisition exploration and pre-funded (by virtue of the COB acquisition of Thackaringa interests) pathway to development of the La Paz Rare Earth Project.

Yours faithfully,

F Creagh O'Connor
Chairman

To participate in the Offer, please complete your enclosed personalised Renounceable Rights Issue - Entitlement and Acceptance Form.

You can apply under the Offer to accept either all or part of your Entitlement. If you take up your full Entitlement, you may also apply for Additional New Shares. Enter the number of New Shares you wish to apply for and the amount of payment for those New Shares.

Your payment must be received by 5.00pm (Sydney time) Monday 3 February 2020.

FORWARD LOOKING STATEMENTS

This letter contains certain forward-looking statements. Forward looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside of the control of Broken Hill Prospecting Limited (BPL). These risks, uncertainties and assumptions include commodity prices, currency fluctuations, economic and financial market conditions, environmental risks and legislative, fiscal or regulatory developments, political risks, project delay, approvals and cost estimates. Actual values, results or events may be materially different to those contained in this letter. Given these uncertainties, readers are cautioned not to place reliance on forward looking statements. Any forward-looking statements in this announcement reflect the views of BPL only at the date of this letter. Subject to any continuing obligations under applicable laws and ASX Listing Rules, BPL does not undertake any obligation to update or revise any information or any of the forward-looking statements in this announcement to reflect changes in events, conditions or circumstances on which any forward-looking statements is based.

COMPETENT PERSON'S STATEMENT

The Information in this letter relating to exploration results, Mineral Resources and Targets are extracted from the reports lodged as market announcements and available to view on the Company's web-site <https://www.bhpl.net.au/>.

The Company confirms that it is not aware of any new information that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

For all enquiries:

Phone:
(within Australia) 02 8054 9779
(outside Australia) 61 2 8054 9779

BPL

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Make your payment:



See overleaf for details of the Offer and how to make your payment

Renounceable Rights Issue - Entitlement and Acceptance Form

Your payment must be received by 5.00pm (Sydney time) Monday 3 February 2020

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

ASX will quote a market for rights between Wednesday 11 December 2019 and Friday 24 January 2020. Please refer to the Offer Booklet for details on how to renounce your rights.

Step 1: Registration Name & Offer Details

Details of the shareholding and entitlements for this Offer are shown overleaf.

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. If you take up your full Entitlement, you may also apply for Additional New Shares. Enter the number of New Shares you wish to apply for and the amount of payment for those New Shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Offer Booklet dated 9 December 2019.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the payment slip with BPAY payment.

By Mail: Complete the reverse side of the payment slip and detach and return with your payment. Make your cheque, bank draft or money order payable in Australian dollars to "**Broken Hill Prospecting Limited**" and cross "**Not Negotiable**". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the payment slip. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Sale of your Entitlement rights in full by your Stockbroker/ Agent

If you wish to sell your rights entitlement in full, you should instruct your Stockbroker personally and provide details as requested, which appear overleaf.

DO NOT forward your requests for sale to Computershare Investor Services Pty Limited.

Disposal of your Entitlement rights held on the Issuer sponsored sub-register

A Standard Renunciation Form must be used for an off market transfer of Entitlement rights. These forms may be obtained from your Stockbroker.

Sale of your Entitlement rights in part by your Stockbroker/ Agent and take up the balance

If you wish to sell part of your Entitlement rights and take up the balance you should:

- Instruct your Stockbroker personally and provide details as requested, which appear overleaf, **AND**
- Send the payment slip to Computershare Investor Services Pty Limited with your cheque, bank draft or money order payment **OR** make payment using BPAY, in order to take up the balance of your Entitlement rights.


Broken Hill Prospecting Limited Renounceable Rights Issue
Payment must be received by 5.00pm (Sydney time) Monday 3 February 2020

Entitlement and Acceptance Form with Additional New Shares

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IND

STEP 1 Registration Name & Offer Details

 For your security keep your SRN/
HIN confidential.

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Entitlement No: 12345678

Offer Details: Existing shares entitled to participate as at
Thursday 12 December 2019:

Entitlement to New Shares
on a 1 for 1 basis:


Amount payable on full acceptance
at \$0.015 per New Share:

4,000

1

\$0.01

STEP 2 Make Your Payment

	Bill Code:309237
	Ref No: 1234 5678 9123 4567 89

Contact your financial institution to make your payment from your cheque or savings account.

Pay by Mail:



Make your cheque, bank draft or money order payable to "**Broken Hill Prospecting Hill Limited**" and cross "**Not Negotiable**".

Return your cheque with the below payment slip to:

Computershare Investor Services Pty Limited
GPO Box 505 Melbourne Victoria 3001

Lodgement of Acceptance

If you are applying for New Shares and your payment is being made by BPAY, you do not need to return the payment slip below. Your payment must be received by no later than 5.00pm (Sydney time) Monday 3 February 2020. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor Broken Hill Prospecting Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order the payment slip below must be received by CIS by no later than 5.00pm (Sydney time) Monday 3 February 2020. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the payment slip below with cheque attached. Neither CIS nor Broken Hill Prospecting Hill Limited accepts any responsibility if you lodge the payment slip below at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Detach here

Broken Hill Prospecting Limited Acceptance Payment Details

Entitlement taken up:

Number of Additional New Shares applied for:

Amount enclosed at \$0.015 per New Share: **A\$**

Payment must be received by 5.00pm (Sydney time) Monday 3 February 2020



Entitlement No: 12345678

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Contact Details

Contact Name _____ Daytime Telephone _____

Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

123456789123456789+000000001-3051+14