

8th April 2016

Dear Shareholder,

I am writing on behalf of the Board to personally update you on recent developments on Broken Hill Prospecting Ltd's [BPL] cobalt, titanium and zirconium projects in western NSW. We have been steadily progressing assessment of two of our five high grade titanium-zirconium deposits (Copi North and Magic Heavy Mineral Sands Deposits) with our partners Relentless Resources as well as our long-held 100%-owned Thackaringa Cobalt-Pyrite Project.

All of our mineral deposits contain metals that many regard as 'New Technology Metals' (cobalt, zirconium and titanium). These are used in many emerging technologies, including energy and environmental businesses which may soon transform the way we live and which are becoming integral to many rapidly growing industries including energy storage, electric vehicles and space technologies.

In this letter we take the opportunity to update you on our progress as well as discussing some of the new technology applications that will propel the importance of cobalt, titanium and zirconium, and consequently BPL's value. To summarise:

- **Drill sample results will be available in several weeks from the Sunshine Heavy Minerals Project, an extension of our Copi North deposit drilling and magnetic surveys are scheduled on our three wholly owned Heavy Minerals Sands licences in NSW's Murray Basin. A joint venture partner is being sought.**
- **The Board is advancing plans to fast track the development of its HMS assets.**
- **Considerable attention has been received from Australian and offshore groups for our strategic Thackaringa Cobalt-Pyrite Project near Broken Hill.**

Scoping Study on Copi North Titanium-Zirconium deposit ⁽¹⁾

On 11 February 2016, BPL announced the completion of a scoping study for mine development of the Copi North Heavy Mineral Sands deposit. This showed potential to generate strong cash returns even with depressed metal prices.

The independent study revealed that a mine could potentially yield \$45.2 million in net operating cash flow after costs from total revenues of \$163.6 million from the sale of ilmenite, rutile, zircon, leucoxene and ilmenite concentrates over five years. In addition, there is likelihood that production could extend for an 8-10 year period when the nearby Magic HMS Deposit is progressed and extensions to Copi North deposit and other new resources are defined. The study showed that every additional year of operation could add around \$12 million to the project's undiscounted cash flow (EBITDA), while lower mining and diesel prices would add considerably to the robust economics.

¹ This work was fully financed by the private mining investment group Relentless Resources Limited (RRL) which is providing \$2m of funding through a Joint Venture (announced on 22nd & 28th January 2015) to earn a 50% interest in three Exploration Licences (EL8311, EL8312 and EL8385). Broken Hill Minerals Pty Ltd, a fully owned subsidiary of BPL, is manager of the Joint Venture and currently holds 60% of the project.

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The Copi North project should have low operating costs thanks to a low strip ratio and the use of innovative mining techniques to reduce costs. Capital to develop the operation has been estimated between \$21-26 million.

The Company's plans are to develop a profitable operation utilising an innovative, compact and modular, mobile processing plant, capable of relocation to any one of a number of high-grade HMS deposits which BPL's goal is to capitalise on modest but high-grade HMS deposits that have not been developed or been overlooked by previous miners.

Resource Extension Drilling of Copi North (Sunshine Project) ⁽¹⁾

A shallow drilling program to target the north western extension of the Copi North deposit in Sunshine EL8385 was reported to the ASX on 24th February 2016. The work, which was undertaken to extend our known resources, has shown that the deposit extends for at least another 2.5km under shallow cover. Full analysis of the drill sample results will be available in several weeks when assay data are at hand.

Exploration for other Heavy Mineral sands Deposits (100% BPL)

The three Exploration Licences not included in the JV⁽¹⁾ (EL8308, EL8309 and EL8310) remain wholly owned by Broken Hill Minerals Ltd. BHM is planning to undertake ground magnetic surveys and drill testing at several high priority HMS targets within these tenements later in the year. BPL is seeking a Joint Venture partner for these projects based on our proven successful exploration strategy.

Progress at the Thackaringa Cobalt-Pyrite Project (100% BPL)

BPL owns extensive deposits of cobalt-pyrite located beside railway and highway 25km south-west of Broken Hill. The focus is on assessing these for large, open cut mining and cobalt-pyrite concentrate processing by applying sulphide roasting to produce sulphuric acid and recover cobalt from roast ash.

The deposits have combined Mineral Resources of 35.7 million tons of cobalt-pyrite ore with an average grade of 1.85 pounds per ton of cobalt (66 million pounds (30,000 tons) of contained cobalt). In addition, potential for between 37 and 59 million tons of pyrite mineralisation of similar cobalt grade is estimated to contain between 63 and 101 million pounds of cobalt (29,000–45,000 tons). The deposits are open at depth and along trend and have negligible content of deleterious metals such as arsenic, mercury, antimony or lead.

BPL has completed scoping studies for the co-production of sulphuric acid and cobalt and these have highlighted significant potential for a long-term project with low capital start-up and staged development. Australia imports about half a million tons of sulphuric acid (and sulphur) each year and BPL have identified several excellent opportunities for supply of sulphuric acid into domestic fertiliser and mineral processing industries. Co-generated electric thermal power and hematite could also add value.

The project could provide long-term cobalt and sulphuric acid supply. For example, a mine processing 7.5 million tons of cobalt-pyrite ore per year could produce about 1.5 million tons of pyrite concentrate (averaging 0.45% cobalt) containing 6,300 tons of cobalt metal. Processing of the concentrate could also provide over 1 million tons of sulphuric acid each year.

Due to the growing importance of cobalt in new energy storage technologies and supply and demand issues for the metal, The Thackaringa project has global strategic significance as an alternative source of production to Africa. BPL has recently received considerable attention from both Australian and overseas groups who are interested in progressing the project.

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Interest in cobalt has been underpinned by concerns for future cobalt sources to supply a growing battery market for reliable energy storage and for electric vehicles. Several large corporations including Tesla and Panasonic are building extensive new battery factories to manufacture high-density lithium ion-cobalt batteries but there are widespread concerns that cobalt producers will not be able to keep pace with expected growth in demand for the metal.

Future Directions

The Company's Board is considering plans to progress feasibility and development of NSW Murray Basin heavy mineral sands, which require relatively low capital expenditure and which could provide cash flow in a relatively short time frame. The concept of developing small to medium, high-grade heavy mineral sands deposits is relatively new to a Ti-Zr mineral industry dominated by much larger and low-grade mines.


BPL's strategy is to take advantage of the successful exploration and identification of high-grade deposits, which in the past have been over-looked or not discovered. Our concept of joint venturing and utilising modular and mobile mining equipment, which can be readily relocated to new deposits, will keep a competitive cap on both operating and capital costs.

The Thackaringa Cobalt-Pyrite Project will likely take longer and require considerable capital expenditure. For this reason, we continue to seek suitable joint venture and off-take partners.

Commercialisation of our Copi North mineral sands project and further successful resource discoveries should lead to a better appreciation of the company's potential and the value of these projects.

On behalf of the Board

Yours faithfully,



Creagh O'Connor AM
(Chairman)

Competent Person Statement

Exploration activities and sampling results contained in this notice are based on information compiled by Mr Ian Spence, Managing Director of Broken Hill Minerals Pty Ltd and reviewed by Dr Ian Pringle who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Pringle is the Managing Director of Broken Hill Prospecting Ltd and also a Director of Ian J Pringle & Associates Pty Ltd, a consultancy company in minerals exploration. He has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Dr Pringle has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources for the Copi North HMS Deposit is based on information reviewed by Sue Border, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Sue Border has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the exploration activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Sue Border consents to the inclusion in the report of the matters based on this information in the form and context in which it appears. Sue Border is not an employee or a related party of the Company or its subsidiaries. Sue Border is a Consultant/Principal Geologist to Geos Mining.

The information in this report that relates to Mineral Resources for the Magic HMS Deposit is based on information compiled by Mr. Greg Jones who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Jones is the

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Principal for GNJ Consulting and was retained by Broken Hill Prospecting Limited to conduct Mineral Resource estimation for the Magic deposit. Mr. Jones has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the JORC Code 2012. Mr. Jones consents to the inclusion in this ASX release of the matters based on his information in the form and context in which it appears.

Cautionary Statement

The Scoping Study referred to in this report is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

About Broken Hill Prospecting Limited (“BPL”)

BPL has commenced assessment of Heavy Mineral Sand (“HMS”) deposits (titanium and zirconium) located south of Broken Hill in western NSW. These deposits have been extensively explored and drill tested by other parties and provide the Company with an opportunity to progress advanced evaluation and fast-track development of several substantial high-grade heavy mineral sand deposits.

Australia has the world’s largest deposits of the titanium minerals ilmenite and rutile. Australian mines extract and refine Ti, but don’t process it in large quantities. It is used in many applications in light and heavy industries as well as in jewelry and 3D printing. However approximately 95% is used in an oxide form as the pure white colour crucial in products from paints to cosmetics. Titanium’s strength-to-weight ratio, corrosion resistance and biocompatibility make it perfect for aerospace, medical and sport applications

Heavy Mineral Sands Resources

1. Copi North HMS Deposit

A maiden resource estimation for the Copi North HMS deposit (11.6Mt of 6.9% HM, Tables 1 and 2), was completed in late July (ASX announcement 27th July 2015).

Resource Status	Tonnes (millions)	THM (%)	Average Density (g/cm ³)	Slimes <53um (%)	Oversize >2mm (%)
Inferred	4.6	6.5	1.82	3.0	1.8
Indicated	7.0	7.1	1.84	2.6	2.0
Total	11.6	6.9	1.83	2.8	1.9

Table 1: Copi North JORC Resource (2.5% Total Heavy Mineral (THM) cut-off)

Tonnes (millions)	THM (%)	Ilmenite (%)	Rutile (%)	Zircon (%)	Monazite (%)	Leucoxene (%)	Other HM (%)
11.6	6.9	54.4	10.8	11.3	1.0	10.0	12.6

Table 2: Copi North Resource with Heavy Mineral (HM) assemblage.

1. Magic HMS Deposit

Geological modelling of the deposit determined a maiden Inferred Mineral Resource estimate of 15 million tonnes of HM (using a cut-off grade 2% HM). The resource is presented in Table 3 and details of the resource modelling was described in an ASX announcement on the 8th September 2015.

Mineral Resource Category	Material Tonnes (Million)	In Situ HM Tonnes (Millions)	HM (%)	Clay (%)	Heavy Mineral (‘HM’) Assemblage			
					Ilmenite (%)	Zircon (%)	Rutile (%)	Leucoxene (%)
Inferred	15	0.56	3.7	4	62	14	6	10

Table 3. Magic Mineral Resource, August 2015 (2% HM cut-off grade)

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Cobalt Deposits

The Company owns very large deposits of cobalt-pyrite located beside the main interstate railway and highway about 25 kilometers south west of the mining city of Broken Hill in western NSW. BPL holds 100% of exploration licenses (EL6622 & EL8143) and two mining leases (ML86 and ML87) which cover several large near-surface cobalt deposits. BPL is focused on assessing these deposits for large open cut mining and cobalt-pyrite concentrate production/processing to produce cobalt, sulfuric acid, co-generation electricity, feldspar-quartz for ceramics and a high iron (hematite) residue for Portland cement or iron smelters.

Resource evaluations (ASX reports dated 14 November 2011 and 12 July 2012) estimated the combined Inferred Mineral Resources of the deposits (Pyrite Hill, Big Hill and Railway) as 35.7 million tons of pyrite mineralization with an average grade of 1.85 pound per ton of cobalt (66 million pounds of contained cobalt). In addition, 'Potential' for between 37-59Mt of pyrite mineralization of similar cobalt grade was estimated (63 to 101 million pounds of contained cobalt). The Inferred Mineral Resource was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Potential is reported under JORC Code 2012. It is conceptual in nature and more drilling is required to further define it. However, there is no certainty that additional work will result in an upgrade of potential to Mineral Resource. Dr Pringle has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

There is no certainty that more drilling will result in up-grade to Resource however the tenements also contain very large, near-surface cobalt-pyrite deposits which have yet to be drill tested and mineralisation in drilled areas is open at depth and along trend. Also, the cobalt-pyrite ore does not contain metals such as arsenic, mercury, antimony or lead which could have environmental concerns during processing.

Broken Hill Prospecting Limited is in a strong strategic position to take advantage of increasing demand for cobalt to meet growth in environmental and industrial uses including rechargeable batteries in automobiles and super alloys. Co-product sulphuric acid could address Australian reliance on imported sulphur and provide opportunities for phosphate fertiliser and mineral processing industries.

For further information

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Broken Hill Prospecting Ltd has recently updated it's website at www.bhpl.biz

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