

19 May 2015

Dear Optionholder

Non-Renounceable Rights Issue

On 19 May 2015, Broken Hill Prospecting Limited (ASX; BPL, the Company) announced a pro-rata non-renounceable rights issue (Rights Issue or Offer) to holders of shares in the Company who are Eligible Shareholders as at 7pm EST on 26 May 2015 (Record Date).

Pursuant to the Rights Issue, the Company will offer Eligible Shareholders 24,851,154 fully paid ordinary shares in the capital of the Company (New Shares) at an issue price of A\$0.04 per New Share, to raise up to approximately A\$994,046 before costs. The New Shares will be offered on the basis of 1 New Share for every 4 Shares held at the Record Date. In addition, 1 New Option will be issued for every New Share subscribed, exercisable at A\$0.08 on or before 12 November 2019 under the Prospectus for no additional consideration. The Company will apply to the ASX for the New Shares and New Options under the Rights Issue to be granted official quotation. The Company lodged a prospectus for the Offer (Prospectus) with ASIC and ASX on 19 May 2015.

Eligible Shareholders will have the opportunity to apply for additional shares in excess of their pro rata entitlement on the same terms as the Shares subscribed under the Rights Issue. Applications for additional shares will be satisfied in the event of, and to the extent, that there is any shortfall in acceptances of the Rights Issue.

The Board & Management of BPL believe that the Company has entered into a very exciting stage which has the potential to create considerable value for shareholders as major milestones are achieved on the road to the development of the Copi North and Magic Heavy Mineral Sands (HMS) deposits.

As you may have noted from recent drilling results released to the ASX on 23rd April 2015, the Company reported its first batch of results from 6 kilometres of drilling undertaken at the Copi North and the Magic titanium and zirconium HMS deposits in March 2015. The results were outstanding and far exceeded our expectations. Occurrences of very high grade (+20%HM) were returned in shallow intersections over a 10 kilometre section of the Copi North deposit. At Magic the results also demonstrated widespread shallow and high-grade (>5%HM) intersections along the deposit's 12 kilometre length. In our view these early results firmly highlight the excellent economic potential of HMS deposits within BPL's project portfolio.

In parallel with the development work being undertaken at Copi North and Magic through the Relentless Resources Joint Venture, BPL's subsidiary Broken Hill Minerals Pty Ltd (BHM) plans to undertake exploration on three wholly owned exploration tenements; Exploration Licence 8308 (Nanya North), Exploration Licence 8309 (Springwood) and Exploration Licence 8310 (Milkengay) which are not included in the Relentless Joint Venture. BHM is highly encouraged by historical exploration results within these tenements and plans to evaluate known occurrences of HMS which have been identified by previous exploration activities of other companies.

The net proceeds received from the Rights Issue will allow the Company to undertake heavy mineral sands assessment of the Nanya North, Springwood and Milkengay Exploration Licences and will provide the Company with general working capital. Further details will be set out in the Prospectus which will be mailed out to Eligible Shareholders on 29 May 2015.

The other 100% owned HMS prospects south of Broken Hill, and outside of the current joint venture with Relentless Resources may also attract investment interest and the Company plans to actively review these opportunities when they arise.

Whilst focussing on its HMS prospects, the company continues to develop joint venture interest on its Thackaringa Cobalt-Pyrite project. BPL is in negotiations with a number of parties who have the expertise and investment capacity to undertake ongoing pre-feasibility and feasibility studies to mine and process the cobalt-pyrite mineralisation at Thackaringa so as to enable BPL to become a profitable sulphuric acid and cobalt producer. The negotiations are ongoing and the Company will inform the market of any developments in due course.

This Offer is only being extended to shareholders with registered addresses in Australia and New Zealand. All other shareholders (Excluded Shareholders) will not be offered entitlements under this issue. The Company is of the view that it is unreasonable to make an offer to Excluded Shareholders having regard to the number of Excluded Shareholders, the number and value of Shares these Excluded Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

The anticipated timetable for the Rights Issue is as follows:

Event	Proposed Date
Announcement date	Tuesday, 19 May 2015
Lodgement of Prospectus & Appendix 3B with ASX and ASIC	Tuesday, 19 May 2015
Notice to Optionholders	Tuesday, 19 May 2015
Notice to Shareholders containing Appendix 3B information and timetable	Wednesday, 20 May 2015
Shares commence trading on an ex rights basis	Friday, 22 May 2015
Record Date for determining Entitlements (7pm EST)	Tuesday, 26 May 2015
Prospectus and Entitlement and Acceptance Form despatched to Shareholders	Friday, 29 May 2015
Opening Date of the Offer	Friday, 29 May 2015
Closing Date of the Offer	Thursday, 18 June 2015
New Securities quoted on a deferred settlement basis	Friday, 19 June 2015
ASX notified of any Shortfall	Tuesday, 23 June 2015
Issue Date (deferred settlement trading ends)	Thursday, 25 June 2015
New Securities commence trading on a normal T+3 basis	Friday, 26 June 2015
Expected date of despatch of holding statements for New Securities	Thursday, 2 July 2015

This timetable is indicative only and is subject to change at the discretion of the Directors. The Directors reserve the right not to proceed with the whole or part of the offer at any time prior to allotment. In the event, application monies will be returned without interest.

The Rights Issue will be fully underwritten by International Pacific Capital Limited (Underwriter). The Company has agreed to pay the Underwriter an Underwriting Commission of 7% of the gross proceeds of the Offer. The

Underwriter will pay sub-underwriting fees due to sub-underwriters to the Issue. Please refer to the Prospectus for details of the underwriting and sub-underwriting of the Offer.

The Company will pay broker handling fees of 1% (exclusive of GST) of the value of valid claims. Stockbrokers should lodge duly completed claim documentation with Computershare, BPL's share registry.

Following completion of the Offer, the Company will have issued approximately 24,851,154 New Shares and 24,851,154 New Options resulting in total Shares on issue of 124,255,771 and total Options on issue of 74,546,111. New Shares will rank equally with all fully paid ordinary shares in the capital of the Company (Shares) already on issue.

Optionholders

The terms and conditions of the options you currently hold do not entitle you to participate in the Rights Issue unless you exercise your options in time for new shares to be issued and to be entered on the Company's register of members before 7pm EST on 26 May 2015 (the Record Date) and you have a registered address in Australia and New Zealand. To ensure that your shares are allotted and issued on or before the Record Date, your Exercise of Option Form must be valid and relevant payment, in cleared funds, must be received by the Company no later than 25 May 2015. If received after this date, issue of new shares prior to the Record Date cannot be assured.

Full details of the Rights Issue will be set out in a Prospectus released to ASX Market Announcements on 19 May 2015. The Prospectus is available in electronic form on the ASX website at www.asx.com.au as well as the Company website www.bhpl.biz.

Before making a decision whether to exercise your options or to participate in the Rights Issue, you should seek independent advice from your professional advisor.

Yours sincerely



Dr Ian Pringle

Managing Director

Competent Person Statement

Exploration activities and 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.