

Broken Hill Prospecting Ltd
(ASX: BPL)

An Australian Exploration company
focussed on the discovery & development
of strategic technology mineral resources

Commodity Exposure

Heavy Mineral Sands
Cobalt
Base & Precious Metals
Industrial Metals

Directors & Management

Creagh O'Connor
Non-Executive Chairman
Trangie Johnston
Managing Director
Geoff Hill
Non-Executive Director
Matt Hill
Non-Executive Director
Denis Geldard
Non-Executive Director
Ian Morgan
Company Secretary

Capital Structure

Ordinary Shares on Issue (30/4/18) **148M**
Options: Listed **47M**
Market Cap (undiluted at 8cps) **\$12M**

Broken Hill Prospecting Ltd

ARBN 003 453 503

Registered and Head Office
Suite 1002 Level 10, 171 Clarence St,
Sydney NSW 2000
GPO BOX 1546, Sydney NSW 2001
Tel +61 2 9238 1170
Email info@bhpl.net.au
Web: www.bhpl.net.au

Thackaringa Cobalt Project Update

- Broken Hill Prospecting Limited (ASX: BPL) announced on Wednesday 4 July, 2018 that it received the Thackaringa Cobalt Project Pre-Feasibility Study (PFS) from Cobalt Blue Holdings Ltd (ASX: COB) as Manager of the Thackaringa Joint Venture (TJV) (TJV Manager).
- The PFS details released to the market by COB on Wednesday 4 July, 2018 confirm that the Thackaringa Cobalt Project is of global significance as a sustainable, low-cost source of high purity cobalt sulphate for the battery revolution. It recommends advancement to a Bankable Feasibility Study (BFS).
- The PFS places a significant value on BPL's 2% Net Smelter Royalty (NSR) on cobalt produced at Thackaringa, anticipated to deliver approximately A\$43 million to A\$48 million revenue over the life of mine. BPL is currently evaluating the basis of the PFS royalty and its market value today.
- COB advised BPL that it had satisfied the Stage 2 milestones under the TJV and the individual requirements are still being confirmed by BPL. In addition, through the TJV Manager, the TJV Management Committee has appointed an independent expert to review the PFS. As previously advised, that review is expected to be completed by the end of August 2018.
- BPL has also been advised by the TJV Manager that an alternative "cobalt concentrate only" process is being considered as a potential pathway to commercialisation. However, the "cobalt concentrate only" process and strategy was not addressed in the PFS.
- With reference to COB's announcement on 26 July, 2018, BPL notes that whichever BFS strategy is ultimately adopted, the timeline to delivery will be measured against the TJV contractual obligations and the requirements to demonstrate a bankable project.
- BPL is working with its partner COB and is confident that the exceptional potential of Thackaringa to become a world class cobalt producer will be delivered once the optimal process route is identified.
- As the tenement holder and an active explorer in the Broken Hill region, BPL is delighted with the outcome of the PFS. It vindicates the company's long held exploration strategy and highlights the ongoing exploration potential of its major assets.

Thackaringa Joint Venture Terms

COB can earn an interest up to 100% of the Thackaringa Cobalt Project if it completes a four-stage farm-in. To do so, COB must commit \$10.9 million in project expenditure before 30 June 2020 and pay BPL \$7.5 million in cash. BPL is further entitled to receive a 2% net smelter royalty on all cobalt produced from the Thackaringa tenements for the life of mine and retains rights to certain intellectual property (patent processing technology) developed by the TJV.

BPL's 2% Royalty

Based on the PFS, BPL's 2% royalty is anticipated to deliver approximately A\$43 million to A\$48 million revenue over the anticipated life of mine.

BPL is currently reviewing the basis of the PFS royalty calculation to ensure that the methodology is correct.

BPL's rights to Thackaringa Intellectual Property

BPL's rights to intellectual property developed by the TJV flow from its ownership of the TJV. Under the terms of the TJV each party holds a right to utilise such intellectual property on a non-exclusive, world-wide, royalty free basis.

BPL is looking forward to advancing the commercialisation of the new technology. The patent application describes a process for recovery of metal from pyrite-bearing material. This process potentially has broad application throughout the world. It comprises thermally decomposing pyrite to produce pyrrhotite and elemental sulphur, and then leaching the pyrrhotite to extract the target metal.

BPL's Base and Precious Metals Rights at Thackaringa

Under the terms of the TJV, BPL retains the rights to base and precious metals on the TJV tenements, where it is actively exploring for Broken Hill (Pb-Zn-Ag) style mineralisation. BPL's recent market announcements detail geological mapping combined with newly acquired high resolution geophysics, which greatly enhance the understanding of the district's geological framework and will support future base and precious metal exploration at Thackaringa.

The Broken Hill Group, which hosts the world class Broken Hill Pb-Zn-Ag orebody comprising 300Mt of ore containing 30Mt Pb, 24Mt Zn, 1B oz Ag and 1M oz Au, is widely distributed across Thackaringa. Multiple prospects have been prioritised for further exploration. Newly discovered prospects characterised by outcropping quartz gahnite rock, a key vector for Broken Hill Pb-Zn-Ag style deposits, has greatly expanded BPL's search for these world class deposits.

Continued Success in Return of value to BPL shareholders

BPL's successful spin-off of COB was completed in February 2017, with investors seeking shares and options exceeding the \$10 million maximum being offered.

This important initiative has realised significant value from the Thackaringa Cobalt Project for BPL's shareholders. BPL's shareholders received 35 million COB shares, equivalent to 37% of the COB's issued shares under the IPO.

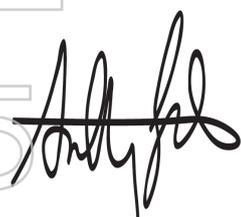
In addition, BPL shareholders received an entitlement to a 1:4 issue of COB bonus options (total: 8,750,000 options).

BPL shareholders who retained COB equities have benefited greatly through this transaction. BPL continues to benefit from its exposure to the Thackaringa Cobalt Project as a joint venture participant and royalty holder, through entitlements to utilise intellectual property and the \$7.5million payment due with a decision to mine.

Along with BPL's strategic divestment of non-core mineral sands assets in mid-2017, the Company continues to demonstrate a keen eye for value adding and monetisation to the benefit of all BPL's shareholders.

Summary of COB's Milestones under the TJV Agreement

	Milestones	Status
Stage 1	For COB to retain the 51% beneficial interest, then during the period commencing ending no later than 1 April 2018, COB must:	
	(i) Complete prior to 30 June 2017 a minimum \$2.0 million exploration program to define an Inferred / Indicated Mineral Resource of 54.5 million tonnes	Completed
	(ii) Complete after 30 June 2017 a further \$1.2 million exploration program to achieve an Indicated Resource of 40 million tonnes or such other tonnage as may be agreed unanimously by the JV committee	Completed
	(iii) Spend not less than \$0.2 million and not more than \$0.4 million to undertake an aerial geophysical survey of the JV mining tenements	Completed
	(iv) Expenditure under (ii) and (iii) in aggregate must be not less than \$1.4 million and not greater than \$1.6 million	Completed
	(v) Complete prior to 30 June 2017 a Scoping Study	Completed
Stage 2	For COB to earn an additional 19% interest, COB must have completed Stage 1 earning obligations during the period commencing on 1 July 2017 and ending no later than 30 June 2018:	
	(i) A \$2.5 million approved exploration program within the JV area	Completed, subject to BPL's review
	(ii) Complete a Pre-feasibility Study	Completed, subject to BPL's review
Stage 3	Stipulates COB can earn a further 15% interest by 30 June 2019 if it spends a minimum \$5 million on an in-ground exploration program to define a Measured Mineral Resource and Ore Reserve and complete a Bankable Feasibility Study.	
Stage 4	Enables COB to earn the final 15% interest in Thackaringa if it makes a decision to mine; procures necessary project approvals including financing; achieves financial close; and pays BPL \$7.5 million in cash no later than 30 June 2020.	
	BPL has also been granted a 2% net smelter royalty on all cobalt produced from the Thackaringa tenements for the life of the mine	



Anthony (Trangie) Johnston
Managing Director

Diversified Exploration & Development Company

For further information, please contact

Tel: +61 2 9238 1170

Email: info@bhpl.net.au