

8 February 2017

ASX Limited
20 Bridge Street
Sydney NSW 2000

ASX Announcement – For immediate release

Broken Hill Prospecting Update

Dear Shareholder,

Murray Basin Heavy Mineral Sands Strategy

Broken Hill Prospecting Ltd (ASX: BPL) has reset its corporate strategy towards becoming a significant heavy mineral sands (HMS) producer focusing on the New South Wales Murray Basin after this month's spin-off of its Thackaringa Cobalt project through Cobalt Blue Holdings Ltd (ASX: COB).

Work in recent years directed by BPL and by its 50%-owned Broken Hill Minerals (BHM) joint venture has outlined very promising high-grade, near surface heavy mineral sand resources that have strong development potential.

BPL is investigating a number of innovative HMS production technologies. It has also undertaken metallurgical testing and analysis, which have upgraded the economic potential of its two current principal projects, Copi North and Magic.

Work continues to upgrade the technical and resource data to complete a preliminary feasibility study for these two projects that meets the technical requirements of the joint venture agreement.

BHM has identified opportunities to construct highly mobile mining and wet processing plant that can be readily moved from one deposit to another with minimal interruption to production and with low relocation costs.

Detailed discussions with reputed engineering and metallurgical companies have provided confidence in meeting our concept design parameters, which are already in production in similar projects around the world. Most importantly, the design employs very low capital expenditure and operating costs.

The company is fortunate to have developed a unique understanding of the New South Wales Murray Basin through the compilation of a significant proprietary database. This has been critical in helping to identify a number of additional strategic, potentially commercial mineral sands projects. We are in the course of applying for exploration licenses covering these new areas.

The targets are high grade, low tonnage, near surface heavy mineral sands.

BHM has been aggressively compiling data sets of mineral sands exploration activities by successive companies operating in the Murray Basin over the past 40 years. The data sets include more than 8,500 drill holes, for 350,000m of drilling, which in today's costs would approach \$7 million to undertake.

The data sets also include many prospects identified from historical resources, including metallurgical characterisation of the valuable heavy mineral (VHM) contents.

BHM now plans to convert the data sets to a rated number of prospects for immediate project definition.

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Cobalt Blue Holdings

The ASX listing of COB took place on 2 February 2017 following a successful capital raising of \$10 million. That company will now focus on the further exploration and development of the Thackaringa Cobalt project.

BPL's shareholders received a total of 35 million shares as part of the capital restructuring and distribution, which is equivalent to 37 per cent of the current issued shares of COB.

BPL receives a cash payment of \$500,000 plus reimbursement of recent exploration expenditure totalling approximately \$400,000.

BPL currently holds a residual 49% equity in the Thackaringa tenements, which is subject to working farm in agreements with COB. BPL's management remains the operator of COB'S exploration program at Thackaringa.

The attractiveness of the Thackaringa Cobalt project was significantly enhanced over the period as a result of additional exploration and the upgrading of the resource to JORC 2012 standard.

Cash position

Taking account of receipts related to COB, BPL is in a strong cash position with approximately \$2.1 million in the bank, excluding \$430,000 in the BHM joint venture project account. Current quarter's expenditure will focus on BPL's 100% owned projects.

Management

Under BPL's Chief Executive Officer Mr Trangie Johnston's direction, the technical team responsible for our mineral sands and cobalt interests has been expanded. Senior managers have been appointed to cover both exploration and production feasibility analysis.

The strengthening of our team will significantly aid in the exploration and development of the Group's resources, and in the expansion of its geographic footprint in New South Wales.

Mr Johnston has been invited to join the BPL board as Managing Director.

Broken Hill Minerals Joint Venture

BHM's management of the Mineral Sands Joint Venture (JV) with Relentless Resources Limited (RRL), came up for renewal on the 22nd January 2017.

BHM's continuing management of the JV has been disputed by RRL. BHM is seeking to resolve the dispute by legal avenues.

BHM's 50% ownership of its share of the Joint Venture is unchanged.

Summary

BPL's renewed focus means that shareholders should continue to benefit from the HMS strategy. The COB spin-off, our strong cash position and the significant upgrading of Murray Basin HMS assets are core initiatives to advance our corporate development plan as we ramp up our exploration program during 2017.

This will be an active year for BPL.

On behalf of the board



Creagh O'Connor
Chairman