

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
Rare Earth Elements
Cobalt
Base & Precious Metals

Directors & Management

Creagh O'Connor
Non-Executive Chairman

Geoff Hill
Non-Executive Director

Matt Hill
Non-Executive Director

Denis Geldard
Non-Executive Director

Trangie Johnston
Managing Director

Ian Morgan
Company Secretary

Capital Structure

Ordinary Shares on Issue (30/1/17) **148M**

Options: Listed **47M**

Market Cap (undiluted at 2.2cps) **\$3.3M**

Broken Hill Prospecting Ltd

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CEO LETTER TO SHAREHOLDERS

Seeking New Growth Opportunities

The Board of Directors and management team at Broken Hill Prospecting Ltd (ASX: BPL) have been undertaking a strategic review of the company's assets, with an eye to finding new ways to add additional value for shareholders.

As we discuss below, significant potential lies in the extensive tenements that we have secured in recent years within the world class Murray Basin Heavy Mineral Sands (HMS) region of NSW, Victoria and South Australia.

This opportunity is supported by our ownership of a unique, regional exploration database (comprising >\$100m historical exploration data) and a considerable amount of in-house professional expertise in the mineral sands industry.

We have also recently been active on the business development front. One significant new opportunity is causing us to assess the viability of extracting valuable rare earth minerals (monazite) that we know exist within these tenements.

HMS and Rare Earth Potential in the Murray Basin

Given the buoyant pricing for mineral sands, BPL has been actively promoting and seeking partners to assist in the development of our Murray Basin HMS portfolio. So far, our team has defined a number of resources and identified numerous HMS targets that have been prioritised for drilling.

We are currently in discussions with a number of international groups, from both China and India, that are seeking to secure long term supplies of HMS from safe jurisdictions, such as Australia. BPL's shareholders may benefit by working with such partners who are currently undergoing expansion of processing facilities for the production of titanium and zirconium due to increasing demand.

In recent weeks, the US Congress and US Government has released a strategy aimed at securing ongoing supply of rare earths and other critical minerals for reasons of national security and defence.

Historically, HMS have been a valuable source of rare earth elements via the separation of monazite.

BPL's previous metallurgical test work within the Murray Basin has demonstrated excellent extraction characteristics of monazite and the company is now assessing new processing and leaching technologies that could be suitably deployed.

Similarly, it should be noted that Iluka Resources Ltd has said that it is investigating the extraction of rare earths from its Wimmera mineral sands project in Victoria as part of a current pre-feasibility study.

We are also in advanced due diligence on a number of rare earth projects in other locations as we believe their strategic value, particularly to the USA, creates significant opportunities.

Broken Hill Update

BPL is looking forward to seeing resolution on a number of disputes that have arisen concerning development of the Thackaringa Cobalt Project near Broken Hill.

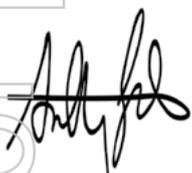
BPL currently retains a 30% beneficial interest in the project and 100% legal title. Regardless of the outcome of the current Expert Determination review;

1. We will still retain a 2% royalty on any future cobalt production.
2. We also retain our title to the base and precious metal projects (Zn-Pb-Cu-Ag-Au) within the Thackaringa tenements and in others that we own outright within the region.
3. We retain our interest in industrial minerals covered by EL 8776 that overlaps the Thackaringa tenements.

The Pyramid Hill and Himalaya prospects at Thackaringa are ready for ground geophysical surveys aimed at high priority targets once on-ground drought conditions around Broken Hill improve. We continue to retain our historically good working relationship with local landowners.

Your Board is committed to enhancing shareholder value, and whilst the unfortunate dispute related to the Thackaringa Cobalt Project has occurred, we are engaged on an exciting separate future for our Company.

Yours sincerely,



Trangie Johnston, CEO