

21 November 2018

CEO'S LETTER TO SHAREHOLDERS

LET'S GET THACKARINGA BACK ON TRACK

The Board of Directors at Broken Hill Prospecting Ltd (ASX: BPL) has a very clear and realistic view about the significant value that the world class Thackaringa Cobalt Project can deliver for our shareholders and those of our joint venture partner, Cobalt Blue Holdings Ltd (ASX: COB).

BPL has a strong vision for the Project that we wish to share with our shareholders.

We welcome all the support you can give us in pursuit of our goal to get Thackaringa back on track.

By adopting our plan, we can overcome recent disagreements and place the Project firmly back on the path to development.

BPL's Vision

To restore faith in Thackaringa and deliver a major increase in value to shareholders, the two partners need to adopt a 4-Step Action Plan to ensure the Project's delivery. They are:

- Appoint a respected, professional and independent manager.
- Correct the deficiencies in the Pre-Feasibility Study (PFS) that was released last July.
- Jointly determine the appropriate scope and standard for the next stage of the Project.
- Use our available cash resources effectively and live within our means to achieve these goals.

This Action Plan will be of immediate benefit to BPL and COB shareholders, because it will restore unified direction, purpose and confidence for delivery of the Project.

We seek to convince COB of the significant benefits at hand.

Thackaringa's Value

COB's PFS, despite its apparent deficiencies, confirmed our belief that the Thackaringa Cobalt Project has the potential to become a world class cobalt producer.

BPL regrets COB's decision to withdraw from Stage 3 of the Thackaringa Joint Venture. However, this action has crystallised a 30% interest in the Project for BPL and our shareholders, which we believe has significant value. We also have our ongoing royalty interest.

COB's action represents a major value shift, at the Project equity level, that your Board will seek to maximise.

Thackaringa Pre-Feasibility Study

While COB's PFS was positive, a review by BPL's independent adviser and by Wood PLC, which was acting on behalf of the Thackaringa Joint Venture, identified many areas that were deficient.

These deficiencies can be corrected. It is clear, however, that experienced management is required to run the Project now and in the future. This is something BPL has recommended to COB for many months.

The deficiencies have been hasty, ill-considered and do not follow requisite procedures stipulated by our joint venture processes. Of real concern is the actual commercial viability of the untried process technology developed by COB on which the PFS is based.

BPL's Recent Actions

Since the PFS was released, BPL has sought to negotiate with COB a sensible and agreed path so that the Project can be advanced. We have had no success to date, however given the large common shareholder base between BPL and COB, we will continue in our endeavours.

BPL has also acted via the dispute resolution mechanisms of the Thackaringa Joint Venture to preserve the value of the Project. We are seeking to impose reasonable and normal checks and balances on management and to ensure prudent financial management and reporting of the joint venture's funding, given current difficult market conditions.

BPL's Board appreciates the support it is receiving from our shareholders. The Board will endeavour to resolve these matters as expeditiously as possible by working co-operatively with COB. That is the best way to unlock the extensive value that lies in the ground at Thackaringa.

Yours sincerely,



Trangie Johnston
Managing Director