

24 November 2016

Dear Shareholder

Cobalt Blue Holdings Ltd (COB) IPO

As announced to the ASX on [Monday 7 November 2016](#), Broken Hill Prospecting Limited's (**ASX: BPL**) strategic plan is to realise significant value from the potentially world-class Thackaringa Cobalt Project (**Thackaringa**)

The plan involves ASX listing COB to finance and undertake an extensive exploration and development program with potential to support a mine at Thackaringa.

The deal includes a spin-off and demerger of COB by BPL through an in-specie distribution of COB Shares to BPL's shareholders, and an initial public offer (**IPO**) - including a **priority offer** to BPL Shareholders.

For detailed information on the proposed transaction by reading the Cobalt Blue Prospectus, please refer to BPL's website: [COB Prospectus](#)

Priority Offer

The Prospectus contains an offer of up to 50,000,000 COB Shares to raise up to A\$10,000,000, along with 12,500,000 free attaching Loyalty Options on a 1:4 basis. The minimum subscription under the General Offer is 40,000,000 COB Shares to raise A\$8,000,000, along with 10,000,000 free attaching Loyalty Options on a 1:4 basis.

Within the General Offer under the Prospectus, COB is making a priority offer of COB Shares to the BPL Shareholders. BPL Shareholders who apply for COB Shares under the Priority Offer within the Offer Period will be guaranteed a minimum allocation of 10,000 COB Shares (A\$2,000).

Thereafter, the COB Board will allocate COB Shares at their discretion based on satisfying the minimum subscription under the Offer and to ensure an appropriate shareholder base for COB.

Broken Hill Prospecting Limited
ARBN 003 453 508

Level 14, 52 Phillip Street, Sydney NSW 2000
Box 3486 GPO, Sydney NSW 2001

P: +61 2 9252 5300

F: +61 2 9252 8400

E: info@bhpl.biz

Website: www.bhpl.biz

To participate in the Priority Offer, by 5.00pm ADST Friday 9 December 2016¹ you will need to:

- Make application, in writing, to COB in accordance with the terms and conditions of the Cobalt Blue Prospectus (Application Form attached to the Prospectus); and
- pay to COB the issue price (cleared funds) for each COB Share applied for.

If you do **NOT** wish to participate in the Priority Offer, **you do not need to take any action.**

Should you have any questions regarding the Priority Offer, please contact BPL.

For further information please contact:

Trangie Johnston Chief Executive Officer

Ian Morgan Company Secretary

Broken Hill Prospecting Limited

Tel: +61 (2) 9252-5300

Fax: +61 (2) 9252-8400

More details are available on **BPL's** website
www.bhpl.biz

For further details, see

[COB Prospectus & Application Form](#)

Market announcement [BPL to Unlock the Value of its Thackaringa Cobalt Project](#)

¹ Note: The timetable above is indicative only. All times are ADST. COB reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable laws. In particular, COB reserves the right to close the Offer early, extend the Closing Date, accept late Applications or cancel the Offer before settlement without notifying any recipients of this Prospectus or any Applicants. If the Offer is cancelled before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.



ASX ANNOUNCEMENT

4 NOVEMBER 2016

BPL TO UNLOCK THE VALUE OF ITS THACKARINGA COBALT PROJECT

- Spin-off of Cobalt Blue in an \$8 to \$10 million IPO to fund Thackaringa exploration and development plan
- BPL shareholders to receive in-specie distribution of BPL's Cobalt Blue shares, including loyalty options and priority entitlement in an IPO
- Post issue BPL shareholders will hold approximately 37% of the capital of Cobalt Blue
- Heavy Mineral Sands is to be a prime focus for BPL's future

Broken Hill Prospecting Limited (**ASX: BPL**) advises that its strategic plan to realise significant value from the potentially world-class Thackaringa Cobalt Project (**Thackaringa**) has been approved by its Board of Directors (the '**Board**'). The plan involves ASX listing of a focussed and independent company, Cobalt Blue Holdings Ltd (**COB**), to finance and undertake an extensive exploration and development program with potential to support a mine at Thackaringa.

The proposed transaction will see Thackaringa become the primary asset and key focus of COB. That company will have its own experienced Board and management team, while continuing to rely on BPL's technical expertise and knowledge bank. BPL will retain the base and precious metal exploration rights over the Thackaringa tenements, where it has been actively exploring for Broken Hill style mineralisation. This will be in addition to its valuable Heavy Mineral Sands portfolio in the Murray Basin, NSW.

BPL's CEO Mr Trangie Johnston commented:

"This is a win-win for BPL and its shareholders. They will all benefit through direct equity in Cobalt Blue via an in-specie distribution, giving them direct exposure to a special purpose cobalt vehicle. BPL will itself retain upside from a 2% royalty on any future production from Thackaringa".

Deal Outline

The deal involves a spin-off and demerger of COB by BPL through an in-specie distribution of COB shares to shareholders of BPL. COB will then undertake an initial public offering of its shares and raise up to A\$10 million to finance the Project. Pre IPO funding of \$555,000 was raised.

BPL and COB signed a Farm-In and Royalty Agreement, which sets out the terms by which the Thackaringa Cobalt Project will be transferred over a period to no later than June 2020.

BPL is aiming to complete the proposed transaction by the early December 2016 (refer to timetable).

About Cobalt Blue

COB was incorporated on 26 August 2016, as a wholly-owned subsidiary of BPL. It is committed to achieving commercial production of cobalt and commercialising technical advances in the use of cobalt.

COB has a qualified and experienced Board of four Directors with extensive expertise in mineral exploration, mine development, marketing, investment management, corporate law and energy storage, including one BPL representative.

COB lodged a Prospectus to provide investors the opportunity to participate in an initial public offering of up to 50,000,000 New Shares at an issue price of A\$0.20 per New Share to raise up to A\$10,000,000, along with 12,500,000 free attaching Loyalty Options on a 1:4 basis.

Details of the Proposed Transaction

BPL and COB entered into a farm-in joint venture agreement (**Farm-In Agreement**) on the 31 October 2016 for COB to acquire 100% of Thackaringa via achieving set milestones over a defined period. In addition, BPL and COB entered into a Royalty Agreement (**Royalty Agreement**) where COB agrees to pay a 2% net smelter royalty (**NSR**) on all future cobalt production.

The key terms of the proposed transaction are:

- COB will pay BPL the sum of A\$800,000 to hold a 51% beneficial interest in the Project, subject to it meeting certain ongoing obligations as outlined below (Stage 1);
- **Stage 1 Farm-In Period:** On or before 30 June 2017, COB must:
 - complete an approved exploration program of works with a minimum 'in-ground' expenditure of A\$2 million which is sufficient to define an Inferred Mineral Resources of 100Mt; and
 - complete a Scoping Study; and
 - If COB elects not to complete these Stage 1 Farm In obligations by 30 June 2017, then it may withdraw from the Joint Venture and transfer the Stage 1 Interest back to BPL for a total consideration of A\$1.00;
- **Stage 2 Farm-In Period:** If the Stage 1 Interest has been earned by COB, then in order to earn an additional 19% beneficial interest in the Joint Venture (Stage 2 Interest), COB must by no later than 30 June 2018:
 - complete a further approved exploration program or works with a minimum 'in-ground' expenditure of A\$2.5 million which is sufficient to define an Indicated Mineral Resource to a target level identified in and supported by the Scoping Study; and
 - complete a Pre-feasibility Study of the technical, commercial and economic feasibility of development and mining within the area of the tenements for the production of cobalt;
- **Stage 3 Farm-In Period:** If the Stage 2 Interest has been earned by COB, then in order to earn an additional 15% beneficial interest in the Joint Venture (Stage 3 Interest), COB must, by no later than 30 June 2019:
 - complete a further approved exploration program or works with a minimum 'in-ground' expenditure of A\$5 million (GST inclusive) which is sufficient to define a Measured Mineral Resource and Ore Reserve to a target level identified in and supported by the Pre-feasibility Study; and
 - complete a Bankable Feasibility Study to a standard which is sufficient to be submitted to a financial institution as the basis for lending of funds for the development and operation of the mining activities contemplated in the study and which is capable of supporting a Decision to Mine;
- **Stage 4 Farm-In Period:** If the Stage 3 Interest has been earned by COB, then in order to earn the final 15% beneficial interest in the Joint Venture (Stage 4 Interest), COB must, by no later than 30 June 2020:
 - make a Decision to Mine; and

- procure all necessary project approvals, and procure approval for project financing on terms acceptable to COB, for the development of a mine capable of producing a quantity per annum of cobalt to a target level identified in and supported by the Bankable Feasibility Study; and
- achieve financial close of the same; and
- pay to BPL the sum of A\$ 7.5 million (inclusive of GST) which may be satisfied either as a direct cash payment prior to financial close or simultaneously at financial close as part of the project financing arrangements; and
- Following the earning of a 100% beneficial interest in the Joint Venture Property, BPL will transfer a 100% legal interest in the Tenements to COB;
- **Royalty:** COB grants BPL a 2% (**NSR Rate**) net smelter royalty (**NSR**) on all cobalt produced from the Tenements for the life of the Project on and from the date on which commercial production first commences

Effect of the Proposed Transaction

BPL holds 35,000,000 COB Shares, comprising 77.78% of COB's issued capital. BPL proposes to distribute all its COB Shares in-specie to BPL's eligible shareholders recorded on BPL's share register at 5:00pm ADST on Monday 21 November 2016 (**Record Date**).

BPL proposes to undertake the in-specie distribution on Wednesday 14 December 2016. Upon COB's successful ASX listing, BPL shareholders will own up to 36.84% of COB Shares.

See Capital Structure Table below.

In addition to BPL's in-specie distribution, COB proposes to issue 8,750,000 Loyalty Options to BPL Shareholders on the basis of one (1) Loyalty Option for every four (4) COB Shares received.

For detailed information on the proposed transaction by reading the Cobalt Blue Prospectus, please refer to BPL's website:

[COB Prospectus](#)

Summary details of the relative COB shareholdings pre and post in-specie distribution are set out in the table below:

COB Shareholders	Pre-In Specie Distribution	%	Post-In Specie Distribution and Offer	%
BPL	35,000,000	77.78	-	-
Seed Investors	10,000,000	22.22	10,000,000	10.53
In-Specie Distribution ¹ to BPL Shareholders	-	-	35,000,000	36.84
Investors via IPO	-	-	50,000,000	52.63
	45,000,000	100.00	95,000,000	100.00

¹ The in specie distribution by BPL of all of the Shares it holds in COB to the BPL Shareholders. BPL proposes to distribute all of the Shares it holds in COB in specie (In Specie Distribution) to eligible shareholders of BPL recorded on the register of BPL at 5:00pm ADST on the record date of 21 November 2016 (**BPL Shareholders**). BPL proposes to undertake the In Specie Distribution to the BPL Shareholders on 14 December 2016. The ratio will be 4.1682 BPL Shares held at the Record Date for each COB Share (rounded down to the nearest whole number of COB Shares).

Proposed Timetable

Details of Prospectus/Entitlement Timetable

Event	Date
Prospectus lodged with ASIC	Thursday 3 November 2016
Opening Date	Friday 11 November 2016
Record Date for In Specie Distribution	5:00pm ADST on Monday 21 November 2016
Record Date for the Priority Offer	5:00pm ADST on Monday 21 November 2016
Closing Date for the Priority Offer and the General Offer	Friday 9 December 2016
In Specie Distribution completed	Wednesday 14 December 2016
Allotment and issue of Shares under the Priority Offer	Wednesday 14 December 2016
Allotment and issue of Shares under the General Offer	Wednesday 14 December 2016
Expected date for despatch of holding statements	Wednesday 14 December 2016
Shares commence trading on ASX on a normal T+2 basis	Monday 19 December 2016

Thackaringa Cobalt Project

The Thackaringa Cobalt Project comprises a very large mineralised system of potential world-scale, strategically located 25km south-east of Broken Hill and adjacent to the main transcontinental railway line. BPL has defined a total Inferred Mineral Resource estimate of **35.7Mt at 841ppm cobalt** (at a 500ppm Co cut-off)² and a conceptual exploration target of **37-59Mt at 600-900ppm cobalt***.

**The global Thackaringa exploration target is as released on 27 July 2012 under JORC 2004. The potential quantity and grade of these targets is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in determination of a Mineral Resource.*

The Thackaringa deposits remain under-explored. Detailed geological mapping has delineated more than 10km of mineralised outcrop, of which approximately 75% remains untested. Significant

² The total Inferred Mineral Resource estimate is as released under JORC 2004, comprising the following:
Railway Deposit | 14.9Mt at 1.83lb/t (831ppm) (at a 500ppm Co cut-off and as released 27 July 2012 under JORC 2004) **Pyrite Hill Deposit** | 16.4Mt at 1.83lb/t (830ppm) (at a 500ppm Co cut-off and as released 14 November 2011 under JORC 2004) **Big Hill Deposit** | 4.4Mt at 2.00lb/t (910ppm) (at a 500ppm Co cut-off and as released 12 November 2010 under JORC 2004). The Railway, Pyrite Hill and Big Hill Mineral Resource estimates were first disclosed under JORC 2004 and have not been updated to JORC 2012 requirements. The company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and that all material assumptions and technical parameters underpinning these mineral resource estimates in the relevant market announcement continue to apply and have not materially changed.

opportunity exists to upgrade and expand the near surface resource base through extensional and infill drilling. Beyond potential strike extensions, mineralisation also remains open at depth.

The cobalt deposit is contained in a pyritic rock, which adds the possibility for the co-production of sulphuric acid from any future mining activities. Sulphuric acid supply in Australia for mining and agricultural purposes is limited, and significant quantities are imported. The large, near-surface deposits at Thackaringa also make the project suitable for large-scale, open cut mining methods.

About Cobalt

Cobalt is a strategic metal used in the production of the latest generation, high-density lithium-ion batteries. Demand for these batteries is growing strongly, thanks to their high run-time properties. They are commonly used in mobile phones, laptops, tablets, fixed storage in homes, aircraft and electric vehicles.

Recent price increases reflect deepening concerns about secure and ethical supply of cobalt, just as demand is accelerating. About 40% of supply is now used in lithium-ion batteries, and this is forecast to increase to reach 70% within 10 years. Forecast demand is expected to exceed production by 2017. Annual global consumption growth for cobalt is expected to average 5.1% until 2020, according to Palisade Research. Consumption is expected to rise from 96,500 tonnes in 2015 to 124,000 tonnes in 2020. Some 98% of global cobalt production comes as a by-product of copper and nickel mining. These mines are owned by a handful of major producers, mostly in Africa. Glencore recently suspended its Katanga mine, reducing the world's cobalt supply by 3%. If Glencore also shut its Mutanda mine, there would be a much larger (13%) reduction in cobalt supply.



Anthony (Trangie) Johnston

Chief Executive Officer

FOR FURTHER INFORMATION, PLEASE CONTACT

Broken Hill Prospecting

Tel +61 2 9252 5300

Email info@bhpl.biz

www.bhpl.biz

ABOUT BROKEN HILL PROSPECTING LIMITED

BPL is an Australian exploration company focussed on the discovery and development of strategic mineral resources across two primary projects the Thackaringa Cobalt Project and the regional NSW Heavy Mineral Sands Project.

Cobalt Project

Thackaringa is strategically located 25km south-west of Broken Hill, New South Wales, adjacent to the main transcontinental railway line. Since 2011, BPL's exploration activities have more than doubled the resource to **35.7Mt at 841ppm cobalt** (at a 500ppm Co cut-off)³. Mineralised outcrop extends for over 10km, with less than a quarter of this trend having been drill tested. The large, near-surface deposits at Thackaringa make the project suitable for large-scale, open cut mining methods.

The cobalt is contained in a pyritic rock, which adds the possibility for the co-production of sulphuric acid from any future mining activities. Sulphuric acid supply in Australia for mining and agricultural purposes is limited, and significant quantities are imported.

Heavy Mineral Sands Project

BPL has a substantial portfolio of Heavy Mineral Sands Projects (titanium and zircon) within the Murray Basin, NSW. Recent drilling activities have been funded by a joint venture with Relentless Resources Limited (RRL), supporting the completion of Mineral Resource estimates for the Copi North and Magic deposits comprising:

- **COP1 NORTH | Cut-off grade 2.5% total heavy mineral (THM) as released 27 May 2016 under JORC 2012⁴.**

Resource Category	Tonnes (millions)	THM (%)	Slimes <53um (%)	Oversize >1mm (%)
Inferred	3.2	6.8	2.8	1.6
Indicated	11.0	6.3	2.7	2.4
Total	14.2	6.6	2.8	2.0

- **MAGIC | Cut-off grade 2% total heavy mineral (THM) as released 10 September 2015 under JORC 2012⁵.**

Resource Category	Tonnes (millions)	THM (%)	Slimes <53um (%)	Oversize >1mm (%)
Inferred	15	3.7	4	1
Total	15	3.7	4	1

Copi North is currently undergoing a Pre-feasibility Study due for completion early 2017.

BPL is targeting the establishment of a sustainable pipeline of high grade, low tonnage deposits amenable to processing with mobile plant equipment that could be deployed across the broad project area.

³ See note 2, page 4.

⁴ The Copi North Indicated and Inferred Mineral Resource estimate is as released 27 May 2016 under JORC 2012. The company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and that all material assumptions and technical parameters underpinning these mineral resource estimates in the relevant market announcement continue to apply and have not materially changed.

⁵ The Magic Inferred Mineral Resource estimate is as released 10 September 2015 under JORC 2012. The company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and that all material assumptions and technical parameters underpinning these mineral resource estimates in the relevant market announcement continue to apply and have not materially changed.

COMPETENT PERSON STATEMENT

The information in this report that relates to Mineral Resources and Exploration Targets is based on information compiled by Mr Anthony Johnston, BSc (Hons), who is a Member of the Australian Institute of Mining and Metallurgy and is a full time employee of the Company. Mr Johnston has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 & 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Johnston consents to the inclusion in the announcement of the matters based on his information in the form and context that the information appears.

The company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of mineral resources and exploration targets that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.