

**BROKEN HILL PROSPECTING LIMITED
CORPORATE GOVERNANCE STATEMENT 2016**

In accordance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd Edition) ("ASX Recommendations"), Broken Hill Prospecting Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance.

The board and management of the Company are committed to ensuring that the Company adheres to best practice governance principles. However given the current size of both the Company's operations and the board of directors, it is not appropriate, cost effective or practical to comply fully with those principles and recommendations.

This Corporate Governance Statement, the main corporate governance charters, policies and procedures are available on the Company website (www.bhpl.biz). The ASX Recommendations are available on the ASX website (www.ASX.com.au).

The board reviews its corporate governance practices at least annually to ensure that it continues to be appropriate for the Company.

This Corporate Governance Statement is current as at 29 August 2016 and it has been approved by the Board.

This statement provides details of the Company's adoption of the best practice principles and recommendations. Where applicable, the recommendations that have not been followed during the financial year, have been identified and reason given for the departure.

1. Lay solid foundations for management and oversight.

The board has adopted a written charter, *Board Charter and the Role of Management*, to provide a framework for the effective operation of the board. The board oversees the business and affairs of the Company, establishes the strategies and financial objectives to be implemented and monitors standards of performance.

The Chief Executive Officer (CEO) is responsible to the board for the overall management and performance of the Company. The CEO sets the strategy, plans, practices and policies that are then approved by the board to achieve agreed objectives.

At present there are 4 directors on the board, all of which are non-executive (including the chairman FC O'Connor). The CEO (Anthony Johnston) is an employee of the Company. The respective roles and responsibilities of the company's board and its management are set out in the *Board Charter and Role of Management*

A performance evaluation for the senior executives was conducted during the period in accordance with the Company's documented process.

2. Structure the board to add value.

The Company requires its board of directors to be experienced, knowledgeable and competent in the areas of mining, mining exploration, management and financial matters. The board possesses complementary skills with each board member being proficient in one or more aspects of the Company's business requirements.

Skills: The skills, experience, expertise and period of office of directors are detailed in the *Board of Directors* section of this Annual Report. The Company's board skills matrix as at 29 August 2016 is as follows:

| | Area of expertise | | | | |
|---------------|----------------------|---|---------------------|------------------------------------|--|
| | Geological Expertise | Mining Exploration & Production Expertise | Heavy Mineral Sands | Financial and corporate governance | Project Management, Managerial & Human resources |
| Board Members | 1/4 | 1/4 | 1/4 | 4/4 | 4/4 |

Independent decision making: There are currently 2 independent directors (FC O'Connor and D Geldard). Each director's independent status is regularly assessed by the board. The directors consider that the board

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is of a suitable structure to govern the Company's affairs in a manner that is in the best interests of shareholders. The Company has not complied with ASX Recommendation 2.1 since 15 November 2013 as there is no majority of independent directors. The size of the board and the mix of skills required for the Company's projects places a constraint on the level of diversification the board is able to achieve.

An independent director is a non-executive director (i.e. is not a member of management) and:

- is not a substantial shareholder of the Company (holds less than 5%), or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- is not and has not in the last 3 years been an executive of the Company, a principal of a material professional adviser, a material consultant, associated with a material supplier or a customer of the Company.
- is free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the directors ability to act in the best interests of the Company.

Individual directors may, in appropriate circumstances engage independent professional advisers at the Company's expense; subject to prior approval of the board, which will not be unreasonably withheld.

Chairman: The chairman, FC O'Connor is an independent, non-executive director.

Nomination committee: from 18 November 2015 the functions of the Nomination Committee were transferred from the full board to the Remuneration Committee. The Company has a *Director Selection & Appointment Policy & Procedure*. The Company did not comply with ASX Recommendation 2.1 as for some of the period did not have a separate nomination committee. At the time the board considered that the Company and the board were not of sufficient size to warrant the establishment of a separate nomination committee.

Board evaluation: During the period a performance evaluation for the board, its committees and directors took place. A questionnaire was distributed by the Chairman, which was completed by each director and addressed their own performance, board performance, Committee performance and the performance of the Chairman. The evaluations comprised a formal review, whereby each director completed a board evaluation table relating to the effectiveness of the board which was submitted to the Chairman for review and discussion with board members. The Chairman was also provided with director attendance records for board and where applicable committee meetings. The Chairman then, after an individual discussion with each member, presented his findings at the board meeting on 18 November 2015, including any areas requiring change or improvement. The next review is scheduled for 2016.

The Company has a *Board Charter and the Role of Management* policy which sets out the roles of the board, the CEO/managing director, individual directors, management and the Company Secretary.

3. Promote ethical and responsible decision making.

Code of Conduct: The Company has a *Code of Conduct*. It is the Company's objective to appropriately balance, protect and enhance the interests of its key stakeholders. Proper behaviour by the Company's directors, officers, employees and those that the Company contracts to do work for it, is essential in achieving this objective.

Trading in Company securities: The Company has a *Securities Trading Policy which was amended on the 19 November 2015*.

Diversity Policy: The Company has a *Diversity Policy*. The Company is committed to providing an environment where all employees, potential employees and others in the workplace are treated fairly and all decisions are based on merit.

Measurable objectives for achieving gender diversity – current year:

- The short listing for potential candidates to include at least one female
- Promoting a culture that takes into account domestic responsibilities
- Including women in activities that allow them to develop skills and experience for more senior roles.

Progress toward achieving objectives:

- Female consultants form part of the organisation and due to the size of the business work closely with directors and the Company secretary, enabling them to develop skills and experience for more senior roles

Measurable objectives to be considered in future:

- Involve women in more senior roles within the organisation i.e. senior executive and board positions.

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Gender Diversity Information:

| Component | Total | Female Component | % Female Component |
|---------------------------|--------------|-------------------------|---------------------------|
| Non Executive Directors | 4 | 0 | 0% |
| Chief Executive Officer | 1 | 0 | 0% |
| Company Secretary | 1 | 0 | 0% |
| Consultants | 5 | 2 | 40% |
| Total Organisation | 11 | 2 | 18% |

Given the current size, nature and exploration stage of the Company, the Company considers the current gender mix to be acceptable.

4. Safeguard integrity in financial reporting.

Audit and Risk Management Committee: The Company has an *Audit and Risk Management Charter*. The Company's audit and risk management committee (audit committee) comprises M Hill (Chairman), FC O'Connor, D Geldard, and D de Boer (chartered accountant and company secretary) as members. The skills, experience, expertise and attendance to meetings of members are detailed in the *Board of Directors* section of the Company's 2016 Annual Report.

The audit committee met three times during the period ended 30 June 2016. Otherwise matters were attended to by informal meetings and circular resolutions.

The Company does not comply with ASX Recommendation 4.2 as the chairman of the committee is not independent. In addition D de Boer is not a director of the Company. Given the current size and the relative modest complexity of the financial affairs of the Company, the board considers the audit committee to be comprised of the most appropriate mix of skills and expertise in order to carry out the function of the audit committee.

Approval of financial statements: Before the Company's financial statements for the year ended 30 June 2016 were approved by the board, the board received a declaration from its CEO and Company Secretary (acting CFO) that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External auditor attendance at AGM: As in previous years, the Company's external auditor is invited to attend the next AGM expected to be in October 2016 and will be available to answer questions from security holders relevant to the audit.

External auditor rotation: The *Audit and Risk Management Charter* requires the rotation of auditor/audit partner every 5 years. The Company changed its auditor in November 2012. At this stage the company is considering the need for auditor rotation.

External auditor selection and appointment:

For the appointment of a new external auditor: the audit committee instigates a tender process whereby written proposals are sought from various auditors. The committee then reviews proposals and makes recommendations to the board. The Shareholders at the AGM approve the appointment of the auditor.

5. Make timely and balanced disclosure.

The Company has a *Continuous Disclosure Policy*.

6. Respect the rights of security holders.

The Company has a *Communication with Shareholders Policy*.

7. Recognise and manage risk.

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The Company has a *Risk Management Policy* and an *Audit and Risk Management Charter*. It does not have a separate risk committee as this function is performed by the audit committee. The Company has identified its material risks and employs processes for overseeing the entity's risk management framework.

The Company has identified its material business risks and regularly reviews them for the likelihood that the risk will arise, their possible impact on the business, the risk prevention measures in place and any material change to the risk profile. The Company has identified risks including:

- Exploration risk
- Funding
- Permits & government regulation
- Environmental regulations
- Occupational health and safety
- Commodity risk
- Economic outlook – including market demand and prices

To this end, comprehensive practices, as are practical, are in place that are directed towards:

- Effective and efficient use of the Company's resources
- Compliance with applicable laws and regulations
- Preparation of reliable published financial and exploration information.

Internal audit function: Due to the size and nature of the Company at present there is no separate internal audit function. The CEO/Managing Director has been delegated the task of implementing internal controls to identify and manage risk for which the board provides oversight. The effectiveness of these controls is monitored and reviewed regularly.

The CEO/Managing Director has provided a report to the board as to the effectiveness of BPLs management and its material business risks.

Financial Statements: Assurances to the Board: The chief executive officer (or equivalent) and the chief financial officer (or equivalent) have provided a declaration in accordance with section 295A of the Corporations Act (Australia) assuring the board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

8. Remunerate fairly and responsibly.

The Company has a *Remuneration Committee Charter*.

The Company has established a remuneration committee, which is charged with making recommendations as to all aspects of executive and non-executive director, management and committee remuneration packages. From 18 November 2015 the functions of the Nomination Committee were transferred from the full board to the Remuneration Committee. Up to the 27 August 2015 the committee comprised 2 non-executive directors: M Hill (Chairman) and C O'Connor. There were no meetings held during the period to 27 August 2015. From the 27 August 2015 the Committee comprised 3 non-executive directors: M Hill (Chairman), C O'Connor and G Hill. Three meetings were held in the period from 27 August 2015 to the date of this report.

The Company does not comply with ASX Recommendation 8.2 as the remuneration committee, for some of the period only had 2 members and only one was independent. The board considers the remuneration committee to be comprised of the most appropriate mix of skills and expertise in order to carry out the function of the remuneration committee. Ultimate responsibility for remuneration policy rests with the full board.

Shareholders approve the maximum aggregate annual remuneration payable to non-executive directors.

There are no contractual termination or retirement benefits for executive or non-executive directors.

There is currently no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments.