

Broken Hill Prospecting Ltd (ASX: BPL)

An Australian exploration company focussed on the discovery & development of strategic technology mineral resources.

Commodity Exposure

Rare Earth Elements
Heavy Mineral Sands
Cobalt
Base & Precious Metals
Industrial Metals

Directors & Management

Creagh O'Connor
Non-Executive Chairman
Trangie Johnston
Managing Director
Geoff Hill
Non-Executive Director
Matt Hill
Non-Executive Director
Denis Geldard
Non-Executive Director
Ian Morgan
Company Secretary

Capital Structure

Ordinary Shares on Issue (6/12/19)
166M
Options: Unlisted 7.9M
Market Cap (undiluted at 2.5cps) \$4.1M

Broken Hill Prospecting Ltd

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Funding Package to Accelerate La Paz Rare Earth Project, USA

Broken Hill Prospecting Limited ("BPL" or "the Company") the Australian exploration company targeting the discovery and development of strategic technology mineral resources in the USA and Australia, is pleased to update shareholders of significant steps taken by the Company to accelerate the development of the La Paz Rare Earth Project, located in Arizona, USA.

It is the Company's intention through the implementation of a new funding package, to update the commercial potential of La Paz by progressing the Project to Scoping Study, utilising the current 43-101 resource with the potential to convert to JORC 2012 Standards.

Highlights

- BPL to implement a funding package to accelerate development at La Paz Rare Earth Project, USA
- Potential name change - BPL has secured the name **American Rare Earths Limited** to support the Company's primary US rare earths focus
- La Paz to be advanced to Scoping Study level economic assessment
- Australian assets will continue to be progressed in tandem with US activities
- \$6.2million through sale of Thackaringa secures a baseline income to support corporate activities for the coming years
- Capital raising of up to \$2.49 million

CEO Trangie Johnston stated:

"Our La Paz acquisition has been pivotal in the Company's development, establishing its entry into the lucrative USA Rare Earths market and securing BPL the enviable position of the only listed ASX company with an advanced project and exposure to this market at a time when the USA is in critical need of Rare Earths.

“The sale of Thackaringa to our JV partners COB allows us to earn \$6.2 million over the next 5 years which creates a baseline for the company’s corporate expenditures moving forwards, allowing any future capital raises to be focused entirely on the further development of La Paz.

“Supporting this we are currently looking to raise up to \$2.49 m through a renounceable offer to Eligible shareholders of which funds raised will be used to progress La Paz to produce a Scoping Study level economic assessment.”

Name / Management Change – American Rare Earths

Following on from the establishment of La Paz Rare Earths LLC, a US based wholly owned subsidiary of BPL, it is the Company’s intention to put in place a separate American focused management team to ensure the successful development of the La Paz Rare Earths Project led by a local team.

As such, BPL is considering a name change to American Rare Earths Limited. The Company is currently undertaking a board renewal and will look to appoint additional expertise with American knowledge.

BPL will control the costs and expenses of the American based business to ensure maximum dollar investment in the project itself.

Whilst the Company’s primary focus is now the La Paz Rare Earth Project in the US, it is worth noting that BPL maintains its Australian portfolio of projects in Broken Hill and the Murray Basin.

In the Murray Basin, we continue to seek partners to assist in the development of our large heavy mineral sands tenement portfolio. We are currently in active discussions with a number of international groups seeking secure long-term supplies of HMS due to increasing demand for the production of titanium and zirconium. We will update shareholders as soon as viable on these developments.

Rare Earths Market

From a USA perspective, the search for and development of rare-earth deposits, particularly at home on USA soil, has been identified as being strategically essential and thus has strong government support.

Both the USA Federal government and Pentagon have published articles highlighting the need for domestic supplies of strategic metals including rare earth elements and titanium/zirconium. As previously highlighted, the current trade and political landscape offers shareholders exposure to growth markets that are seeking to diversify supplies globally.

Highlighting this fact is the recently announced partnership between the USA and Australia to address the crucial supply issues, which will see the two countries working together to develop critical mineral assets, referred to as “the Action Plan for Critical Minerals”.

It is for the opportunities presented within this space, that BPL will be directing much of its attention and finances towards La Paz as the Company moves into 2020.

Thackaringa Joint Venture (“TJV”) Conclusion

On 4 December 2019, BPL announced a major deal with Joint Venture partner Cobalt Blue Holdings (“COB”) to acquire 100% ownership and legal title of the Thackaringa Cobalt Project.

BPL believes the agreement is in the best interest of the Company and its shareholders as it involves the payment of \$6.2million spread across multiple years, securing a baseline income to support corporate activities whilst focusing

all future fundraising efforts of project development of the Company's La Paz Project.

BPL & COB have executed a binding Heads of Agreement ("HOA") for COB to acquire 100% ownership and legal title of the Thackaringa Cobalt Project (including all tenements). This will result in the dissolution of the Thackaringa Joint Venture (TJV) and provides COB full control and continuing management of the project.

Under the terms of the TJV, both BPL and COB have the rights to reduce their interest in the TJV via assignment.

Under the binding Heads of Agreement (HOA), BPL will receive:

- \$500,000 cash
- 9,000,000 COB fully paid ordinary shares for \$0.15 each (representing 6% of COB's capital)
- \$1,000,000 3 year Convertible Note (CN), interest 6% pa payable in arrears, convertible at \$0.20 with COB option for early payout.
- \$3,000,000 5 year Promissory Note (PN), interest free for years 1, 2 and 3 and interest of 6% pa for years 4 and 5 payable in arrears. Secured over the title to the tenements

BPL will retain the existing exploration base and precious metal rights as defined in the TJV and its existing 2% Net Smelter Royalty (NSR) on all cobalt production over the project. The equity component of the deal allows BPL continued exposure to improving cobalt and EV market dynamics as a major shareholder in COB.

New Funding

BPL is seeking to raise up to \$2,491,251 (before costs) through a renounceable pro rata offer of New Shares to Eligible Shareholders (Offer).

Under the Offer, Eligible Shareholders are invited to apply for one (1) New Share for every one (1) Share held at the Record Date, being 7:00pm (Sydney time) on Thursday 12 December 2019 at the Offer Price of \$0.015 (1.5 cents) per New Share.

The Offer includes the issue to each Eligible Shareholder who subscribes for New Shares with one (1) Loyalty Share for every eight (8) New Shares successfully subscribed for and which are continuously held by the Eligible Shareholder up to and including the date which is 12 months after the date of issue of the New Shares. Each Loyalty Share will be issued for nil consideration.

The new issue would be packaged to be attractive to all Eligible Shareholders and ensure they have the maximum opportunity to participate on attractive terms, not available to others.

Use of Funds

The proceeds of the Offer will be used for the following purposes at the La Paz Rare Earth Project:

- Assess upgrading the current NI 43-101 Resource estimate to JORC 2012 standards
- Commence detailed metallurgical test work programs
- Complete a Scoping Study level economic assessment
- Working capital

Timetable

Timetable for the Offer	
Friday 6 December 2019	Announcement to ASX of the Offer.
Wednesday 11 December 2019	Shares commence trading on the ASX on an ex-rights basis.
Wednesday 11 December 2019	Rights trading commences.
7.00pm (Sydney time) Thursday 12 December 2019	Record Date – the date for identifying Shareholders entitled to participate in the Offer.
Tuesday 17 December 2019	Offer Document with Entitlement and Acceptance Forms sent to Eligible Shareholders.
Tuesday 17 December 2019	Opening Date – the first day for receipt of acceptances under the Offer and the Shortfall Offer.
Thursday 2 January 2020	Rights trading ends.
Friday 3 January 2020	New Shares quoted on ASX on a deferred settlement basis
5.00pm (Sydney time time) Thursday 9 January 2020	Closing Date – the last day for receipt of acceptances under the Offer and the Shortfall Offer, unless extended.
Tuesday 14 January 2020	Announcement to ASX of the results of the Offer.
Thursday 16 January 2020	Issue date - New Shares issued under the Offer and the Shortfall Offer and deferred settlement trading ends.
Friday 17 January 2020	New Shares expected to commence normal (T +2) trading on ASX.

The above events, dates and times are indicative only and may be subject to change. The Company reserves the right to amend any of these events, dates and times without notice, subject to the Corporations Act, the ASX listing rules and other applicable laws. In particular, the Company reserves the right to extend the Closing Date and to accept late applications. The commencement of trading of New Shares on ASX is subject to confirmation by ASX.

La Paz Rare Earth Project

The La Paz Rare Earth Project is located in La Paz County, Arizona, USA. The project lies approximately 170 km north-west of Phoenix (Figure 1) and is surrounded by world class infrastructure within a mining friendly jurisdiction.

The La Paz acquisition was a major step in the Company's strategic plan to diversify its portfolio exposure in technology metals. The Company is utilising its significant track record of implementing development projects within the strategic metals space, to acquire what is now potentially the largest rare earths project in the USA.

Following a highly successful initial work program, BPL applied for a further 660 hectares located directly adjacent to La Paz - significantly increasing its footprint in this highly prospective region. These applications are a direct result of the positive fieldwork carried out by BPL, which identified high grade areas within the existing resource extending to the South West. Results from the initial field campaign are expected shortly.

La Paz was first discovered and drilled in 2010-2012, which resulted in an independent NI 43-101 resource estimate. Preliminary metallurgical test work demonstrated viable separation of the key rare earth mineral – allanite via commercially available techniques. BPL intends to leverage the significant volume of historical data and accelerate La Paz to Scoping Study level assessment under JORC 2012 standards.

A copy of the existing NI 43-101 Report can be found at this link: [La Paz NI 43-101 Report](#)

Key Project Highlights Reported under NI 43-101

- Large tonnage deposit with relatively homogeneous TREO (Total Rare Earth Oxide) distribution amenable to open pit extraction.
- Excellent infrastructure and skilled work force in a mining friendly jurisdiction. A high voltage power line runs 11km west of the project, and a high-pressure natural gas pipeline 8km to the east. Major rivers and aqueducts are within 8km, though local ground water supplies are likely to meet any future production needs.
- Majority of TREO report to the epidote-group mineral allanite (La-Allanite).
- High reporting of valuable Light LREO (83%) to Heavy TREO (17%) with extremely low thorium/uranium content with clear environmental advantages.
- Metallurgical test work successfully concentrated allanite samples via a combined process of gravity, magnetic and flotation separation.
- Rare earth concentrate was amenable to commercially available leaching technologies.



Figure 1. The La Paz Rare Earth Project located in western Arizona

More information is to follow in the Rights Offer document to be announced on Tuesday 17 December 2019.



Anthony (Trangie) Johnston
Managing Director

Broken Hill
PROSPECTING

Diversified Exploration & Development Company

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BPL confirms it is not aware of any new information or data that materially affects the information included in the original market announcements, and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. BPL confirms that the form and context in which the Competent Person's findings presented have not been materially modified from the original market announcements.

Competent Person's Statement

The information in this report that relates to exploration results, Mineral Resources and 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 who is the Managing Director and Chief Executive Officer of Broken Hill Prospecting Limited. 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.