

17 January 2020

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## **Broken Hill Prospecting Limited [BPL] completes Thackaringa transfer to Cobalt Blue Holdings [COB]**

The Board of BPL is pleased to advise that the documentation completing the transfer of its interest in the Thackaringa cobalt project joint-venture to its partner Cobalt Blue [COB] was signed today.

This allows completion of the transaction which will result in BPL receiving \$6 million in cash, shares and deferred consideration, whilst retaining its 2.0% royalty on all cobalt production from the project and its interest in the Broken Hill style mineralisation (excluding cobalt mineralisations) on part of the tenements.

The tenements themselves have been transferred to Cobalt Blue which will enable it to progress and commercialise the Thackaringa project efficiently. The issue of shares and completion of all documentation is underway.

Completion of this important transaction significantly underpins the value of BPL itself and will allow it, whilst retaining its interest in its Broken Hill assets and its mineral sands, to focus on developing and commercialising its exciting La Paz Rare Earths project in Arizona.

### **BACKGROUND**

On 4 December 2019 Cobalt Blue Holdings Limited (ASX: COB) announced it had executed a binding Heads of Agreement (HOA) with Broken Hill Prospecting Limited (ASX: BPL) for COB to acquire 100% ownership and legal title of the Broken Hill (Thackaringa) Cobalt Project (including all tenements), through the acquisition of BPL's 30% holding for \$6 million.

The consideration payable under the final agreements remains unchanged from that announced on 4 December 2019. Namely, BPL will receive:

- a. \$500,000 cash.
- b. 9,000,000 COB fully paid ordinary shares at a deemed issue price of \$0.15 per share.

- c. \$1,000,000 three-year Convertible Note (CN), with interest of 6% per annum payable annually in arrears. BPL is able to convert the CN to COB fully paid ordinary shares at maturity or on 18 January 2021 or on 17 January 2022. The CN is convertible with a \$0.20 conversion price. The issuer of the note has the ability to redeem the CN early.
- d. \$3,000,000 five-year Promissory Note (PN), interest free for years 1, 2 and 3 and interest of 6% per annum payable in arrears. The PN is secured over the title to the tenements.

The relevant title transfer application documents have also been lodged with the NSW Department of Planning & Environment and all other documentation will be completed as soon as possible.

### **COMMENTARY**

Mr Creagh O'Connor, Chairman of Broken Hill Prospecting, said today:

*“We are delighted that we have been able to transfer our interest in the Thackaringa project to our partners COB and yet retain an interest as a shareholder and royalty holder. We believe that unifying the project under Cobalt Blue management is the best step for both companies.*

*This transaction also significantly underpins the value of BPL shares and its current rights issue*

*We are excited about the prospects for our LaPaz Rare Earths Project in Arizona USA particularly following the strong strategic support of the US government for the development of U.S.-based rare-earth projects, which La Paz is in an excellent position to take forward “*

In order to avoid confusion with Cobalt Blue’s Broken Hill interests and more closely align the Company’s name and corporate direction, the Board of BPL is changing the name of the Company to American Rare Earths Limited.

Shareholders will receive a detailed update on the Company's progress in a separate letter.

On behalf of the Board



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Creagh O'Connor

Chairman

**RENOUNCEABLE RIGHTS OFFER (OFFER)**

As announced on Monday 9 December 2019 and Tuesday 24 December 2019, BPL is currently completing its 1 for 1 Offer to all its shareholders. Unless extended, the rights offer closes on Monday 3 February 2020.<sup>1</sup>

As announced earlier today, BPL made a part issue of 18.9 million New Shares under the Offer.<sup>2</sup> Eligible Shareholders who accepted the Offer, have been issued New Shares, and hold the New Shares for 12 months, are entitled to be issued 1 Loyalty Share for every 8 New Shares.<sup>3</sup>

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<sup>1</sup> 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.

<sup>2</sup> In the event that the Offer is extended, the Company reserves the right to allot applications for New Shares on or about the time of the extension, and weekly thereafter as any further applications are received.

<sup>3</sup> 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.