

## Broken Hill Prospecting Ltd (ASX: BPL)

An Australian Exploration company focused 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

Geoff Hill  
Non-Executive Director

Matt Hill  
Non-Executive Director

Denis Geldard  
Non-Executive Director

Trangie Johnston  
Managing Director

Ian Morgan  
Company Secretary

### Capital Structure

Ordinary Shares on Issue (31/1/20) **186M**

Market Cap (undiluted at 1.7cps) **\$3.2M**

## Broken Hill Prospecting Ltd

ARBN 003 453 503

Registered and Head Office  
Suite 706 Level 7, 89 York St,  
Sydney NSW 2000  
GPO BOX 1546, Sydney NSW 2001

Tel +61 2 8054 9779

Email [info@bhpl.net.au](mailto:info@bhpl.net.au) Web:

[www.bhpl.net.au](http://www.bhpl.net.au)

## QUARTERLY ACTIVITIES REPORT HIGHLIGHTS

- ADDITIONAL SAMPLING AT LA PAZ UNDERTAKEN
- DIGITISATION OF LA PAZ RESOURCE NEAR COMPLETION
- CAPITAL RAISING INITIATIVES UNDERWAY
- RIGHTS ISSUE PROGRESS
- SALE OF THACKARINGA JOINT VENTURE INTEREST FOR \$A6 MILLION
- APPOINTMENT OF SENIOR GEOLOGIST TO LA PAZ
- ENGAGEMENT OF EXTERNAL METALLURGICAL SPECIALIST

## Sale of Thackaringa Joint Venture

During the quarter, the Company finalised completion of divesting its remaining 30% interest in the Thackaringa Joint Venture to Cobalt Blue Holdings (ASX: COB) for a valuation of \$A6 million, payable in cash and cash equivalents (including tradeable COB shares).

The sale represents a significant return on BPL's investment into the Thackaringa Joint Venture, from the initial IPO of Cobalt Blue Limited to the final sale of BPL's interests to COB.

BPL's Board believes significant upside remains for BPL's shareholders in the Thackaringa project. BPL retains a royalty stream which is valued at between approximately A\$43 million to A\$48 million revenue<sup>1</sup> plus base metals rights.

Creagh O'Connor, the Company's Chairman, said:

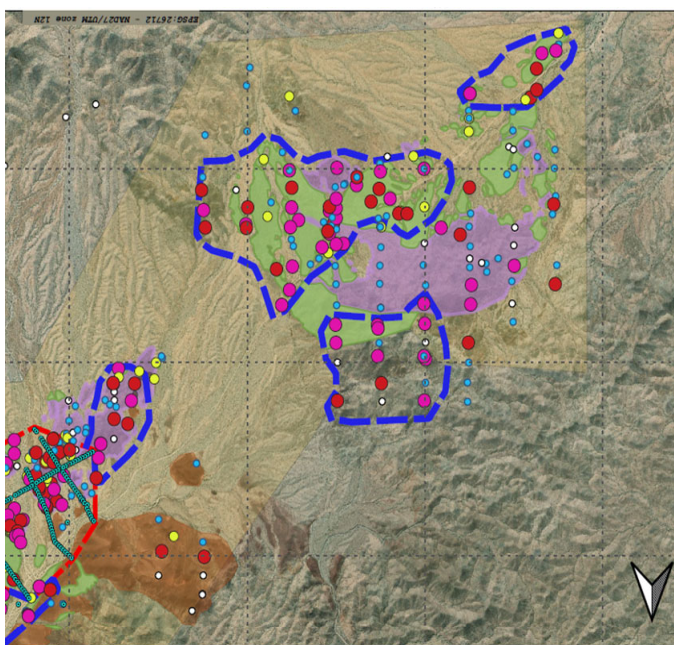
*"The divestment of BPL's remaining interest in Thackaringa is the last step in the strategy set out by the board some years ago to monetise the asset whilst maintaining exposure to the production of cobalt from the project. With COB having a market cap of A\$22 million, the valuation of the remaining 30% equity represents a premium price which delivers 100% ownership to COB, who now have the flexibility required to provide a range of financing and technical options in expediting the pathway to cobalt production."*

## BPL - La Paz Mineral Resource Estimate Update

As recently announced, during the quarter, BPL acquired the La Paz Rare Earths Project which delivers an exposure to a rising commodity base in the USA. Rare Earth Elements (REE) are used in military and technological applications. An alternative source of REE is being proactively sought by G7 countries from the supply currently dominated by China. The recent announcement by the USA government, that direct investment into rare earths projects are being made available, makes BPL's wholly owned USA based subsidiary La Paz Rare Earth LLC, which holds the La Paz Rare Earths Project, even more attractive for investors to capture any upside from recent market drivers.

BPL's Board is pleased to announce progress on the work programme designed to add value and increase the estimated quantity of mineral resources at the La Paz Rare Earths Project in Arizona, USA.

### La Paz Deposit



The base case Mineral Resource Estimate for the project is based on a cut-off grade of 300ppm (0.03%) and supported by shallow drilling and over 3,000 assays. The Indicated Resources are estimated at 16.2 million tonnes at a grade of 373.4ppm and inferred resource of 112 million tonnes at a grade of 371.5 ppm. This equates to 12.1 million pounds and 83.3 million pounds of total rare earth elements (REE)

respectively. These results are drawn from the NI 43-101 compliant report originally released to the market.<sup>ii</sup>

This entire resource is within 100 feet (25m) of the surface, making it ideal for opencast mining methods, and there is considerable opportunity for expansion through further delineation of the deposit which is open to depth and lateral extension in all but one direction. Assays of drill cuttings show that the entire rare earth suite of elements are present, and that uranium and thorium are favourably low.

While there are projects with higher grades, the La Paz deposit excels by its sheer volume, uncomplicated mineralogy and lack of uranium and thorium, which considerably simplifies the metallurgical and permitting processes. China is the world leader in production of rare earth elements, which is encouraging investment in the USA to develop a strategic supply of these minerals.

Your Company has already taken significant steps to increase the size of this resource through an extensive programme of structural mapping and bulk sampling. ***These samples have been submitted for assay and results are expected in the coming days.*** Concurrent with this activity, the entire area together with historic and current sampling is being captured in a digital GIS model which will be used to enhance the quality of the estimate and support design of the ongoing exploration programme.

| La Paz Indicated Resource |                   |                           |                         |                    |
|---------------------------|-------------------|---------------------------|-------------------------|--------------------|
|                           | Tonnes (millions) | Grade above cut off (ppm) | Grade above cut off (%) | Lbs REE (millions) |
| Tc                        | 0.4               | 337.7                     | 0.033                   | 0.3                |
| Lower Plate               | 15.8              | 373.4                     | 0.037                   | 11.8               |
| Total Indicated           | 16.2              | 373.4                     | 0.037                   | 12.1               |

| La Paz Inferred Resource |                   |                           |                         |                    |
|--------------------------|-------------------|---------------------------|-------------------------|--------------------|
|                          | Tonnes (millions) | Grade above cut off (ppm) | Grade above cut off (%) | Lbs REE (millions) |
| Tc                       | 7.2               | 369.8                     | 0.036                   | 5.4                |
| Lower Plate              | 104.8             | 371.6                     | 0.036                   | 77.9               |
| Total Indicated          | 112               | 371.6                     | 0.037                   | 83.3               |

## **Renounceable Rights Offer**

The Company's recent capital raise offer, which was announced on Monday 9 December 2019 and will shortly close on Monday 17 February 2020 (previously Monday 3 February 2020), unless varied, endeavours to raise up to A\$2.5 million to accelerate the exploration and development well that's held by the Company's US based subsidiary La Paz Rare Earth LLC.

To participate in the Offer, Eligible Shareholders please attach a cheque and complete your personalised Renounceable Rights Issue - Entitlement and Acceptance Form (**Application Form**) (sample attached). Alternatively, you can participate using BPAY® (details on Application Form).

If you have lost your Application Form, please call the Company Secretary, Ian Morgan, on +61 2 8054 9779 between 8.30am and 5.00pm (Sydney time) Monday to Friday during the Offer period; or email [info@bhpl.net.au](mailto:info@bhpl.net.au) including your contact details.

You can apply under the Offer to accept either all or part of your Entitlement. If you take up your full Entitlement, you may also apply for Additional New Shares. Enter the number of New Shares you wish to apply for and the amount of payment for those New Shares.

**Your payment may be by mailed cheque, bank draft or money order payable to "Broken Hill Prospecting Limited" and crossed "Not Negotiable". Cheques, bank drafts or money orders must be sent (with the payment slip in the Application Form) to Computershare Investor Services Pty Limited GPO Box 505 Melbourne VIC 3001 or by way of BPAY®. Payment must be received by 5.00pm (Sydney time) Monday 17 February 2020.**

Any queries may be directed to the Company at [info@bhpl.net.au](mailto:info@bhpl.net.au).

## **Competent Person's Statement**

The results contained in this report are based on information compiled by Mr Denis Geldard. Mr Geldard is a member of the Australian Institute of Mining and Metallurgy, he has considerable experience with the style of mineralisation and types of deposit under consideration and is considered to be a competent person under the JORC Code 2012

The mineral resources disclosed in this announcement are compliant with NI 43-101 standards which are close to the JORC Code in their key definitions. The La Paz mineral resources can therefore be quoted as "qualifying foreign estimates" according to ASX listing rules.

During the quarter, BPL received advice from BPL's Managing Director's (Trangie Johnston's) family that Trangie is unwell. BPL's management is in contact with Trangie's family and has offered support.

Consistent with BPL's focus on its La Pa Paz Rare Earth Project, BPL is engaging an external specialist to review metallurgical test work and a local Arizona, USA senior geologist.

**BROKEN HILL PROSPECTING LIMITED (ASX: BPL)**  
**DECEMBER 2019 QUARTERLY ACTIVITIES REPORT**

**La Paz Region, Arizona, USA**

|                       |                                        |
|-----------------------|----------------------------------------|
| 108 BLM Claims        | 100% La Paz Rare Earth LLC granted     |
| 1 Section State Claim | 100% La Paz Rare Earth LLC granted     |
| 112 BLM Claims        | 100% La Paz Rare Earth LLC application |

**Broken Hill Region**

|          |                                                        |
|----------|--------------------------------------------------------|
| EL 6622* | 100% legal, 30% beneficial Broken Hill Prospecting Ltd |
| EL 8143* | 100% legal, 30% beneficial Broken Hill Prospecting Ltd |
| ML 86*   | 100% legal, 30% beneficial Broken Hill Prospecting Ltd |
| ML 87*   | 100% legal, 30% beneficial Broken Hill Prospecting Ltd |
| EL 8773  | 100% Broken Hill Chemicals Ltd                         |
| EL 8774  | 100% Broken Hill Chemicals Ltd                         |
| EL 8775  | 100% Broken Hill Chemicals Ltd                         |

**Murray Basin Region**

|           |                                    |
|-----------|------------------------------------|
| EL 6614   | 100% Murray Basin Minerals Pty Ltd |
| EL 8558   | 100% Murray Basin Minerals Pty Ltd |
| EL 8559   | 100% Murray Basin Minerals Pty Ltd |
| EL 8649   | 100% Murray Basin Minerals Pty Ltd |
| EL 8650   | 100% Murray Basin Minerals Pty Ltd |
| EL 006583 | 100% Murray Basin Minerals Pty Ltd |
| EL 006584 | 100% Murray Basin Minerals Pty Ltd |
| EL 006585 | 100% Murray Basin Minerals Pty Ltd |
| EL 6139   | 100% Murray Basin Minerals Pty Ltd |

\* These tenements are subject to completion of sale of BPL's interest in the Thackaringa Joint Venture to COB.

---

<sup>i</sup> Refer BPL's Quarterly Activities and Cash Flow Reports Sep 2018 released 31 October 2018.

<sup>ii</sup> Refer announcement of 21/12/2011 (ASX: AIW) (please see [NI 43-101 Report](#) for the full report)

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Broken Hill Prospecting Limited

ABN

83 003 453 503

Quarter ended ("current quarter")

31 December 2019

| Consolidated statement of cash flows                      | Current quarter<br>\$A'000 | Year to date (6<br>months)<br>\$A'000 |
|-----------------------------------------------------------|----------------------------|---------------------------------------|
| <b>1. Cash flows from operating activities</b>            |                            |                                       |
| 1.1 Receipts from customers                               | 30                         | 39                                    |
| 1.2 Payments for                                          |                            |                                       |
| (a) exploration & evaluation (if expensed)                | (178) <sup>1</sup>         | (378)                                 |
| (b) development                                           | -                          | -                                     |
| (c) production                                            | -                          | -                                     |
| (d) staff costs                                           | (93)                       | (140)                                 |
| (e) administration and corporate costs                    | (104)                      | (214)                                 |
| 1.3 Dividends received (see note 3)                       | -                          | -                                     |
| 1.4 Interest received                                     | -                          | -                                     |
| 1.5 Interest and other costs of finance paid              | -                          | -                                     |
| 1.6 Income taxes paid                                     | -                          | -                                     |
| 1.7 Government grants and tax incentives                  | -                          | -                                     |
| 1.8 Other (provide details if material)                   | -                          | -                                     |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(345)</b>               | <b>(693)</b>                          |

1

|                                                     |              |              |
|-----------------------------------------------------|--------------|--------------|
| Item 1.2 (a) exploration & evaluation (if expensed) |              |              |
| Tenement rents                                      | (36)         | (166)        |
| Consultants                                         | (132)        | (172)        |
| Other                                               | (10)         | (40)         |
| <b>Total</b>                                        | <b>(178)</b> | <b>(378)</b> |

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Consolidated statement of cash flows                      | Current quarter<br>\$A'000 | Year to date (6<br>months)<br>\$A'000 |
|-----------------------------------------------------------|----------------------------|---------------------------------------|
| <b>2. Cash flows from investing activities</b>            |                            |                                       |
| 2.1 Payments to acquire:                                  |                            |                                       |
| (a) entities                                              | -                          | -                                     |
| (b) tenements                                             | -                          | -                                     |
| (c) property, plant and equipment                         | -                          | -                                     |
| (d) exploration & evaluation (if capitalised)             | -                          | -                                     |
| (e) investments                                           | -                          | -                                     |
| (f) other non-current assets                              | -                          | -                                     |
| 2.2 Proceeds from the disposal of:                        |                            |                                       |
| (a) entities                                              | -                          | -                                     |
| (b) tenements                                             | -                          | -                                     |
| (c) property, plant and equipment                         | -                          | -                                     |
| (d) investments                                           | -                          | -                                     |
| (e) other non-current assets                              | -                          | -                                     |
| 2.3 Cash flows from loans to other entities               | -                          | -                                     |
| 2.4 Dividends received (see note 3)                       | -                          | -                                     |
| 2.5 Other (provide details if material)                   | -                          | -                                     |
| <b>2.6 Net cash from / (used in) investing activities</b> | <b>-</b>                   | <b>-</b>                              |

|                                                                                             |            |            |
|---------------------------------------------------------------------------------------------|------------|------------|
| <b>3. Cash flows from financing activities</b>                                              |            |            |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities)       | 455        | 455        |
| 3.2 Proceeds from issue of convertible debt securities                                      | -          | -          |
| 3.3 Proceeds from exercise of options                                                       | -          | -          |
| 3.4 Transaction costs related to issues of equity securities or convertible debt securities | (66)       | (66)       |
| 3.5 Proceeds from borrowings                                                                | -          | -          |
| 3.6 Repayment of borrowings                                                                 | -          | -          |
| 3.7 Transaction costs related to loans and borrowings                                       | -          | -          |
| 3.8 Dividends paid                                                                          | -          | -          |
| 3.9 Other (provide details if material)                                                     | -          | -          |
| <b>3.10 Net cash from / (used in) financing activities</b>                                  | <b>389</b> | <b>389</b> |

| <b>Consolidated statement of cash flows</b> |                                                                              | <b>Current quarter<br/>\$A'000</b> | <b>Year to date (6<br/>months)<br/>\$A'000</b> |
|---------------------------------------------|------------------------------------------------------------------------------|------------------------------------|------------------------------------------------|
| <b>4.</b>                                   | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |                                    |                                                |
| 4.1                                         | Cash and cash equivalents at beginning of period                             | 143                                | 491                                            |
| 4.2                                         | Net cash from / (used in) operating activities (item 1.9 above)              | (345)                              | (693)                                          |
| 4.3                                         | Net cash from / (used in) investing activities (item 2.6 above)              | -                                  | -                                              |
| 4.4                                         | Net cash from / (used in) financing activities (item 3.10 above)             | 389                                | 389                                            |
| 4.5                                         | Effect of movement in exchange rates on cash held                            | (20)                               | (20)                                           |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of period</b>                            | <b>167</b>                         | <b>167</b>                                     |

| <b>5. Reconciliation of cash and cash equivalents</b>                                                                 | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|-----------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------|
| at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts |                                    |                                     |
| 5.1 Bank balances                                                                                                     | 125                                | 101                                 |
| 5.2 Call deposits                                                                                                     | 42                                 | 42                                  |
| 5.3 Bank overdrafts                                                                                                   | -                                  | -                                   |
| 5.4 Other (provide details)                                                                                           | -                                  | -                                   |
| <b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>                                  | <b>167</b>                         | <b>143</b>                          |

**6. Payments to related parties of the entity and their associates**

|     |                                                                                         |                 |
|-----|-----------------------------------------------------------------------------------------|-----------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 93 <sup>2</sup> |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | -               |

**Current quarter  
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

<sup>2</sup> Payment of Officers' salaries

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| <b>7. Financing facilities</b>                                                                         | <b>Total facility amount at quarter end \$A'000</b>                                                                                                                                                                                                                                                                                         | <b>Amount drawn at quarter end \$A'000</b> |
|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> |                                                                                                                                                                                                                                                                                                                                             |                                            |
| <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>  |                                                                                                                                                                                                                                                                                                                                             |                                            |
| 7.1 Loan facilities                                                                                    | -                                                                                                                                                                                                                                                                                                                                           | -                                          |
| 7.2 Credit standby arrangements                                                                        | -                                                                                                                                                                                                                                                                                                                                           | -                                          |
| 7.3 Other (please specify)                                                                             | -                                                                                                                                                                                                                                                                                                                                           | -                                          |
| 7.4 <b>Total financing facilities</b>                                                                  | -                                                                                                                                                                                                                                                                                                                                           | -                                          |
| 7.5 <b>Unused financing facilities available at quarter end</b>                                        |                                                                                                                                                                                                                                                                                                                                             | -                                          |
| 7.6                                                                                                    | Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. |                                            |

| <b>8. Estimated cash available for future operating activities</b>                | <b>\$A'000</b> |
|-----------------------------------------------------------------------------------|----------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9)                     | (345)          |
| 8.2 Capitalised exploration & evaluation (Item 2.1(d))                            | -              |
| 8.3 Total relevant outgoings (Item 8.1 + Item 8.2)                                | (345)          |
| 8.4 Cash and cash equivalents at quarter end (Item 4.6)                           | 167            |
| 8.5 Unused finance facilities available at quarter end (Item 7.5)                 | -              |
| 8.6 Total available funding (Item 8.4 + Item 8.5)                                 | 167            |
| 8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b> | 0.48           |

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The Company expects it will continue to have the current level of net operating cash flows for the time being.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

(a) As announced on 9 December 2019:

- (i) the Company is raising cash from a 1 for 1 renounceable rights offer of \$0.015 per new share, including 1 free loyalty share offer for every 8 new shares held for 12 months commencing their issue date (**Offer**);
- (ii) the Offer closes 17 February 2020 (unless varied); and
- (iii) the Offer can raise up to \$2,491,000 cash; and

(b) As announced on 17 January 2020:

- (i) the Company signed documentation completing the transfer of its interest in the Thackaringa cobalt project joint-venture to its partner Cobalt Blue (ASX: COB); and
- (ii) This transaction will result in the Company receiving A\$6 million in cash (\$500,000), shares (\$1,350,000), a convertible note (\$1,000,000 plus interest) and a promissory note (\$3,000,000 plus interest).



3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The Company expects to be able to continue its operations and to meet its business objectives using the funds expected to be raised and described in Item 8.8 Answer 2.

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2020

Authorised by: Ian Morgan, Company Secretary  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.