

Broken Hill Prospecting to Unlock the Value of its Thackaringa Cobalt Project

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Sydney, Nov 7, 2016 - [Broken Hill Prospecting Ltd](#) (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.

Key points:

- 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

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:

- o 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

- o complete a Scoping Study; and

- o 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:

- o 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

- o 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:

- o 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

- o 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:

- o make a Decision to Mine; and 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

- o achieve financial close of the same; and

- o 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

- o 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 in link 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:

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 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.

To view tables and figures, please visit:
<http://abnnewswire.net/lnk/Z60C4Y5W>

About Broken Hill Prospecting Ltd

[Broken Hill Prospecting Ltd](#) (ASX:BPL) is focused on the development of strategic technology mineral resources: Cobalt and Heavy Mineral Sands (HMS).

The Thackaringa Cobalt Project is potentially a world class deposit, well positioned to meet the growing

demand for Lithium-ion batteries.

The Murray Basin HMS Project is targeting the establishment of a sustainable pipeline of high grade, low tonnage deposits (titanium and zirconium) amenable to processing through mobile mining unit technology.

Contact

[Broken Hill Prospecting Ltd](#)

T: +61-2-9252-5300

F: +61-2-9252-8400

E: info@bhpl.biz

www.bhpl.biz

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