



AmericanPacific

American Pacific Borate & Lithium Ltd

Interim Financial Report

31 December 2018

ABN 68 615 606 114
americanpacificborate.com





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CORPORATE DIRECTORY

Directors

Harold (Roy) Shipes (Non-Executive Chairman)
Michael Schlumpberger (Managing Director)
Anthony Hall (Executive Director)
John McKinney (Non-Executive Director)
Stephen Hunt (Non-Executive Director)

Company Secretary

Aaron Bertolatti

Registered Office & Principal Place of Business

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Share Registry

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Auditors

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2 The Esplanade
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Stock Exchange

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
ASX Code: ABR



Directors' Report

The Directors present their report for American Pacific Borate & Lithium Limited ("American Pacific" or "the Company") and its subsidiaries ("the Group") for the half year ended 31 December 2018.

DIRECTORS

The persons who were directors of American Pacific Borate & Lithium during the half year and up to the date of this report are:

- Harold (Roy) Shipes (Non-Executive Chairman)
- Michael Schlumpberger (Managing Director)
- Anthony Hall (Executive Director)
- John McKinney (Non-Executive Director)
- Stephen Hunt (Non-Executive Director)

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

American Pacific Borate and Lithium Limited is focused on advancing its 100% owned Fort Cady Borate Project located in Southern California, USA. Fort Cady is a highly rare and large colemanite deposit and is the largest known contained borate occurrence in the world not owned by the two major borate producers Rio Tinto and Eti Maden. The JORC compliant Mineral Resource Estimate and Reserve is presented below. Importantly, the Mineral Resource Estimate contains 13.93Mt of contained boric acid.

In excess of US\$60m has been spent on the Fort Cady Project, including resource drilling, metallurgical test works, well injection tests, permitting activities and substantial small-scale commercial operations and test works.

A Definitive Feasibility Study ("DFS") was completed in December 2018 delivering compelling financial metrics including a steady state production target of 410ktpa of boric acid and 110ktpa of SOP, delivering an unlevered post tax NPV₁₀ of US\$1.25bn (NPV₈ of US\$1.59bn) and an unlevered post tax IRR of 41%.

In January 2019 the DFS was enhanced to include a low capex starter project with an estimated capex of only US\$36.8m. This starter project delivers an EBITDA in the first year of operation of US\$26.7m and preserves the pathway to an EBITDA of over US\$340m in the first year of full production for the broader project

JORC compliant Mineral Resource Estimate and Reserve

JORC compliant Mineral Resource Estimate and Reserve						
Reserves	MMT	B ₂ O ₃ %	H ₃ BO ₃ %	Li ppm	B ₂ O ₃ MT	H ₃ BO ₃ MT
- Proven	27.21	6.70	11.91	379	1.82	3.24
- Probable	13.80	6.40	11.36	343	0.88	1.57
Total Reserves	41.01	6.60	11.72	367	2.71	4.81
Resources						
- Measured	38.87	6.70	11.91	379	2.61	4.63
- Indicated	19.72	6.40	11.36	343	1.26	2.24
Total M&I	58.59	6.60	11.72	367	3.87	6.87
- Inferred	61.85	6.43	11.42	322	3.98	7.07
Total M,I&I	120.44	6.51	11.57	344	7.84	13.93



In 1994 the Plan of Operations (mining permit) was authorised along with the Mining and Land Reclamation Plan. These permits are in good standing and contain a full Environmental Impact Report and water rights for initial operations of 82ktpa of boric acid. The Company is currently working through a permitting process to gain three additional permits required to commence operations.

The Project is close to existing infrastructure including and interstate highway and rail line (5km), gas and grid electricity, port access and a pilot plant.

In addition to the flagship Fort Cady Project, the Company also has an earn in agreement to acquire a 100% interest in the Salt Wells Projects in Nevada, USA on the incurrence of US\$3m of Project expenditures. The Projects cover an area of 36km² and are considered prospective for borates and lithium in the sediments and lithium in the brines within the project area. Surface salt samples from the Salt Wells North project area were assayed in April 2018 and showed elevated levels of both lithium and boron with several results of over 500ppm lithium and over 1% boron.

Rapid Progress by American Pacific Borate & Lithium

The following are key accomplishments reflecting the rapid progress made since the Company's IPO in July 2017.

December 2017	The Release of a maiden JORC compliant mineral resource estimate for the Fort Cady Project.
December 2017	The completion of a Scoping Study for the Fort Cady Project
February 2018	An upgrade of the JORC compliant Mineral Resource Estimate at the Fort Cady Project highlighting 13.9 Mt of contained boric acid
May 2018	The acquisition of the Salt Wells Projects in Nevada
May 2018	The entering into of two strategic cooperation agreements with two Chinese State Owned entities
December 2018	The upgrading of the JORC compliant Mineral Resource Estimate to include a Measured component
December 2018	The completion of a Definitive Feasibility Study for the Fort Cady Project
December 2018	The conversion of JORC compliant Measured and Indicated Mineral Resource Estimates to Proven and Probable Reserves
January 2019	The completion of an enhanced Definitive Feasibility Study for the Fort Cady Project to include a low capex starter project.

REVIEW OF OPERATIONS

On 25 September 2018, the Company announced an update on its Fort Cady Borate project. The update included an announcement that the Company's DFS was on track for release in Q4 2018; that the site layout was finalised, and was consistent with approved Plan of Operations (mining permit); that positive discussions with respect to potential partners for the sale of boric acid and gypsum continued; and that first production still remained on target for Q4 CY2020, subject to financing, and based on positive discussions with regulatory bodies with respect to project support and permitting.

On 9 October 2018, the Company announced that approximately 16 kilometers of Magnetotellurics (MT) survey have been collected for the Salt Wells Projects located near Fallon, Nevada. The Company also announced that it had contracted Zonge International of Reno Nevada to collect the MT data and will be processing the data to help focus the future drilling program.



Directors' Report

On 3 December 2018, the Company announced an upgraded JORC compliant Mineral Resource Estimate ("MRE") for its Fort Cady Borate Project. The upgraded MRE moved previously defined Indicated Resources into Measured Resources and was upgraded as a result of detailed examination of the previous production figures indicating that sustained production is possible from the deposit based on the cut-off grade utilised by the Duval Corporation (the company that mined the deposit in the 1980s). The Resource was reported at 120.4 million metric tonnes ("Mt") at 6.5% B₂O₃ (11.6% Boric Acid equivalent¹ [H₃BO₃] and 340 ppm Lithium (5% B₂O₃ cut-off) for 7.8 Mt contained B₂O₃ (13.9 Mt H₃BO₃) and was planned to underpin the DFS due for release later in December 2018.

The Resource was reported as follows.

- Total Measured MRE of 38.87 Mt at 6.70% B₂O₃ (11.91% H₃BO₃) and 379 ppm Lithium (5% B₂O₃ cut-off grade) for 2.61 Mt contained B₂O₃ (4.63 Mt H₃BO₃)
- Total Indicated MRE of 19.72 Mt at 6.40% B₂O₃ (11.36% H₃BO₃) and 343 ppm Lithium (5% B₂O₃ cut-off grade) for 1.26 Mt contained B₂O₃ (2.24 Mt H₃BO₃)
- Total Inferred MRE of 61.85 Mt at 6.43% B₂O₃ (11.42% H₃BO₃) and 322 ppm Lithium (5% B₂O₃ cut-off) for 3.98 Mt contained B₂O₃ (7.07 Mt H₃BO₃)

On 17 December 2018 the Company released the DFS for the Fort Cady Borate Project. A three phase construction program with low pre-production capex resulted in a DFS with unlevered, post tax NPV₁₀ of US\$1.25bn (A\$1.7bn) and IRR of 41%.

Key Financial Metrics	
Targeted production – Phase One	82ktpa boric acid 36ktpa SOP
Targeted production – Phase Two	245ktpa boric acid 73ktpa SOP
Targeted production – Phase Three	408ktpa boric acid 109ktpa SOP
Capex Estimate – Phase One (including 13% contingency)	US\$138.2m
Capex Estimate – Phase Two (including 18% contingency)	US\$191.4m
Capex Estimate – Phase Three (including 18% contingency)	US\$186.5m
Peak Capital (maximum negative cash position during build up)	US\$245.2m
Key Selling Price Assumptions (FOB gate in California)	US\$800/t boric acid US\$725/t SOP
C1 Opex Estimate – boric acid no by product credits	US\$367.34/t
C1 Opex Estimate – boric acid with by product credits	US\$148.84/t
Targeted EBITDA in first full year of production	US\$321m (A\$441m)
Unlevered, post tax NPV ₁₀	US\$1.25bn (A\$1.7bn)
Unlevered, post tax NPV ₈	US\$1.59bn (A\$2.2bn)
Unlevered, post tax IRR	41%
Proven and Probable Reserves	41MT @ 6.6% B ₂ O ₃ 4.81MT of boric acid
Life of Mine from first production (first fourteen years from Reserves)	21 years



Directors' Report

The Company has continued to identify large by-product markets in California for agricultural and industrial gypsum and Sulphate of Potash (SOP) consumption.

In the first half of the reporting period the Company attended and presented at the 121 Mining event in Hong Kong on 23 October 2018.

The Company is now focused on the development of the project and working with all stakeholders to get the Fort Cady Project into production.

Planned Activities

The Company is planning on conducting the following major activities over the remainder of 1H 2019.

1. Progression of financing and other strategic cooperation discussions
2. Conducting discussions regarding engineering to advance the Fort Cady Project to ready for construction
3. Designing a drilling program at the Salt Wells Project in Nevada

Corporate

Capital Raising Completed

In August 2018, ABR announced it had successfully completed an oversubscribed placement of A\$4m at 20c per share to institutional and sophisticated investors. ABR's management committed an additional A\$200k worth of shares at the placement price, for which shareholder approval was sought at the Company's Annual General Meeting on 2 November 2018. Sydney-based Peloton Capital was sole lead manager to the placement.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 16 January 2019, the Company announced its intention to welcome the Chinese SOE Sinomach Group to visit the Fort Cady Project in early 2019. ABR senior management also planned to visit China prior to the visit to Fort Cady.

On 31 January 2019, the Company announced an enhancement to the Fort Cady Borate Project DFS which incorporated a low capex starter project. This revision split Phase one into two distinct phases designed to benefit project financing and operational efficiencies.

The revised key financial metrics were:

Fort Cady Project (Boric Acid and SoP Production)	
Phase 1A Only	
NPV ₁₀	\$224.7 million
IRR	58.3%
EBITDA in first full year of production	\$26.7 million
Phase 1A & 1B Only	
NPV ₁₀	\$385.3 million
IRR	36.4%
EBITDA in first full year of production	\$60.3 million



Directors' Report

Phase 1 & 2 Only	
NPV ₁₀	\$853.5 million
IRR	40.0%
EBITDA in first full year of production	\$192.3 million
Full Project (Phases 1, 2, & 3)	
NPV ₁₀	\$999.1 million
IRR	40.4%
EBITDA in first full year of production	\$345.4 million

There have been no other significant events subsequent to the end of the financial period to the date of this report.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 7 and forms part of this Directors' report for the half-year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2001.

Michael Schlumpberger

Managing Director

California, USA

22 February 2019

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of American Pacific Borate & Lithium Ltd for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS


ALASDAIR WHYTE
Partner

Perth, WA
Dated: 22 February 2019

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
Continuing Operations			
Interest received		6,224	6,077
Other income		-	1,049
Professional and consulting fees		(539,104)	(489,014)
Director and employee costs		(426,753)	(65,867)
Other expenses		(350,827)	(269,069)
Gain on foreign exchange		19,419	142,737
Share-based payments expense	8	(598,792)	(572,735)
Travel and accommodation		(189,406)	(269,027)
Loss before income tax		(2,079,239)	(1,515,849)
Income tax expense		-	-
Net loss for the period		(2,079,239)	(1,515,849)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		601,335	(58,273)
Other comprehensive income for the period net of tax		601,335	(58,273)
Total comprehensive loss for the period		(1,477,904)	(1,574,122)
Loss per share			
Basic loss per share (cents)		(1.12)	(1.00)
Diluted loss per share (cents)		(1.12)	(1.00)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



Consolidated Statement of Financial Position
as at 31 December 2018

	Note	31 December 2018 \$	30 June 2018 \$
Current Assets			
Cash and cash equivalents		2,449,232	2,881,565
Other assets		23,531	49,739
Trade and other receivables		22,978	21,968
Total Current Assets		2,495,741	2,953,272
Non-Current Assets			
Other Receivables		422,690	-
Property, plant and equipment	3	772,860	741,351
Deferred exploration and evaluation expenditure	4	23,126,427	20,111,727
Total Non-Current Assets		24,321,977	20,853,078
Total Assets		26,817,718	23,806,350
Current Liabilities			
Trade and other payables		271,291	354,368
Total Current Liabilities		271,291	354,368
Total Liabilities		271,291	354,368
Net Assets		26,546,427	23,451,982
Equity			
Issued capital	5	29,123,636	25,398,240
Reserves	6	3,151,343	1,703,055
Accumulated losses	7	(5,728,552)	(3,649,313)
Total Equity		26,546,427	23,451,982

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



Consolidated Statement of Changes in Equity
for the period ended 31 December 2018

	Issued capital \$	Accumulated losses \$	Foreign exchange translation reserve	Share option reserve \$	Total \$
Balance at 1 July 2017	11,120,475	(848,511)	(13,284)	367,427	10,626,107
Total comprehensive loss for the period					
Loss for the period	-	(1,515,849)	-	-	(1,515,849)
Foreign currency translation	-	-	(58,273)	-	(58,273)
Total comprehensive loss for the period	-	(1,515,849)	(58,273)	-	(1,574,122)
Transactions with owners in their capacity as owners					
Shares issued during the period	15,000,000	-	-	-	15,000,000
Cost of issue	(772,920)	-	-	-	(772,920)
Share-based payment	70,400	-	-	502,335	572,735
Balance at 31 December 2017	25,417,955	(2,364,360)	(71,557)	869,762	23,851,800
Balance at 1 July 2018	25,398,240	(3,649,313)	447,549	1,255,506	23,451,982
Total comprehensive loss for the period					
Loss for the period	-	(2,079,239)	-	-	(2,079,239)
Foreign currency translation	-	-	601,335	-	601,335
Total comprehensive loss for the period	-	(2,079,239)	601,335	-	(1,477,904)
Transactions with owners in their capacity as owners					
Shares issued during the period	4,200,000	-	-	-	4,200,000
Cost of issue	(534,604)	-	-	-	(534,604)
Share-based payment	60,000	-	-	846,953	906,953
Balance at 31 December 2018	29,123,636	(5,728,552)	1,048,884	2,102,459	26,546,427

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



Consolidated Statement of Cash Flows
for the period ended 31 December 2018

	31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities		
Payments to suppliers and employees	(1,487,497)	(1,025,774)
Interest received	6,224	6,077
Other receipts	-	1,049
Net cash used in operating activities	(1,481,273)	(1,018,648)
Cash flows from investing activities		
Payments for exploration expenditure	(2,884,035)	(5,599,450)
Net cash used in investing activities	(2,884,035)	(5,599,450)
Cash flows from financing activities		
Proceeds from issue of shares	4,200,000	10,142,526
Payments for share issue costs	(286,444)	(990,380)
Net cash provided by financing activities	3,913,556	9,152,146
Net (decrease)/increase in cash and cash equivalents	(451,752)	2,534,048
Cash and cash equivalents at the beginning of the period	2,881,565	4,883,114
Effect of exchange rate fluctuations on cash	19,419	142,738
Cash and cash equivalents at the end of the period	2,449,232	7,559,900

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



1. Corporate Information

The financial report of American Pacific Borate & Lithium Limited ("American Pacific" or "the Company") for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 22 February 2019.

American Pacific is a company limited by shares incorporated in Australia whose shares commenced public trading on the Australian Securities Exchange on 28 July 2017. The nature of the operations and the principal activities of the Company are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

These general purpose financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with applicable accounting standards including AASB 134 "Interim Financial Reporting" and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with IAS 34 "Interim Financial Reporting".

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2018 and any public announcements made by American Pacific Borate & Lithium Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The half-year report has been prepared on an accruals basis and is based on historical costs. For the purpose of preparing the half-year financial report the half-year has been treated as a discrete reporting period.

(b) Compliance Statement

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The impact on the financial performance and position of the company from the adoption of the new or amended Accounting Standards and Interpretations was not material.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.



American Pacific Borate & Lithium Ltd

Notes to the Consolidated Financial Statements for the period ended 31 December 2018

	31 December 2018 \$	30 June 2018 \$
3. Property, plant and equipment		
Land and Buildings at cost	704,965	671,349
Plant and Equipment at cost	25,160	26,795
Motor Vehicles at cost	42,735	43,207
	772,860	741,351
Movements in property, plant and equipment:		
Land and Buildings		
Opening balance	671,349	646,672
Net exchange differences on translation	33,616	24,677
Closing balance	704,965	671,349
Plant and Equipment		
Opening balance	26,795	-
Additions	-	29,989
Net exchange differences on translation	1,342	-
Depreciation for the year	(2,977)	(3,194)
Closing balance	25,160	26,795
Motor Vehicles		
Opening balance	43,207	-
Additions	-	45,871
Net exchange differences on translation	2,163	-
Depreciation for the year	(2,635)	(2,664)
Closing balance	42,735	43,207
4. Deferred Exploration and Evaluation Expenditure		
Exploration and Evaluation phase - at cost		
Opening balance	20,111,727	10,386,377
Foreign exchange translation difference	450,956	-
Exploration and evaluation expenditure incurred during the year ¹	2,563,744	9,725,350
Closing balance	23,126,427	20,111,727
¹ At 31 December 2018 the deferred exploration and evaluation balance included approximately \$568,978 of Project expenditures under an earn in agreement to acquire a 100% interest in the Salt Wells North and Salt Wells South Projects in Nevada, USA on the incurrence of approximately \$4.3 million (USD 3 million) of Project expenditures.		
The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.		
5. Issued Capital		
(a) Issued and paid up capital		
Issued and fully paid	29,123,636	25,398,240



American Pacific Borate & Lithium Ltd

Notes to the Consolidated Financial Statements for the period ended 31 December 2018

	31 December 2018		30 June 2018	
	Number of shares	\$	Number of shares	\$
(b) Movements in ordinary shares on issue				
Opening Balance	169,820,002	25,398,240	94,600,002	11,120,475
Shares issued by initial public offering	-	-	75,000,000	15,000,000
Shares issued to a consultant	250,000 ¹	60,000	220,000 ²	70,400
Shares issued via placement	21,000,000	4,200,000	-	-
Transaction costs on share issue	-	(534,604)	-	(792,635)
	191,070,002	29,123,636	169,820,002	25,398,240

¹ On 12 July 2018, 250,000 shares were issued for nil consideration to pay a referral fee to a consultant following the acquisition of the Salt Wells North and Salt Wells South Borate and Lithium exploration projects in Nevada, USA. The fair value was determined by the share of \$0.24 on the grant date.

² On 9 October 2017, 220,000 shares were issued under the terms of a consulting agreement dated 27 September 2017 for promotional services provided to the Company. The fair value was determined by the share price of \$0.32 on the grant date.

	31 December 2018	30 June 2018
	\$	\$

6. Reserves

Foreign exchange translation reserve	1,048,884	447,549
Share option reserve	2,102,459	1,255,506
	3,151,343	1,703,055

Movements in Reserves:

Foreign exchange translation reserve

Opening balance	447,549	(13,284)
Foreign exchange translation difference	601,335	460,833
Closing balance	1,048,884	447,549

The foreign exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve.

Share option reserve

Opening balance	1,255,506	367,427
Share-based payments expense	846,953	888,079
Closing balance	2,102,459	1,255,506

The share option reserve is used to record the value of equity benefits provided to Directors and executives as part of their remuneration and non-employees for their goods and services. Refer to note 8 for further details of the securities issued during the financial period ended 31 December 2018.

7. Accumulated Losses

Movements in accumulated losses were as follows:

Opening balance	(3,649,313)	(848,511)
Loss for the period	(2,079,239)	(2,800,802)
Closing balance	(5,728,552)	(3,649,313)



8. Share-Based Payments

(a) Recognised share-based payment transactions

Share-based payment transactions recognised either as operational expenses in the statement of profit or loss and other comprehensive income or as capital raising costs in the equity during the period were as follows:

	31 December 2018 \$	31 December 2017 \$
Employee and Director share-based payments	574,634	447,153
Share-based payments to suppliers	272,319	55,182
	846,953	502,335
Shares issued to a consultant ¹	60,000 ¹	70,400 ²
	906,953	572,735

¹ On 12 July 2018, 250,000 shares were issued for nil consideration to pay a referral fee to a consultant following the acquisition of the Salt Wells North and Salt Wells South Borate and Lithium exploration projects in Nevada, USA.

² On 9 October 2017, 220,000 shares were issued under the terms of a consulting agreement in consideration for promotional services provided to the Company.

Share-based payment transactions have been recognised as follows:

	31 December 2018 \$	31 December 2017 \$
Share-based payment expense	598,793	572,735
Deferred exploration & evaluation expenditure	60,000	-
Issued capital – transaction costs on share issue	248,160	-
	906,953	572,735

(b) Employee and Director share-based payments

The Company has established an employee share option plan (ESOP). The objective of the ESOP was to assist in the recruitment, reward, retention and motivation of employees and contractors of American Pacific Borate & Lithium Limited. An individual may receive the options or nominate a relative or associate to receive the options. The plan is open to executive officers, employees and eligible contractors of American Pacific Borate & Lithium Limited.

The fair value at grant date of options granted during the reporting year was determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the option. The table below summarises options granted during the half-year ended 31 December 2018:

Grant Date	Expiry date	Exercise price per option	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Expired during the period Number	Balance at end of the period Number	Exercisable at end of the period Number
02/11/2018	05/11/2022	\$0.50	-	9,000,000	-	-	9,000,000	9,000,000
				9,000,000	-	-	9,000,000	9,000,000

The expense recognised in respect of the above options granted during the half-year was \$325,402. The expense recognised during the half-year on options granted in prior periods was \$249,232.



American Pacific Borate & Lithium Ltd

Notes to the Consolidated Financial Statements for the period ended 31 December 2018

The model inputs, not included in the table above, for options granted during the half-year ended 31 December 2018 included:

- a) options were granted for no consideration;
- b) expected lives of the options range from 4 years;
- c) share price at grant date was \$0.135;
- d) expected volatility of 74%;
- e) expected dividend yield of nil; and
- f) a risk-free interest rate of 2.23%

The table below summarises options granted during the financial year ended 30 June 2018:

Grant Date	Expiry date	Exercise price per option	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Expired during the period Number	Balance at end of the period Number	Exercisable at end of the period Number
09/10/2017	31/08/2020	\$0.30	-	500,000	-	-	500,000	500,000
09/10/2017	31/05/2022	\$0.30	-	500,000	-	-	500,000	-
22/02/2018	30/06/2022	\$0.60	-	500,000	-	-	500,000	-
15/06/2018	30/06/2022	\$0.60	-	500,000	-	-	500,000	-
15/06/2018	30/04/2021	\$0.40	-	1,750,000	-	-	1,750,000	-
				3,750,000			3,750,000	500,000

The model inputs, not included in the table above, for options granted during the period ended 30 June 2018 included:

- a) options were granted for no consideration;
- b) expected lives of the options range from 2.9 to 4.6 years;
- c) share price at grant date ranged from \$0.29 to \$0.32;
- d) expected volatility ranged from 80% to 101%;
- e) expected dividend yield of nil; and
- f) a risk-free interest rate ranged from 1.25% to 1.90%

(c) Share-based payment to suppliers

During the financial period ended 31 December 2018, the Company issued options to a Lead Manager for broker related services rendered during the year. These options have been valued using the Black-Scholes option pricing model.

Grant Date	Expiry date	Exercise price per option	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Expired during the period Number	Balance at end of the period Number	Exercisable at end of the period Number
10/08/2018	10/08/2020	\$0.25	-	4,000,000	-	-	4,000,000	4,000,000
				4,000,000	-	-	4,000,000	4,000,000

The expense recognised in respect of the above options granted during the period was \$248,160. The expense recognised during the half-year on options granted in prior periods was \$24,159

The model inputs, not included in the table above, for options granted during the period ended 31 December 2018 included:

- a) options were granted for no consideration;
- b) expected life of the options was 2 years;



American Pacific Borate & Lithium Ltd

Notes to the Consolidated Financial Statements for the period ended 31 December 2018

- c) share price at grant date was \$0.19;
- d) expected volatility of 74%;
- e) expected dividend yield of nil; and
- f) a risk-free interest rate of 1.25%

The table below summarises options granted during the financial year ended 30 June 2018.

Grant Date	Expiry date	Exercise price per option	Balance at start of the period	Granted during the period	Exercised during the period	Expired during the period	Balance at end of the period	Exercisable at end of the period
			Number	Number	Number	Number	Number	Number
15/06/2018	30/06/2022	\$0.60	-	100,000	-	-	100,000	100,000
				100,000	-	-	100,000	100,000

The model inputs, not included in the table above, for options granted during the year ended 30 June 2018 included:

- a) options were granted for no consideration;
- b) expected life of the options was 4 years;
- c) share price at grant date was \$0.29;
- d) expected volatility of 80%;
- e) expected dividend yield of nil; and
- f) a risk-free interest rate of 1.25%

9. Segment Information

The Group has identified its operating segments based on the internal reports that are reported to the Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

The Group operates predominately in one industry, being the exploration for Borate and Lithium. The main geographic areas that the entity operates in are Australia and the United States of America ("USA"). The parent entity is registered in Australia. The Group's exploration assets are located in the US.

The following table present revenue, expenditure and certain asset and liability information regarding geographical segments for the half-year ended 31 December 2018 and year ended 30 June 2018:

	Australia \$	US \$	Total
31 December 2018			
Revenue:			
Interest income	6,085	139	6,224
Segment revenue	6,085	139	6,224
Result			
(Loss)/profit before tax	(1,991,819)	(87,420)	(2,079,239)
Income tax expense	-	-	-
Loss for the period	(1,991,819)	(87,420)	(2,079,239)
Asset and liabilities			
Segment assets	4,141,985	22,675,733	26,817,718
Segment liabilities	127,456	143,835	271,291



American Pacific Borate & Lithium Ltd

Notes to the Consolidated Financial Statements for the period ended 31 December 2018

	Australia \$	US \$	Total
30 June 2018			
Revenue:			
Interest income	8,826	301	9,127
Segment revenue	8,826	301	9,127
Result			
Loss before tax	(2,672,773)	(128,029)	(2,800,802)
Income tax expense	-	-	-
Loss for the period	(2,672,773)	(128,029)	(2,800,802)
Asset and liabilities			
Segment assets	2,225,936	21,580,414	23,806,350
Segment liabilities	206,805	147,564	354,368

10. Subsidiaries

The consolidated financial statements include the financial statements of American Pacific Borate & Lithium Limited and the subsidiaries listed in the following table:

Name of Entity	Country of Incorporation	Equity Holding
Fort Cady Holdings Pty Ltd	Australia	100%
Fort Cady (California) Corporation	USA	100%

11. Commitments

a) Preliminary closure and Post-Closure Maintenance Plan

The Group is required to submit to the California Regional Water Quality Control Board a financial assurance mechanism for the Fort Cady Project for clean closure of the surface impoundments and decommissioning of associated infrastructure. The amount of this financial assurance mechanism is approximately \$457,756 (USD 322,718).

b) Mineral Lease Agreement

The Group has a mineral lease agreement for the purposes of obtaining exclusive rights to exploration at the Fort Cady Project. The mineral lease agreement requires the Group to make a minimum royalty payment of approximately \$106,383 (USD 75,000) per annum until expiry on 1 October 2021. The minimum lease commitments as at 31 December 2018 are as follows:

	31 December 2018 \$	30 June 2018 \$
Within one year	106,383	101,310
Later than one year but not later than five years	239,362	227,948
	345,745	329,258

12. Contingent Assets and Liabilities

There has been no change in contingent assets and liabilities since the last annual reporting date.

13. Dividends

No dividends have been paid or provided for during the half-year.



14. Significant Events after the Reporting Date

On 16 January 2019, the Company announced its intention to welcome the Chinese SOE Sinomach Group to visit the Fort Cay Project in early 2019. ABR senior management also planned to visit China prior to the visit to Fort Cady.

On 31 January 2019, the Company announced an enhancement to the Fort Cady Borate Project DFS which incorporated a low capex starter project. This revision split Phase one into two distinct phases designed to benefit project financing and operational efficiencies.

There have been no other significant events subsequent to the end of the financial period to the date of this report.



Directors' Declaration

In the opinion of the Directors of American Pacific Borate & Lithium Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year then ended; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Michael Schlumpberger
Managing Director

California, USA
22 February 2019

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
AMERICAN PACIFIC BORATE & LITHIUM LTD**

We have reviewed the accompanying half-year financial report of American Pacific Borate & Lithium Ltd, which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of American Pacific Borate & Lithium Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of American Pacific Borate & Lithium Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of American Pacific Borate & Lithium Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

A Whyte

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 22 February 2019



USA Project Locations



Location of the Fort Cady Project, California USA and Salt Wells Project, Nevada USA

USA Tenement Listing

Tenement Name	Country	Status	Grant Date	Expiry Date	Area km ²	Ownership Rights		
Fort Cady Borate and Lithium Project								
Parcel 0529-251-01 Parcel 0529-251-03	USA	Granted	8/05/2010	N/A	0.65 0.32	FCCC	FCCC	N/A
Parcel 0529-251-04	USA	Granted	8/05/2010	N/A	1.09	FCCC	State of California	N/A
Company 1 Group Litigation 1 Group Litigation 4 Group Litigation 5 Group Litigation 2 Litigation 3 Litigation 6 Litigation 11 Geyser View 1 Company 4	USA	Granted	Various 12/09/1991 Various Various 29/07/1937 29/07/1937 29/07/1937 29/07/1937 18/11/1934 15/12/1931	N/A	0.65 0.65 0.65 0.65 0.65 0.65 0.65 0.65 0.28 0.65	Elementis	Elementis	FCCC
HEC #124 - #127, HEC #129, HEC #131, HEC #343, HEC #344, HEC #365, HEC #369, HEC #371, HEC #372, HEC #374 - #376	USA	Granted	Various	N/A	1.21	Elementis	Elementis	FCCC
HEC #19; HEC #21; HEC# 23; HEC#25; HEC #34 - #41; HEC #43 - #67; HEC #70 - #82; HEC #85 - #93; HEC #182; HEC #184; HEC #288; HEC #290; HEC #292; HEC #294; HEC #296 - #297; HEC #299 - #350	USA	Granted	Various	N/A	9.63	FCCC	FCCC	N/A



Schedule of Tenements

Tenement Name	Country	Status	Grant Date	Expiry Date	Area km ²	Ownership Rights Surface	Tenement Name	Country
Salt Wells North Borate and Lithium Project								
<p>The Salt Wells North includes the following claims:</p> <p>SW 1, 2, 3, 4, 5, 6, 27, 29, 31, 32, 33, 34, 35, 36, 54, 56, 58, 59, 60, 61, 62, 63, 78, 81, 82, 84, 85, 86, 87, 88, 89, 104, 106, 108, 109, 110, 111, 112, 113, 114, 115, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 147, 149, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, , 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555</p>	USA	Earn in to acquire a 100% interest	23 May 2018	N/A	13.8	Great Basin Resources Inc	Great Basin Resources Inc	Great Basin Resources Inc
Salt Wells South Borate and Lithium Project								
<p>The Salt Wells South includes the following claims:</p> <p>SW 165, 167, 169, 171, 173, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 251, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 299, 300, 301, 302, 303, 304</p>	USA	Earn in to acquire a 100% interest	23 May 2018	N/A	8.5	Great Basin Resources Inc	Great Basin Resources Inc	Great Basin Resources Inc

FCCC - Fort Cady (California) Corporation
 Elementis - Elementis Specialties, Inc.



Disclaimer and Notes

For full details of exploration results refer to ASX announcements on 3 December 2018, 17 December 2018, 22 January 2019 and 31 January 2019. American Pacific is not aware of any new information or data that materially affects this information. Other than as specified in the Interim Financial Report and the mentioned announcements, the Company confirms that 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, Exploration Target or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Competent Person – Fort Cady Borate and Lithium Project

The information in this report that relates to Exploration Targets, Exploration Results and Mineral Resources is based on information prepared by Mr Louis Fourie, P.Geo of Terra Modelling Services. Mr Fourie is a licensed Professional Geoscientist registered with APEGS (Association of Professional Engineers and Geoscientists of Saskatchewan) in the Province of Saskatchewan, Canada and a Professional Natural Scientist (Geological Science) with SACNASP (South African Council for Natural Scientific Professions). APEGS and SACNASP are a Joint Ore Reserves Committee (JORC) Code 'Recognized Professional Organization' (RPO). An RPO is an accredited organization to which the Competent Person (CP) under JORC Code Reporting Standards must belong in order to report Exploration Results, Mineral Resources, or Ore Reserves through the ASX. Mr Fourie has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a CP as defined in the 2012 Edition of the JORC Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Fourie consents to the inclusion in the release of the matters based on their information in the form and context in which it appears.

The information in this report that relates to the conversion of Mineral Resources to Ore Reserves has been prepared by Tabetha A. Stirrett of RESPEC Consulting Inc. Mrs. Tabetha A. Stirrett, P. Geo of RESPEC Consulting Inc. is a member in good standing of the Association of Professional Engineers and Geoscientists of Saskatchewan (Member #10699) and a member of the American Institute of Professional Geologists (CPG) (#11581). APEGS and CPG are a Joint Ore Reserves Committee (JORC) 'Recognised Professional Organization' (RPO). Mrs. Stirrett has sufficient Experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a CP as defined in the 2012 Edition of the JORC Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves. Mrs. Stirrett consents to the inclusion in the release of the matters based on their information in the form and context in which it appears.

This report contains historical exploration results from exploration activities conducted by Duval Corp ("historical estimates"). The historical estimates and are not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify the historical estimates as mineral resources or ore reserves in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code. The Company confirms it is not in possession of any new information or data relating to the historical estimates that materially impacts on the reliability of the historical estimates or the Company's ability to verify the historical estimates.

Competent Person Statement – Salt Wells South Project and Salt Wells North Project

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information prepared by Richard Kern, Certified Professional Geologist (#11494). Richard Kern is a licensed Professional Geoscientist registered with AIPG (American Institute of Professional Geologists) in the United States. AIPG is a Joint Ore Reserves Committee (JORC) Code 'Recognized Professional Organization' (RPO). An RPO is an accredited organization to which the Competent Person (CP) under JORC Code Reporting Standards must belong in order to report Exploration Results, Mineral Resources, or Ore Reserves through the ASX.

Richard Kern has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a CP as defined in the 2012 Edition of the JORC Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Richard Kern consents to the inclusion in the release of the matters based on their information in the form and context in which it appears.

This release contains historical exploration results from exploration activities conducted by Great Basin Resources Inc. ("historical estimates"). The historical estimates and are not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify the historical estimates as mineral resources or ore reserves in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code. The Company confirms it is not in possession of any new information or data relating to the historical estimates that materially impacts on the reliability of the historical estimates or the Company's ability to verify the historical estimates.