



AmericanPacific

# American Pacific Borate & Lithium Ltd

## Annual Report

30 June 2019

ABN 68 615 606 114  
[americanpacificborate.com](http://americanpacificborate.com)





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## CORPORATE DIRECTORY

### Directors

Harold (Roy) Shipes (Non-Executive Chairman)  
Michael Schlumberger (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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77 St Georges Terrace,  
PERTH WA 6000  
Telephone: + 61 8 9261 3145  
Website: americanpacificborate.com

### Share Registry

Advanced Share Registry Pty Ltd  
110 Stirling Highway  
NEDLANDS WA 6009  
Telephone: +61 8 9389 8033

### Auditors

RSM Australia Partners  
Level 32, Exchange Tower,  
2 The Esplanade  
PERTH WA 6000  
Telephone: +61 8 9261 9160

### Stock Exchange

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



## Directors' Report

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The Directors present their report for American Pacific Borate & Lithium Limited ("American Pacific" or "the Company") and its subsidiaries ("the Group") for the year ended 30 June 2019.

### DIRECTORS

The names of the Directors of American Pacific Borate & Lithium Ltd during the financial year and to the date of this report are:

- Harold (Roy) Shipes
- Michael Schlumpberger
- Anthony Hall
- Stephen Hunt
- John McKinney

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

### DIRECTORS' INFORMATION

#### Harold (Roy) Shipes

##### Non-Executive Chairman, BSc

Harold (Roy) Shipes has over 50 years' commercial experience in metals & mining – primarily engineering and project development around the world including the USA, Canada, Peru, Australia, PNG, Venezuela and Mexico. He served as CEO and General Manager of OK Tedi Mining Ltd, GM Operations for the Southern Peru Copper Corporation and previously for Phelps Dodge Corp. Mr. Shipes is Founder and President of a number of North American focused mining companies, including American Pacific Mining, Western States Engineering and Atlas Precious Metals Inc (the owner of the Fort Cady assets). Prior to his mining career, Mr. Shipes served as a captain in the US Air Force.

#### Michael Schlumpberger

##### Managing Director, BEng (Mining), MBA

Michael Schlumpberger is a qualified mining engineer with over 30 years' experience in industrial minerals. His background includes management, operations and maintenance in all aspects of mining, processing, reclamation, and permitting. Mr Schlumpberger has held senior roles with Potash Corporation of Saskatchewan, Passport Potash and ASX listed Highfield Resources, and has worked in the United States, Canada, and Europe. Mr Schlumpberger holds an MBA from East Carolina University.

#### Anthony Hall

##### Executive Director, BBus, LLB(Hons), AGIA

Anthony Hall is a qualified lawyer with 20 years' commercial experience in venture capital, risk management, strategy and business development. He was previously the Managing Director of ASX listed Highfield Resources Ltd (ASX: HFR) from 2011 to 2016. During his tenure the company's market cap grew to over \$500m and raised over \$140m to progress potash projects in Spain. The Muga Mine will be the first potash mine built in fifty years that is not owned by a major fertiliser company. Mr Hall holds a Bachelor of Laws (Hons), Bachelor of Business and a Graduate Diploma of Applied Finance and Investment.

#### Stephen Hunt

##### Non-Executive Director, BBus, MAICD

Stephen Hunt has 25 years' experience in the marketing mineral products worldwide. His career includes 15 years at BHP Billiton where he spent 5 years in the London office marketing minerals to a global customer base. Mr. Hunt has built his own minerals trading company, which has a strong Chinese focus. He brings 15 years of cumulative board experience with four ASX listed companies. Two of those companies were successful in transitioning from project development to production.



## Directors' Report

### John McKinney

#### Non-Executive Director, BScBA

John McKinney, has performed in senior management positions in the mining industry for approximately 25 years. He is experienced in Corporate Operations, Management and Business Development. Mr. McKinney has co-founded a number of mining companies, including Western Gold Resources, American International Trading Company and Western States Engineering, an engineering company specializing in mining related engineering projects. His responsibilities have included overseeing operations in the U.S., Mexico and Bolivia, including Arisur, AITCO and Atlas Precious Metals in Bolivia. Mr. McKinney has been Executive Vice President of Atlas Precious Metals, Inc. since May 1994.

### DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by current directors in the 3 years immediately before the end of the financial year are as follows:

| Director     | Company                                          | Period of Directorship                                                    |
|--------------|--------------------------------------------------|---------------------------------------------------------------------------|
| Anthony Hall | High Grade Metals Ltd<br>Highfield Resources Ltd | Director since February 2019<br>Director from October 2011 to August 2016 |
| Stephen Hunt | Volt Resources Ltd                               | Director since December 2015                                              |

### COMPANY SECRETARY

#### Aaron Bertolatti

#### B.Com, CA, AGIA

Aaron Bertolatti is a qualified Chartered Accountant and Company Secretary with over 15 years' experience in the mining industry and accounting profession. Mr. Bertolatti has both local and international experience and provides assistance to a number of resource companies with financial accounting and stock exchange compliance. Mr. Bertolatti has significant experience in the administration of ASX listed companies, corporate governance and corporate finance.

### INTERESTS IN THE SECURITIES OF THE COMPANY

As at the date of this report, the interests of the Directors in the securities of American Pacific Borate & Lithium Limited are:

| Director              | Ordinary Shares         | Options - \$0.20 each on or before 30-Nov-2021 | Options - \$0.30 each on or before 31-May-2022 | Options - \$0.50 each on or before 5-Nov-2022 | Options - \$0.25 each on or before 10-Aug-2020 |
|-----------------------|-------------------------|------------------------------------------------|------------------------------------------------|-----------------------------------------------|------------------------------------------------|
| Harold (Roy) Shipes   | 49,220,000 <sup>1</sup> | 1,000,000                                      | -                                              | 500,000                                       | -                                              |
| Michael Schlumpberger | 675,000                 | -                                              | 4,000,000                                      | 4,000,000                                     | -                                              |
| Anthony Hall          | 5,575,557               | 1,500,000                                      | 1,000,000                                      | 2,000,000                                     | 152,778                                        |
| Stephen Hunt          | 553,890                 | 500,000                                        | -                                              | 250,000                                       | 69,445                                         |
| John McKinney         | -                       | 500,000                                        | -                                              | 250,000                                       | -                                              |

<sup>1</sup> Mr. Shipes is a director and shareholder (52% interest) of Atlas Precious Metals Inc.

### RESULTS OF OPERATIONS

The Company's net loss after taxation attributable to the members of American Pacific for the year to 30 June 2019 was \$3,020,343 (2018: \$2,800,802).

### DIVIDENDS

No dividends were paid or declared. The directors do not recommend the payment of a dividend.



## CORPORATE STRUCTURE

American Pacific Borate & Lithium Limited is a company limited by shares, which is incorporated and domiciled in Australia.

## NATURE OF OPERATIONS AND 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 (ASX release dated 17 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 (ASX release dated 31 January 2019<sup>1</sup>) 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 (ASX release dated 3 December 2018<sup>2</sup>)

| JORC compliant Mineral Resource Estimate and Reserve |               |                                 |                                  |            |                                  |                                   |
|------------------------------------------------------|---------------|---------------------------------|----------------------------------|------------|----------------------------------|-----------------------------------|
| Reserves                                             | MMT           | B <sub>2</sub> O <sub>3</sub> % | H <sub>3</sub> BO <sub>3</sub> % | Li ppm     | B <sub>2</sub> O <sub>3</sub> MT | H <sub>3</sub> BO <sub>3</sub> 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                              |
| <b>Total Reserves</b>                                | <b>41.01</b>  | <b>6.60</b>                     | <b>11.72</b>                     | <b>367</b> | <b>2.71</b>                      | <b>4.81</b>                       |
| 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                              |
| <b>Total M&amp;I</b>                                 | <b>58.59</b>  | <b>6.60</b>                     | <b>11.72</b>                     | <b>367</b> | <b>3.87</b>                      | <b>6.87</b>                       |
| - Inferred                                           | 61.85         | 6.43                            | 11.42                            | 322        | 3.98                             | 7.07                              |
| <b>Total M,I&amp;I</b>                               | <b>120.44</b> | <b>6.51</b>                     | <b>11.57</b>                     | <b>344</b> | <b>7.84</b>                      | <b>13.93</b>                      |

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.

<sup>1</sup> ABR confirms all material assumptions underpinning the production target and corresponding financial information continue to apply and have not materially changed as per Listing Rule 5.19.2.

<sup>2</sup> ABR confirms all material assumptions and technical parameters underpinning the Resource Estimate and Reserve continue to apply and have not materially changed as per Listing Rule 5.23.2



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 36km<sup>2</sup> 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 1 July 2018.

|                      |                                                                                                                              |
|----------------------|------------------------------------------------------------------------------------------------------------------------------|
| <b>December 2018</b> | The upgrading of the JORC compliant Mineral Resource Estimate to include a Measured component                                |
| <b>December 2018</b> | The conversion of JORC compliant Measured and Indicated Mineral Resource Estimates to Proven and Probable Reserves           |
| <b>December 2018</b> | The completion of a Definitive Feasibility Study for the Fort Cady Project                                                   |
| <b>January 2019</b>  | The completion of an enhanced Definitive Feasibility Study for the Fort Cady Project to include a low capex starter project. |
| <b>April 2019</b>    | The completion of process optimisation works to delivery high purity boric acid                                              |
| <b>July 2019</b>     | The updating of the progress at Fort Cady Project including the notice that the basic engineering was nearing completion     |

### **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.

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% B<sub>2</sub>O<sub>3</sub> (11.6% Boric Acid equivalent 1 [H<sub>3</sub>BO<sub>3</sub>] and 340 ppm Lithium (5% B<sub>2</sub>O<sub>3</sub> cut-off) for 7.8 Mt contained B<sub>2</sub>O<sub>3</sub> (13.9 Mt H<sub>3</sub>BO<sub>3</sub>) and was planned to underpin the DFS due for release later in December 2018.



## Directors' Report

The Resource was reported as follows.

- Total Measured MRE of 38.87 Mt at 6.70% B<sub>2</sub>O<sub>3</sub> (11.91% H<sub>3</sub>BO<sub>3</sub>) and 379 ppm Lithium (5% B<sub>2</sub>O<sub>3</sub> cut-off grade) for 2.61 Mt contained B<sub>2</sub>O<sub>3</sub> (4.63 Mt H<sub>3</sub>BO<sub>3</sub>)
- Total Indicated MRE of 19.72 Mt at 6.40% B<sub>2</sub>O<sub>3</sub> (11.36% H<sub>3</sub>BO<sub>3</sub>) and 343 ppm Lithium (5% B<sub>2</sub>O<sub>3</sub> cut-off grade) for 1.26 Mt contained B<sub>2</sub>O<sub>3</sub> (2.24 Mt H<sub>3</sub>BO<sub>3</sub>)
- Total Inferred MRE of 61.85 Mt at 6.43% B<sub>2</sub>O<sub>3</sub> (11.42% H<sub>3</sub>BO<sub>3</sub>) and 322 ppm Lithium (5% B<sub>2</sub>O<sub>3</sub> cut-off) for 3.98 Mt contained B<sub>2</sub>O<sub>3</sub> (7.07 Mt H<sub>3</sub>BO<sub>3</sub>)

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 NPV<sub>10</sub> of US\$1.25bn (A\$1.7bn) and IRR of 41%.

| Key Financial Metrics                                                   |                                                                   |
|-------------------------------------------------------------------------|-------------------------------------------------------------------|
| Targeted production – Phase One                                         | 82ktpa boric acid<br>36ktpa SOP                                   |
| Targeted production – Phase Two                                         | 245ktpa boric acid<br>73ktpa SOP                                  |
| Targeted production – Phase Three                                       | 408ktpa boric acid<br>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<br>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 <sub>10</sub>                                   | US\$1.25bn (A\$1.7bn)                                             |
| Unlevered, post tax NPV <sub>8</sub>                                    | US\$1.59bn (A\$2.2bn)                                             |
| Unlevered, post tax IRR                                                 | 41%                                                               |
| Proven and Probable Reserves                                            | 41MT @ 6.6% B <sub>2</sub> O <sub>3</sub><br>4.81MT of boric acid |
| Life of Mine from first production (first fourteen years from Reserves) | 21 years                                                          |

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 <sub>10</sub>                                 | \$224.7 million |
| IRR                                               | 58.3%           |
| EBITDA in first full year of production           | \$26.7 million  |
| Phase 1A & 1B Only                                |                 |
| NPV <sub>10</sub>                                 | \$385.3 million |
| IRR                                               | 36.4%           |
| EBITDA in first full year of production           | \$60.3 million  |



## Directors' Report

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

On 12 April 2019 the Company announced it had delivered a high purity +99.9% pure boric acid crystal with minimal impurities from process optimisation works. The works were designed to ensure consistent delivery of a technical grade quality boric acid crystal from the Fort Cady Borate Project.

| Component                                                                                         | Units    | Boric Acid Solids |
|---------------------------------------------------------------------------------------------------|----------|-------------------|
| <b>H<sub>3</sub>BO<sub>3</sub> (boric acid)</b>                                                   | <b>%</b> | <b>+99.9%</b>     |
| Na                                                                                                | ppm      | <10               |
| K                                                                                                 | ppm      | <10               |
| Mg                                                                                                | ppm      | <10               |
| Li                                                                                                | ppm      | <10               |
| Ca                                                                                                | ppm      | 2.85*             |
| Fe                                                                                                | ppm      | 5.11*             |
| Si                                                                                                | ppm      | <10               |
| F-                                                                                                | ppm      | <5                |
| Cl-                                                                                               | ppm      | 26.8              |
| NO <sub>2</sub> -                                                                                 | Ppm      | 32.5              |
| SO <sub>4</sub> -2                                                                                | ppm      | 6.6*              |
| Br-                                                                                               | Ppm      | 35.6              |
| NO <sub>3</sub>                                                                                   | Ppm      | 29.4              |
| * Estimated value below linear range                                                              |          |                   |
| Chlorine, Nitrite, Nitrate, & Sulfate analysed by IC – Dionex 2100 with AS11-HC Column (4/8/2019) |          |                   |
| Ca, Fe, Na, K, Si, B, & Mg analysed by ICP-OES – Leeman Profile Plus (4/8/2019)                   |          |                   |
| H <sub>3</sub> BO <sub>3</sub> of solids shown as calculated sum of impurities                    |          |                   |
| Analytical as of 8 April 2019                                                                     |          |                   |

The optimisation works included:

1. Treating liquor ("Pregnant Leach Solution" or "PLS") that was retrieved on site from the Fort Cady orebody by solvent extraction ("SX") using isooctanol as the organic extractant;
2. Further treating the resulting liquor in a scrubbing stage (sulfuric acid and ion-exchange) to purify the liquor; and
3. Crystallising the final liquor via a crystalliser manufacturer where the liquor was sent for evaluation and testing of the crystallisation steps of the process.

This testing was successful.

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. In the second half of the reporting period the company attended and presented at two further 121 Mining events; Hong Kong on 20 March 2019 and New York on 4 June 2019. In June the Company also presented at the Mining Journal Select Conference in London.

ABR senior management visited China in January 2019 and representatives from Chinese State Owned Enterprise (SOE), Sinomach, visited the Fort Cady project in February 2019 to progress strategic cooperation discussions.

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 second half of 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. ABR continues to target commencement of construction in Q4 CY2019 on a fully permitted basis subject to financing
4. Designing a drilling program at the Salt Wells Project in Nevada

### Corporate

- 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.
- In May 2019 the Company completed a placement to raise A\$3.1m. The placement included one free unlisted option for every two ordinary shares with a strike price of 25c and an expiry of 10 August 2020. The placement was completed at an 11.3% discount to the 10-day VWAP of 20.3c. Management contributed A\$350k as part of the A\$3.1m on the same terms post shareholder approval.
- The Company announced it had prepared a strategy to progressively increase its interaction with potential investors in the United States. The Company expects to engage US based investor relations' professionals to assist. The increased engagement in the United States is part of a strategy that may see a dual listing onto a New York exchange in the first half of CY2020.

### ANNUAL REVIEW OF ORE RESERVES AND MINERAL RESOURCES

In accordance with ASX Listing Rule 5, the Company has performed an annual review of all JORC-compliant ore reserves and mineral resources as at 30 June 2019.

### Fort Cady Project

American Pacific Borate & Lithium released an updated Mineral Resource Estimate for the Fort Cady Project to the ASX on 3 December 2018.

This update delivered a substantial conversion of the Indicated category into the Measured category, supported by the Company's testworks completed in 2018. The quantum and grade of combined Measured, Indicated, and Inferred Resources was effectively unchanged.



|                                     | 30 June 2019 |                               |                                |            |                               |                                | 30 June 2018 |                               |                                |            |                               |                                |
|-------------------------------------|--------------|-------------------------------|--------------------------------|------------|-------------------------------|--------------------------------|--------------|-------------------------------|--------------------------------|------------|-------------------------------|--------------------------------|
|                                     | Tonnes       | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> | Li         | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> | Tonnes       | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> | Li         | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> |
|                                     | (million)    | (wt %)                        | (wt %)                         | ppm        | (Mt)                          | (Mt)                           | (million)    | (wt %)                        | (wt %)                         | ppm        | (Mt)                          | (Mt)                           |
| Measured                            | 38.9         | 6.7%                          | 11.9%                          | 379        | 2.6                           | 4.6                            | N/A          |                               |                                |            |                               |                                |
| Indicated                           | 19.7         | 6.4%                          | 11.4%                          | 343        | 1.3                           | 2.2                            | 58.6         | 6.6%                          | 11.7%                          | 367        | 3.9                           | 6.9                            |
| <b>Total Measured and Indicated</b> | <b>58.6</b>  | <b>6.6%</b>                   | <b>11.7%</b>                   | <b>367</b> | <b>3.9</b>                    | <b>6.9</b>                     | <b>58.6</b>  | <b>6.6%</b>                   | <b>11.7%</b>                   | <b>367</b> | <b>3.9</b>                    | <b>6.9</b>                     |
| Inferred                            | 61.9         | 6.4%                          | 11.4%                          | 322        | 4.0                           | 7.1                            | 61.9         | 6.4%                          | 11.4%                          | 315        | 4.0                           | 7.1                            |
| <b>Total</b>                        | <b>120.5</b> | <b>6.5%</b>                   | <b>11.6%</b>                   | <b>344</b> | <b>7.8</b>                    | <b>13.9</b>                    | <b>120.4</b> | <b>6.5%</b>                   | <b>11.6%</b>                   | <b>340</b> | <b>7.6</b>                    | <b>13.9</b>                    |

**Table 1: Fort Cady Mineral Resources Summary**

The Company released a maiden JORC compliant Ore Reserve on 17 December 2018. This Ore Reserve was converted from the existing MRE as part of the Company's DFS, which was also released on 17 December 2018.

|                       | 30 June 2019 |                               |                                |            |                               |                                | 30 June 2018 |                               |                                |     |                               |                                |
|-----------------------|--------------|-------------------------------|--------------------------------|------------|-------------------------------|--------------------------------|--------------|-------------------------------|--------------------------------|-----|-------------------------------|--------------------------------|
|                       | Tonnes       | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> | Li         | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> | Tonnes       | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> | Li  | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> |
|                       | (million)    | (wt %)                        | (wt %)                         | ppm        | (Mt)                          | (Mt)                           | (million)    | (wt %)                        | (wt %)                         | ppm | (Mt)                          | (Mt)                           |
| Proven                | 27.2         | 6.7%                          | 11.9%                          | 379        | 1.8                           | 3.2                            | N/A          |                               |                                |     |                               |                                |
| Probable              | 13.8         | 6.4%                          | 11.4%                          | 343        | 0.9                           | 1.6                            | N/A          |                               |                                |     |                               |                                |
| <b>Total Reserves</b> | <b>41.0</b>  | <b>6.6%</b>                   | <b>11.7%</b>                   | <b>367</b> | <b>2.7</b>                    | <b>4.8</b>                     | <b>N/A</b>   |                               |                                |     |                               |                                |

**Table 2: Fort Cady Ore Reserves Summary**

## Salt Wells Project

The Salt Wells Project has not reported either an MRE or Ore Reserves.

## Summary

A summary of American Pacific Borate & Lithium's total Mineral Resources is shown below.

|                                     | 30 June 2019 |                               |                                |            |                               |                                | 30 June 2018 |                               |                                |            |                               |                                |
|-------------------------------------|--------------|-------------------------------|--------------------------------|------------|-------------------------------|--------------------------------|--------------|-------------------------------|--------------------------------|------------|-------------------------------|--------------------------------|
|                                     | Tonnes       | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> | Li         | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> | Tonnes       | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> | Li         | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> |
|                                     | (million)    | (wt %)                        | (wt %)                         | ppm        | (Mt)                          | (Mt)                           | (million)    | (wt %)                        | (wt %)                         | ppm        | (Mt)                          | (Mt)                           |
| Measured                            | N/A          |                               |                                |            |                               |                                | N/A          |                               |                                |            |                               |                                |
| Indicated                           | 58.6         | 6.6%                          | 11.7%                          | 367        | 3.9                           | 6.9                            | 58.6         | 6.6%                          | 11.7%                          | 367        | 3.9                           | 6.9                            |
| <b>Total Measured and Indicated</b> | <b>58.6</b>  | <b>6.6%</b>                   | <b>11.7%</b>                   | <b>367</b> | <b>3.9</b>                    | <b>6.9</b>                     | <b>58.6</b>  | <b>6.6%</b>                   | <b>11.7%</b>                   | <b>367</b> | <b>3.9</b>                    | <b>6.9</b>                     |
| Inferred                            | 61.9         | 6.4%                          | 11.4%                          | 315        | 4.0                           | 7.1                            | 61.9         | 6.4%                          | 11.4%                          | 315        | 4.0                           | 7.1                            |
| <b>Total</b>                        | <b>120.4</b> | <b>6.5%</b>                   | <b>11.6%</b>                   | <b>340</b> | <b>7.6</b>                    | <b>13.9</b>                    | <b>120.4</b> | <b>6.5%</b>                   | <b>11.6%</b>                   | <b>340</b> | <b>7.6</b>                    | <b>13.9</b>                    |

**Table 3: American Pacific Borate & Lithium Total Mineral Resources Summary (all projects)**



|                       | 30 June 2019 |                               |                                |            |                               |                                | 30 June 2018 |                               |                                |     |                               |                                |
|-----------------------|--------------|-------------------------------|--------------------------------|------------|-------------------------------|--------------------------------|--------------|-------------------------------|--------------------------------|-----|-------------------------------|--------------------------------|
|                       | Tonnes       | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> | Li         | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> | Tonnes       | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> | Li  | B <sub>2</sub> O <sub>3</sub> | H <sub>3</sub> BO <sub>3</sub> |
|                       | (million)    | (wt %)                        | (wt %)                         | ppm        | (Mt)                          | (Mt)                           | (million)    | (wt %)                        | (wt %)                         | ppm | (Mt)                          | (Mt)                           |
| Proven                | 27.2         | 6.7%                          | 11.9%                          | 379        | 1.8                           | 3.2                            | N/A          |                               |                                |     |                               |                                |
| Probable              | 13.8         | 6.4%                          | 11.4%                          | 343        | 0.9                           | 1.6                            | N/A          |                               |                                |     |                               |                                |
| <b>Total Reserves</b> | <b>41.0</b>  | <b>6.6%</b>                   | <b>11.7%</b>                   | <b>367</b> | <b>2.7</b>                    | <b>4.8</b>                     | <b>N/A</b>   |                               |                                |     |                               |                                |

**Table 4: American Pacific Borate & Lithium Total Ore Reserves Summary (all projects)**

## Corporate Governance – Resources and Reserve Calculations

Due to the nature, stage and size of the Company's existing operations, the Company believes there would be no efficiencies or additional governance benefits gained by establishing a separate mineral resources and reserves committee responsible for reviewing and monitoring the Company's processes for calculating mineral resources and reserves and for ensuring that the appropriate internal controls are applied to such calculations. However, the Company ensures that all Mineral Resource calculations are prepared by a competent, senior geologist and are reviewed and verified independently by a qualified person.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the financial year, other than as set out in this report.

## SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 30 July 2019, the Company issued 2,500,000 unlisted options to Executives as part of their FY2020 Long Term Incentive award pursuant to the Company's Employee Share Option Scheme. The unlisted options are exercisable at \$0.50 each on or before 30 July 2024.

On 27 August 2019, the Company announced that it had agreed to issue a US\$2m convertible note to Amvest Capital Mining Opportunities, LLC ("Amvest"). In addition, Amvest completed detailed technical due diligence on Phase One A of the Fort Cady Borate Project (the "Project"). Upon completion of due diligence, the parties executed a term sheet for \$45m to finance the Project, comprised of a US\$37m construction term loan and a US\$8m cost overrun facility (refer to ASX release dated 27 August 2019).

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

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors have excluded from this report any further information on the likely developments in the operations of the Company and the expected results of those operations in future financial years, as the Directors believe that it would be speculative and prejudicial to the interests of the Company.

## ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The operations of the Group are presently subject to environmental regulation under the laws of the United States. The Group is, to the best of its knowledge, at all times in full environmental compliance with the conditions of its licences.



### INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has made an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporations Act 2001. The indemnification specifically excludes wilful acts of negligence.

### INDEMNIFICATION OF THE AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

### SHARE OPTIONS

As at the date of this report there were 45,961,111 unissued ordinary shares under options. The details of the options are as follows:

| Number            | Exercise Price \$ | Expiry Date   |
|-------------------|-------------------|---------------|
| 500,000           | \$0.30            | 31-Aug-2020   |
| 7,000,000         | \$0.20            | 30-Nov-2021   |
| 1,000,000         | \$0.30            | 30-Nov-2021   |
| 6,500,000         | \$0.30            | 31-May-2022   |
| 1,750,000         | \$0.40            | 30-April-2021 |
| 1,100,000         | \$0.60            | 30-June-2022  |
| 15,611,111        | \$0.25            | 10-Aug-2020   |
| 10,000,000        | \$0.50            | 5-Nov-2022    |
| 2,500,000         | \$0.50            | 30-Jul-2024   |
| <b>45,961,111</b> |                   |               |

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. No options expired unexercised during the financial year. No options were exercised during or since the year ended 30 June 2019.

### DIRECTORS' MEETINGS

During the financial year, in addition to regular Board discussions, the number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

| Director              | Number of Meetings Eligible to Attend | Number of Meetings Attended |
|-----------------------|---------------------------------------|-----------------------------|
| Harold (Roy) Shipes   | 4                                     | 4                           |
| Michael Schlumpberger | 4                                     | 4                           |
| Anthony Hall          | 4                                     | 4                           |
| Stephen Hunt          | 4                                     | 4                           |
| John McKinney         | 4                                     | 4                           |

### PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.



### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of American Pacific Borate & Lithium Limited support and adhere to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that American Pacific complies to the extent possible with those guidelines, which are of importance and add value to the commercial operation of an ASX listed resources company.

The Company has established a set of corporate governance policies and procedures and these can be found on the Company's website: [americanpacificborate.com](http://americanpacificborate.com).

### AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of American Pacific with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included within the annual report. There were no non-audit services provided by the Company's auditor.

### Officers of the company who are former partners of RSM Australia Partners

There are no officers of the company who are former partners of RSM Australia Partners.

### Auditor

RSM Australia Partners continue in office in accordance with section 327 of the Corporations Act 2001.

### AUDITED REMUNERATION REPORT

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel of American Pacific Borate & Lithium Limited for the financial year ended 30 June 2019. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

### Details of Directors and Key Management Personnel

#### Directors

- Harold (Roy) Shipes
- Michael Schlumpberger
- Anthony Hall
- Stephen Hunt
- John McKinney

### Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a yearly basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team. The expected outcome of this remuneration structure is to retain and motivate Directors.



## Directors' Report

As part of its Corporate Governance Policies and Procedures, the board has adopted a formal Remuneration Committee Charter and Remuneration Policy. The Board has elected not to establish a remuneration committee based on the size of the organisation and has instead agreed to meet as deemed necessary and allocate the appropriate time at its board meetings.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chair's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. Non-executive directors do not receive performance-based pay.

| Level                  | Cash Remuneration | Short Term Incentive           | Long Term Incentive |
|------------------------|-------------------|--------------------------------|---------------------|
| Chairman               | US\$50,000        | Nil                            | 0.5m share options  |
| Managing Director      | US\$250,000       | Up to 50% of cash remuneration | 4m share options    |
| Executive Director     | Up to A\$160,000  | Up to 50% of cash remuneration | 2m share options    |
| Non-Executive Director | A\$39,000         | Nil                            | 0.25m share options |

### Additional Fees

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

### Details of Remuneration

Details of the nature and amount of each element of the remuneration of each Director of the Group for the year ended 30 June 2019 are as follows:

| 2019                  | Base Salary<br>\$ | Short term<br>Directors' Fees<br>\$ | Short term<br>Consulting Fees<br>\$ | Incentive<br>Award   | Long term<br>Retirement benefits | Options<br>Share-Based Payments<br>\$ | Other<br>benefits   | Total<br>\$      | Option<br>related<br>% |
|-----------------------|-------------------|-------------------------------------|-------------------------------------|----------------------|----------------------------------|---------------------------------------|---------------------|------------------|------------------------|
| Harold (Roy) Shipes   | -                 | 70,401                              | -                                   | -                    | -                                | 22,916                                | -                   | 93,317           | 24.6                   |
| Michael Schlumpberger | 231,694           | -                                   | 115,600                             | 174,849 <sup>1</sup> | 10,805                           | 258,241                               | 28,864 <sup>2</sup> | 820,053          | 31.5                   |
| Anthony Hall          | -                 | -                                   | 160,000                             | 81,000 <sup>1</sup>  | -                                | 100,529                               | -                   | 341,529          | 29.4                   |
| Stephen Hunt          | -                 | 39,000                              | -                                   | -                    | -                                | 11,458                                | -                   | 50,458           | 22.7                   |
| John McKinney         | -                 | 39,000                              | -                                   | -                    | -                                | 11,458                                | -                   | 50,458           | 22.7                   |
|                       | <b>231,694</b>    | <b>148,401</b>                      | <b>275,600</b>                      | <b>255,849</b>       | <b>10,805</b>                    | <b>404,602</b>                        | <b>28,864</b>       | <b>1,355,815</b> | <b>29.8</b>            |

<sup>1</sup> The STI award relates to the achievement of 2018 KPIs that were approved by the Board and paid during the year ended 30 June 2019.

<sup>2</sup> Mr. Schlumpberger received paid private accommodation for the entire year.

There were no other executive officers of the Company during the financial year ended 30 June 2019.



## Directors' Report

Details of the nature and amount of each element of the remuneration of each Director of the Group for the period ended 30 June 2018 are as follows:

| 2018                  | Base Salary<br>\$ | Short term Directors' Fees<br>\$ | Consulting Fees<br>\$ | Options Share-Based Payments<br>\$ | Total<br>\$      | Option related % |
|-----------------------|-------------------|----------------------------------|-----------------------|------------------------------------|------------------|------------------|
| Harold (Roy) Shipes   | -                 | 60,000                           | -                     | 63,062                             | 123,062          | 51.2             |
| Michael Schlumpberger | -                 | -                                | 243,335               | 253,157                            | 496,492          | 51.0             |
| Anthony Hall          | -                 | -                                | 120,000               | 100,110                            | 220,110          | 45.5             |
| Stephen Hunt          | -                 | 36,000                           | 67,972 <sup>1</sup>   | 31,531                             | 135,503          | 23.3             |
| John McKinney         | -                 | 36,000                           | -                     | 31,531                             | 67,531           | 46.7             |
|                       | -                 | <b>132,000</b>                   | <b>431,307</b>        | <b>479,391</b>                     | <b>1,042,698</b> | <b>46.0</b>      |

<sup>1</sup> Minerals and Metals Marketing Pty. Ltd, of which Mr Stephen Hunt is a Director, received a success fee of A\$67,972 (US\$50,000) following the execution of a non-binding strategic cooperation agreement with a Chinese State-Owned Enterprise

### Shareholdings of Directors

The number of shares in the Company held during the financial year by Directors of the Group, including their personally related parties, is set out below. There were no shares granted during the reporting year as compensation.

| 2019                  | Balance at the start of the year | Granted during the year as compensation | On exercise of share options | Other changes during the year | Balance at the end of the year |
|-----------------------|----------------------------------|-----------------------------------------|------------------------------|-------------------------------|--------------------------------|
| Harold (Roy) Shipes   | 49,220,000                       | -                                       | -                            | -                             | 49,220,000                     |
| Michael Schlumpberger | 250,000                          | -                                       | -                            | 425,000                       | 675,000                        |
| Anthony Hall          | 5,020,001                        | -                                       | -                            | 555,556                       | 5,575,557                      |
| Stephen Hunt          | 100,000                          | -                                       | -                            | 453,890                       | 553,890                        |
| John McKinney         | -                                | -                                       | -                            | -                             | -                              |

All equity transactions with Directors other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

### Option Holdings of Directors

The numbers of options over ordinary shares in the Company held during the financial year by each Director of American Pacific Borate & Lithium Limited, including their personally related parties, are set out below:

| 2019                  | Balance at the start of the year | Granted during the year as compensation | Exercised during the year | Other changes during the year | Balance at the end of the year | Exercisable | Un-exercisable |
|-----------------------|----------------------------------|-----------------------------------------|---------------------------|-------------------------------|--------------------------------|-------------|----------------|
| Harold (Roy) Shipes   | 1,000,000                        | 500,000                                 | -                         | -                             | 1,500,000                      | 1,500,000   | -              |
| Michael Schlumpberger | 4,000,000                        | 4,000,000                               | -                         | -                             | 8,000,000                      | 6,000,000   | 2,000,000      |
| Anthony Hall          | 2,500,000                        | 2,000,000                               | -                         | 152,778                       | 4,652,778                      | 4,152,778   | 500,000        |
| Stephen Hunt          | 500,000                          | 250,000                                 | -                         | 69,445                        | 819,445                        | 819,445     | -              |
| John McKinney         | 500,000                          | 250,000                                 | -                         | -                             | 750,000                        | 750,000     | -              |



No option holder has any right under the options to participate in any other share issue of the Company or any other entity. Options granted as part of remuneration have been valued using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share and the risk-free interest rate for the term of the option. Options granted under the plan carry no dividend or voting rights. For details on the valuation of options, including models and assumptions used, please refer to note 19.

### Options Affecting Remuneration

The terms and conditions of options affecting remuneration in the current or future reporting years are as follows:

| 2019                  | Grant Date | Grant Number      | Expiry date/last exercise date | Exercise price per option | Value of options at grant date <sup>1</sup> | Number of options vested | Vested | Max value yet to vest |
|-----------------------|------------|-------------------|--------------------------------|---------------------------|---------------------------------------------|--------------------------|--------|-----------------------|
| Harold (Roy) Shipes   | 02/05/17   | 1,000,000         | 30/11/21                       | \$0.20                    | \$78,266                                    | 1,000,000                | 100%   | -                     |
|                       | 05/11/18   | 500,000           | 05/11/22                       | \$0.50                    | \$18,078                                    | 500,000                  | 100%   | -                     |
| Michael Schlumpberger | 01/06/17   | 4,000,000         | 31/05/22                       | \$0.30                    | \$423,239                                   | 2,000,000                | 50%    | \$35,656              |
|                       | 05/11/18   | 4,000,000         | 05/11/22                       | \$0.50                    | \$144,623                                   | 4,000,000                | 100%   | -                     |
| Anthony Hall          | 01/12/16   | 1,000,000         | 30/11/21                       | \$0.20                    | \$81,440                                    | 1,000,000                | 100%   | -                     |
|                       | 26/05/17   | 1,000,000         | 31/05/22                       | \$0.30                    | \$105,976                                   | 500,000                  | 50%    | \$8,870               |
|                       | 05/11/18   | 2,000,000         | 05/11/22                       | \$0.50                    | \$72,312                                    | 2,000,000                | 100%   | -                     |
| Stephen Hunt          | 02/05/17   | 500,000           | 30/11/21                       | \$0.20                    | \$39,133                                    | 500,000                  | 100%   | -                     |
|                       | 05/11/18   | 250,000           | 05/11/22                       | \$0.50                    | \$9,039                                     | 250,000                  | 100%   | -                     |
| John McKinney         | 02/05/17   | 500,000           | 30/11/21                       | \$0.20                    | \$39,133                                    | 500,000                  | 100%   | -                     |
|                       | 05/11/18   | 250,000           | 05/11/22                       | \$0.50                    | \$9,039                                     | 250,000                  | 100%   | -                     |
|                       |            | <b>15,000,000</b> |                                |                           | <b>\$1,020,278</b>                          | <b>12,500,000</b>        |        | <b>\$44,526</b>       |

<sup>1</sup> The value at grant date has been calculated in accordance with AASB 2 *Share-based payments*.

### Service Agreements

The Managing Director, Michael Schlumpberger was employed under an Executive Employment Agreement effective 1 June 2017. Under the agreement Mr. Schlumpberger was to be paid an annual fee of approximately A\$270,000 (US\$189,000). On 4 September 2018 the Board unanimously resolved to increase Director and Executive Remuneration effective 1 July 2018. As a result, Mr. Schlumpberger was to be paid an annual consulting fee of A\$357,000 (US\$250,000).

Effective 1 November 2018, Mr. Schlumpberger became a full-time employee of the Company's wholly owned subsidiary Fort Cady California (Corporation). Mr. Schlumpberger's annual remuneration of US\$250,000 remained unchanged. Mr. Schlumpberger also has the opportunity to participate in short term and long-term incentive schemes that the Company may put in place in the future.

Anthony Hall is employed under an Executive Employment Agreement effective 1 March 2017. Under the agreement Mr. Hall was to paid an annual fee of A\$120,000. On 4 September 2018 the Board unanimously resolved to increase Director and Executive Remuneration effective 1 July 2018. As a result, Mr. Hall is to be paid an annual consulting fee of A\$160,000.



## Non-Executive Directors

On appointment to the Board, all non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the Director. The aggregate remuneration for Non-Executive Directors has been set at an amount not to exceed \$500,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

In addition to the non-executive director service agreement, Stephen Hunt has also entered into an Independent Contractor Agreement effective 1 October 2017. Under the agreement Mr. Hunt will be paid the following fees in respect of investor relations' services provided;

### Success Fee

- a) Non-binding agreements prior to 30 June 2018:
  - i. Approximately A\$67,540 (US\$50,000) for project financing of no less than approximately A\$13.5M (US\$10M)
  - ii. Approximately A\$67,540 (US\$50,000) for the provision of EPC services
  - iii. Approximately A\$135,080 (US\$100,000) for off take of at least 50k tonnes pa of boric acid
- b) Binding agreements prior to 31 December 2018:
  - i. Approximately A\$135,080 (US\$100,000) for the provision of EPC services
  - ii. Approximately A\$202,620 (US\$150,000) for offtake of at least 50k tonnes pa of boric acid
  - iii. 4% of the total value of any equity financing up to approximately A\$13.5 million (US\$10 million), plus 3% of the amount between approximately A\$13.5 million (US\$10 million) and approximately A\$27.0 million (US\$20 million), plus 2% of the amount over this

Subject to any success fee being paid only for a party that has been agreed to be an introduction of the Consultant prior the agreement being signed.

## Loans to Directors and Executives

There were no loans to Directors and key management personnel during the financial year ended 30 June 2019.

## Additional Information

The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

|                         | 2019        | 2018        | 2017 <sup>1</sup> |
|-------------------------|-------------|-------------|-------------------|
|                         |             | \$          | \$                |
| Other income            | 112,161*    | -           | -                 |
| EBITDA                  | (3,006,224) | (2,795,016) | (848,511)         |
| EBIT                    | (3,020,343) | (2,800,802) | (848,511)         |
| Profit after income tax | (3,020,343) | (2,800,802) | (848,511)         |

\* Other income was derived from the sale of water to an unrelated privately held construction company during the financial year ended 30 June 2019.

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

|                                            | 2019   | 2018   | 2017 <sup>1</sup> |
|--------------------------------------------|--------|--------|-------------------|
| Share price at financial year end (\$)     | 0.20   | 0.29   | -                 |
| Total dividends declared (cents per share) | -      | -      | -                 |
| Basic earnings per share (cents per share) | (1.58) | (1.70) | (3.00)            |



## Directors' Report

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<sup>1</sup> American Pacific Borate & Lithium Limited was incorporated in Australia on 28 October 2016 and commenced trading on the Australian Securities Exchange on 28 July 2017.

### **Voting and comments made at the company's 2018 Annual General Meeting**

American Pacific Borate & Lithium Limited received 99.9% of "yes" votes on its remuneration report for the 2018 financial year. The Group did not receive specific feedback on its remuneration report at the AGM.

### **END OF AUDITED REMUNERATION REPORT**

Signed on behalf of the Board in accordance with a resolution of the Directors.

**Michael Schlumpberger**  
**Managing Director**

California, USA  
6 September 2019



**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
*for the year ended 30 June 2019*

|                                                            | Note | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
|------------------------------------------------------------|------|--------------------|--------------------|
| <b>Continuing Operations</b>                               |      |                    |                    |
| Interest income                                            |      | 10,284             | 9,127              |
| Gain on foreign exchange                                   |      | 19,143             | 235,957            |
| Other income                                               |      | 112,161            | -                  |
| <b>Expenses</b>                                            |      |                    |                    |
| Professional and consulting fees                           |      | (984,537)          | (914,229)          |
| Director and employee costs                                |      | (544,764)          | (161,868)          |
| Other expenses                                             |      | (302,781)          | (219,192)          |
| Marketing and promotional expenses                         |      | (260,444)          | (323,335)          |
| Share-based payments expense                               | 19   | (762,587)          | (958,479)          |
| Travel and accommodation                                   |      | (306,818)          | (468,783)          |
| <b>Loss before income tax</b>                              |      | <b>(3,020,343)</b> | <b>(2,800,802)</b> |
| Income tax expense                                         | 3    | -                  | -                  |
| <b>Net loss for the year</b>                               |      | <b>(3,020,343)</b> | <b>(2,800,802)</b> |
| <b>Other comprehensive income</b>                          |      |                    |                    |
| <b>Items that may be reclassified to profit and loss</b>   |      |                    |                    |
| Exchange differences on translation of foreign operations  |      | 681,657            | 460,833            |
| <b>Other comprehensive income for the year, net of tax</b> |      | <b>681,657</b>     | <b>460,833</b>     |
| <b>Total comprehensive loss for the year</b>               |      | <b>(2,338,686)</b> | <b>(2,339,969)</b> |
| <b>Loss per share</b>                                      |      |                    |                    |
| Loss per share (cents)                                     | 17   | (1.58)             | (1.70)             |

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 30 June 2019*

|                                                 | Note | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
|-------------------------------------------------|------|--------------------|--------------------|
| <b>Current Assets</b>                           |      |                    |                    |
| Cash and cash equivalents                       | 4    | 2,893,663          | 2,881,565          |
| Other assets                                    | 5    | 201,542            | 49,739             |
| Receivables                                     | 6    | 62,086             | 21,968             |
| <b>Total Current Assets</b>                     |      | <b>3,157,291</b>   | <b>2,953,272</b>   |
| <b>Non-Current Assets</b>                       |      |                    |                    |
| Receivables                                     | 7    | 517,025            | -                  |
| Property, plant and equipment                   | 8    | 768,177            | 741,351            |
| Deferred exploration and evaluation expenditure | 9    | 24,692,541         | 20,111,727         |
| <b>Total Non-Current Assets</b>                 |      | <b>25,977,743</b>  | <b>20,853,078</b>  |
| <b>Total Assets</b>                             |      | <b>29,135,034</b>  | <b>23,806,350</b>  |
| <b>Current Liabilities</b>                      |      |                    |                    |
| Trade and other payables                        | 10   | 346,372            | 354,368            |
| <b>Total Current Liabilities</b>                |      | <b>346,372</b>     | <b>354,368</b>     |
| <b>Total Liabilities</b>                        |      | <b>346,372</b>     | <b>354,368</b>     |
| <b>Net Assets</b>                               |      | <b>28,788,662</b>  | <b>23,451,982</b>  |
| <b>Equity</b>                                   |      |                    |                    |
| Issued capital                                  | 11   | 31,961,550         | 25,398,240         |
| Reserves                                        | 12   | 3,496,768          | 1,703,055          |
| Accumulated losses                              | 13   | (6,669,656)        | (3,649,313)        |
| <b>Total Equity</b>                             |      | <b>28,788,662</b>  | <b>23,451,982</b>  |

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

## Consolidated Statement of Changes in Equity *for the year ended 30 June 2019*

|                                                             | Issued<br>capital<br>\$ | Accumulated<br>losses<br>\$ | Foreign<br>exchange<br>translation<br>reserve<br>\$ | Share<br>option<br>reserve<br>\$ | Total<br>\$       |
|-------------------------------------------------------------|-------------------------|-----------------------------|-----------------------------------------------------|----------------------------------|-------------------|
| <b>Balance at 1 July 2017</b>                               | <b>11,120,475</b>       | <b>(848,511)</b>            | <b>(13,284)</b>                                     | <b>367,427</b>                   | <b>10,626,107</b> |
| <b>Total comprehensive loss for the year</b>                |                         |                             |                                                     |                                  |                   |
| Loss for the year                                           | -                       | (2,800,802)                 | -                                                   | -                                | (2,800,802)       |
| Foreign currency translation                                | -                       | -                           | 460,833                                             | -                                | 460,833           |
| <b>Total comprehensive loss for the year</b>                | -                       | (2,800,802)                 | 460,833                                             | -                                | (2,339,969)       |
| <b>Transactions with owners in their capacity as owners</b> |                         |                             |                                                     |                                  |                   |
| Shares issued by initial public offering                    | 15,000,000              | -                           | -                                                   | -                                | 15,000,000        |
| Cost of issue                                               | (792,635)               | -                           | -                                                   | -                                | (792,635)         |
| Share-based payments (note 19)                              | 70,400                  | -                           | -                                                   | 888,079                          | 958,479           |
| <b>Balance at 30 June 2018</b>                              | <b>25,398,240</b>       | <b>(3,649,313)</b>          | <b>447,549</b>                                      | <b>1,255,506</b>                 | <b>23,451,982</b> |
| <b>Balance at 1 July 2018</b>                               | <b>25,398,240</b>       | <b>(3,649,313)</b>          | <b>447,549</b>                                      | <b>1,255,506</b>                 | <b>23,451,982</b> |
| <b>Total comprehensive loss for the year</b>                |                         |                             |                                                     |                                  |                   |
| Loss for the year                                           | -                       | (3,020,343)                 | -                                                   | -                                | (3,020,343)       |
| Foreign currency translation                                | -                       | -                           | 681,657                                             | -                                | 681,657           |
| <b>Total comprehensive loss for the year</b>                | -                       | (3,020,343)                 | 681,657                                             | -                                | (2,338,686)       |
| <b>Transactions with owners in their capacity as owners</b> |                         |                             |                                                     |                                  |                   |
| Shares issued by placement                                  | 7,300,000               | -                           | -                                                   | -                                | 7,300,000         |
| Cost of issue                                               | (821,440)               | -                           | -                                                   | -                                | (821,440)         |
| Share-based payments (note 19)                              | 84,750                  | -                           | -                                                   | 1,112,056                        | 1,196,806         |
| <b>Balance at 30 June 2019</b>                              | <b>31,961,550</b>       | <b>(6,669,656)</b>          | <b>1,129,206</b>                                    | <b>2,367,562</b>                 | <b>28,788,662</b> |

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


**Consolidated Statement of Cash Flows** *for the year ended 30 June 2019*

|                                                         | <b>Note</b> | <b>30 June 2019</b> | <b>30 June 2018</b> |
|---------------------------------------------------------|-------------|---------------------|---------------------|
|                                                         |             | <b>\$</b>           | <b>\$</b>           |
| <b>Cash flows from operating activities</b>             |             |                     |                     |
| Payments to suppliers and employees                     |             | (2,377,900)         | (1,950,524)         |
| Other receipts                                          |             | 111,862             | -                   |
| Interest received                                       |             | 10,284              | 9,127               |
| <b>Net cash used in operating activities</b>            | <b>4</b>    | <b>(2,255,754)</b>  | <b>(1,941,397)</b>  |
| <b>Cash flows from investing activities</b>             |             |                     |                     |
| Purchase of plant and equipment                         |             | -                   | (75,860)            |
| Payments for exploration expenditure                    |             | (4,572,766)         | (9,352,689)         |
| <b>Net cash used in investing activities</b>            |             | <b>(4,572,766)</b>  | <b>(9,428,549)</b>  |
| <b>Cash flows from financing activities</b>             |             |                     |                     |
| Proceeds from issue of shares                           |             | 7,283,952           | 10,142,526          |
| Payments for share issue costs                          |             | (462,776)           | (1,010,094)         |
| <b>Net cash provided by financing activities</b>        |             | <b>6,821,176</b>    | <b>9,132,432</b>    |
| Net decrease in cash and cash equivalents               |             | (7,344)             | (2,237,514)         |
| Cash and cash equivalents at the beginning of the year  |             | 2,881,565           | 4,883,114           |
| Effect of exchange rate fluctuations on cash            |             | 19,442              | 235,965             |
| <b>Cash and cash equivalents at the end of the year</b> | <b>4</b>    | <b>2,893,663</b>    | <b>2,881,565</b>    |

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 year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 4 September 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**

The financial statements are general-purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis. The presentation currency is Australian dollars.

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

**(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).

**(c) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of American Pacific Borate & Lithium Limited ('the Company') and its subsidiaries as at 30 June each year ('the Group'). Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Company controls another entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-company transactions have been eliminated in full. Unrealised losses are also eliminated unless costs cannot be recovered. Non-controlling interests in the results and equity of subsidiaries are shown separately in the Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position respectively.

**(d) Foreign Currency Translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Company's controlled entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of American Pacific Borate & Lithium Limited is Australian dollars. The functional currency of the US subsidiary is the US Dollar.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.



*(iii) Group entities*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income, as part of the gain or loss on sale where applicable.

**(e) Segment Reporting**

For management purposes, the Company is organised into one main operating segment, which involves exploration for Borates and Lithium. All of the Company's activities are interrelated, and discrete financial information is reported to the Managing Director (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

**(f) Changes in accounting policies and disclosures**

The Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and effective for future reporting periods. It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and therefore, no change will be necessary to Company accounting policies.

**(g) Exploration and evaluation expenditure**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.



Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development. Where an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

#### **(h) Income Tax**

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when:

- the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when:

- the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be recognised.



The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recognised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is recognised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(i) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Government. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Government is included as part of receivables or payables in the statement of financial position. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which is receivable from or payable to the Government, are disclosed as operating cash flows.

**(j) Impairment of non-financial assets other than goodwill**

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.



Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(k) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**(l) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(m) Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

**(n) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

**(o) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.



Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

**(p) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

**(q) Property, plant and equipment**

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

**(r) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term. Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.



**(s) Current and Non-Current Classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

**(t) Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Interest income*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(u) Earnings per share**

Basic earnings/loss per share is calculated as net profit/loss attributable to members, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(v) Share-based payment transactions**

*(i) Equity settled transactions:*

The Company provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Company in the form of share-based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions'). There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to Directors and individuals providing services similar to those provided by an employee.



The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 19. The expected price volatility is based on the historic volatility of the Company's share price on the ASX.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of American Pacific Borate & Lithium Limited ('market conditions'). The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting year has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date.

No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a year represents the movement in cumulative expense recognised at the beginning and end of the year. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see Note 17).

*(ii) Cash settled transactions:*

The Company may also provide benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of the Company. The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the year until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

**(w) Critical accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the year in which the estimate is revised if it affects only that year, or in the year of the revision and future years if the revision affects both current and future years.



*Share-based payment transactions:*

The Company measures the cost of equity-settled transactions and cash-settled share-based payments with employees and third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value at the grant date is determined using the Black and Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted and the assumptions detailed in note 19.

*Deferred Exploration and evaluation Expenditure*

Deferred exploration and evaluation expenditure has been capitalised on the basis that the company will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised.

In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the year in which this determination is made.

**(x) New standards and interpretations not yet adopted**

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

*AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.



## American Pacific Borate & Lithium Ltd

### Notes to the Consolidated Financial Statements for the year ended 30 June 2019

The impact of the new leases standard is that leased asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term and a liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The Group will adopt this standard from 1 July 2019, however as the Company does not have any current leases that would qualify under this policy, it is not expected to have any financial impact on the entity.

|                                                                                                                                                                                                              | 2019<br>\$       | 2018<br>\$     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|
| <b>3. Income Tax</b>                                                                                                                                                                                         |                  |                |
| <b>(a) Income tax expense</b>                                                                                                                                                                                |                  |                |
| Major component of tax expense for the year:                                                                                                                                                                 |                  |                |
| Current tax                                                                                                                                                                                                  | -                | -              |
| Deferred tax                                                                                                                                                                                                 | -                | -              |
|                                                                                                                                                                                                              | -                | -              |
| <b>(b) Numerical reconciliation between aggregate tax expense recognised in the statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate.</b> |                  |                |
| A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:                                                     |                  |                |
| Loss from continuing operations before income tax expense                                                                                                                                                    | (3,020,343)      | (2,800,802)    |
| Tax at the Australian rate of 30%                                                                                                                                                                            | (906,103)        | (840,241)      |
| Share-based payments                                                                                                                                                                                         | 228,776          | 287,544        |
| Non-deductible legal expenses                                                                                                                                                                                | 197,096          | 134,805        |
| Income tax benefit not brought to account                                                                                                                                                                    | 480,231          | 417,891        |
| Income tax expense                                                                                                                                                                                           | -                | -              |
| <b>(c) Deferred tax</b>                                                                                                                                                                                      |                  |                |
| The following deferred tax balances have not been brought to account:                                                                                                                                        |                  |                |
| <i>Liabilities</i>                                                                                                                                                                                           |                  |                |
| Unrealised foreign exchange                                                                                                                                                                                  | (405,986)        | (203,415)      |
| Offset by deferred tax assets                                                                                                                                                                                | 405,986          | 203,415        |
| Deferred tax liability recognised                                                                                                                                                                            | -                | -              |
| <i>Assets</i>                                                                                                                                                                                                |                  |                |
| Losses available to offset against future taxable income                                                                                                                                                     | 1,286,332        | 587,331        |
| Accrued expenses                                                                                                                                                                                             | 6,000            | 6,000          |
| Section 40-880 costs                                                                                                                                                                                         | 111,803          | 28,535         |
| Deferred tax assets offset against deferred tax liabilities                                                                                                                                                  | (405,986)        | (203,415)      |
| Net deferred tax asset not recognised                                                                                                                                                                        | <b>998,149</b>   | <b>418,452</b> |
| <b>(d) Unused tax losses</b>                                                                                                                                                                                 |                  |                |
| Unused tax losses                                                                                                                                                                                            | 4,287,773        | 1,957,771      |
| Potential tax benefit not recognised at 30%                                                                                                                                                                  | <b>1,286,332</b> | <b>139,825</b> |

The benefit for tax losses will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and



## American Pacific Borate & Lithium Ltd

### Notes to the Consolidated Financial Statements for the year ended 30 June 2019

- ii. the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- iii. no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

|                                                                                                                                                                                                                                                                                                           | 2019<br>\$           | 2018<br>\$         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------|
| <b>4. Cash and cash equivalents</b>                                                                                                                                                                                                                                                                       |                      |                    |
| Cash comprises of:                                                                                                                                                                                                                                                                                        |                      |                    |
| Cash at bank                                                                                                                                                                                                                                                                                              | 2,893,663            | 2,881,565          |
| <b>Reconciliation of operating loss after tax to net cash flow from operations</b>                                                                                                                                                                                                                        |                      |                    |
| Loss after tax                                                                                                                                                                                                                                                                                            | (3,020,343)          | (2,800,802)        |
| <i>Non-cash and non-operating items</i>                                                                                                                                                                                                                                                                   |                      |                    |
| Share-based payments                                                                                                                                                                                                                                                                                      | 762,587              | 958,479            |
| Depreciation                                                                                                                                                                                                                                                                                              | 14,119               | 5,786              |
| <i>Change in assets and liabilities</i>                                                                                                                                                                                                                                                                   |                      |                    |
| Decrease / (increase) in trade and other receivables                                                                                                                                                                                                                                                      | (37,622)             | (5,466)            |
| Increase / (decrease) in trade and other payables                                                                                                                                                                                                                                                         | 25,505               | (99,394)           |
| <b>Net cash flow used in operating activities</b>                                                                                                                                                                                                                                                         | <b>(2,255,754)</b>   | <b>(1,941,397)</b> |
| <b>5. Other assets</b>                                                                                                                                                                                                                                                                                    |                      |                    |
| Prepayments                                                                                                                                                                                                                                                                                               | 57,325               | 49,739             |
| Other                                                                                                                                                                                                                                                                                                     | 144,217 <sup>1</sup> | -                  |
|                                                                                                                                                                                                                                                                                                           | <b>201,542</b>       | <b>49,739</b>      |
| <sup>1</sup> The Company agreed to pay a pre-funded lender work fee of A\$144,217 (US\$100,000) pursuant to the terms of a Private Placement Term Sheet entered into with Amvest Capital Mining Opportunities LLC.                                                                                        |                      |                    |
| <b>6. Receivables - Current</b>                                                                                                                                                                                                                                                                           |                      |                    |
| Other receivables                                                                                                                                                                                                                                                                                         | 16,048               | -                  |
| GST receivable                                                                                                                                                                                                                                                                                            | 46,038               | 21,968             |
|                                                                                                                                                                                                                                                                                                           | <b>62,086</b>        | <b>21,968</b>      |
| Debtors, other debtors and GST receivable are non-interest bearing and generally receivable on 30-day terms. They are neither past due nor impaired. The amount is fully collectible. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. |                      |                    |
| <b>7. Receivables - Non-Current</b>                                                                                                                                                                                                                                                                       |                      |                    |
| Bonds and Guarantees <sup>1</sup>                                                                                                                                                                                                                                                                         | 517,025              | -                  |
|                                                                                                                                                                                                                                                                                                           | <b>517,025</b>       | -                  |
| <sup>1</sup> The Bonds are pledged to the Bureau of Land Management (San Bernardino County) and relate to the Fort Cady Project's water permits.                                                                                                                                                          |                      |                    |
| <b>8. Property, plant and equipment</b>                                                                                                                                                                                                                                                                   |                      |                    |
| Land and Buildings, net                                                                                                                                                                                                                                                                                   | 708,454              | 671,349            |
| Plant and Equipment, net                                                                                                                                                                                                                                                                                  | 21,071               | 26,795             |
| Motor Vehicles, net                                                                                                                                                                                                                                                                                       | 38,652               | 43,207             |
|                                                                                                                                                                                                                                                                                                           | <b>768,177</b>       | <b>741,351</b>     |



## American Pacific Borate & Lithium Ltd

### Notes to the Consolidated Financial Statements for the year ended 30 June 2019

|                                                                                 | 2019<br>\$     | 2018<br>\$     |
|---------------------------------------------------------------------------------|----------------|----------------|
| <b>Movements in property, plant and equipment:</b>                              |                |                |
| <b>Land and Buildings</b>                                                       |                |                |
| Opening balance                                                                 | 671,349        | 646,672        |
| Additions through acquisition – Land held by Fort Cady (California) Corporation | -              | -              |
| Net exchange differences on translation                                         | 37,105         | 24,677         |
| Closing balance                                                                 | <b>708,454</b> | <b>671,349</b> |

The land was acquired on acquisition from Fort Cady (California) Corporation on 2 May 2017. The land was valued at US\$497,000 as at 31 December 2016 and this valuation is the deemed cost on acquisition. The fair value of the land was determined based on current prices in an active market for similar properties of the same location and condition.

|                                         |               |               |
|-----------------------------------------|---------------|---------------|
| <b>Plant and Equipment</b>              |               |               |
| Opening balance                         | 26,795        | -             |
| Additions                               | -             | 29,989        |
| Net exchange differences on translation | 1,462         | -             |
| Depreciation for the year               | (7,186)       | (3,194)       |
| Closing balance                         | <b>21,071</b> | <b>26,795</b> |

|                                         |               |               |
|-----------------------------------------|---------------|---------------|
| <b>Motor Vehicles</b>                   |               |               |
| Opening balance                         | 43,207        | -             |
| Additions                               | -             | 45,871        |
| Net exchange differences on translation | 2,378         | -             |
| Depreciation for the year               | (6,933)       | (2,664)       |
| Closing balance                         | <b>38,652</b> | <b>43,207</b> |

#### 9. Deferred Exploration and Evaluation Expenditure

##### **Exploration and Evaluation phase - at cost**

|                                                                              |                   |                   |
|------------------------------------------------------------------------------|-------------------|-------------------|
| Opening balance                                                              | 20,111,727        | 10,386,377        |
| Foreign exchange translation difference                                      | 497,762           | -                 |
| Exploration and evaluation expenditure incurred during the year <sup>1</sup> | 4,083,052         | 9,725,350         |
| Closing balance                                                              | <b>24,692,541</b> | <b>20,111,727</b> |

<sup>1</sup> At 30 June 2019 the deferred exploration and evaluation balance included approximately A\$574,327 (US\$402,906) 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 A\$4.3 million (US\$3 million) of Project expenditures.

#### 10. Trade and Other Payables

|                |                |                |
|----------------|----------------|----------------|
| Trade payables | 126,849        | 309,165        |
| Other payables | 14,720         | 24,922         |
| Accruals       | 204,803        | 20,281         |
|                | <b>346,372</b> | <b>354,368</b> |

Trade creditors and other creditors are non-interest bearing and generally payable on 30-day terms. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.



## American Pacific Borate & Lithium Ltd

### Notes to the Consolidated Financial Statements for the year ended 30 June 2019

|                                       | 2019<br>\$        | 2018<br>\$        |
|---------------------------------------|-------------------|-------------------|
| <b>11. Issued Capital</b>             |                   |                   |
| <b>(a) Issued and paid up capital</b> |                   |                   |
| Issued and fully paid                 | <b>31,961,550</b> | <b>25,398,240</b> |

|                                                  | 2019<br>Number of<br>shares | \$                | 2018<br>Number of<br>shares | \$                |
|--------------------------------------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| <b>(b) Movements in ordinary shares on issue</b> |                             |                   |                             |                   |
| 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 consultant <sup>1</sup>         | -                           | -                 | 220,000                     | 70,400            |
| Shares issued to consultant <sup>2</sup>         | 250,000                     | 60,000            | -                           | -                 |
| Shares issued to consultant <sup>3</sup>         | 150,000                     | 24,750            | -                           | -                 |
| Shares issued via \$0.20 placement               | 21,000,000                  | 4,200,000         | -                           | -                 |
| Shares issued via \$0.18 placement               | 17,222,222                  | 3,100,000         | -                           | -                 |
| Transaction costs on share issue                 | -                           | (821,440)         | -                           | (792,635)         |
|                                                  | <b>208,442,224</b>          | <b>31,961,550</b> | <b>169,820,002</b>          | <b>25,398,240</b> |

<sup>1</sup> 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.

<sup>2</sup> 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 price of \$0.24 on the grant date.

<sup>3</sup> On 12 March 2019, 150,000 shares were issued for nil consideration pursuant to an Independent Contractor Agreement to provide analytical and report writing services, marketing services, corporate advice and associated services to the Company. The fair value was determined by the share price of \$0.165 on the grant date.

#### (c) Ordinary shares

The Company does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

#### (d) Capital risk management

The Company's capital comprises share capital, reserves less accumulated losses amounting to a net equity of \$28,788,662 at 30 June 2019. The Company manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Company was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 18 for further information on the Company's financial risk management policies.



## American Pacific Borate & Lithium Ltd

### Notes to the Consolidated Financial Statements for the year ended 30 June 2019

#### (e) Share Options

As at the 30 June 2019 there were 43,461,111 unissued ordinary shares under options. The details of the options are as follows:

| Number            | Exercise Price \$ | Expiry Date   |
|-------------------|-------------------|---------------|
| 500,000           | \$0.30            | 31-Aug-2020   |
| 7,000,000         | \$0.20            | 30-Nov-2021   |
| 1,000,000         | \$0.30            | 30-Nov-2021   |
| 6,500,000         | \$0.30            | 31-May-2022   |
| 1,750,000         | \$0.40            | 30-April-2021 |
| 1,100,000         | \$0.60            | 30-June-2022  |
| 15,611,111        | \$0.25            | 10-Aug-2020   |
| 10,000,000        | \$0.50            | 5-Nov-2022    |
| <b>43,461,111</b> |                   |               |

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. No options expired unexercised during the financial year. No options were exercised during or since the year ended 30 June 2019.

#### 12. Reserves

|                                      | 2019<br>\$       | 2018<br>\$       |
|--------------------------------------|------------------|------------------|
| Foreign exchange translation reserve | 1,129,206        | 447,549          |
| Share option reserve                 | 2,367,562        | 1,255,506        |
|                                      | <b>3,496,768</b> | <b>1,703,055</b> |

##### Movements in Reserves

|                                             |                  |                |
|---------------------------------------------|------------------|----------------|
| <i>Foreign exchange translation reserve</i> |                  |                |
| Opening balance                             | 447,549          | (13,284)       |
| Foreign exchange translation difference     | 681,657          | 460,833        |
| Closing balance                             | <b>1,129,206</b> | <b>447,549</b> |

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 | 1,112,056        | 888,079          |
| Closing balance      | <b>2,357,562</b> | <b>1,255,506</b> |

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 19 for further details of the securities issued during the financial year ended 30 June 2019.

#### 13. Accumulated Losses

Movements in accumulated losses were as follows:

|                   |                    |                    |
|-------------------|--------------------|--------------------|
| Opening balance   | (3,649,313)        | (848,511)          |
| Loss for the year | (3,020,343)        | (2,800,802)        |
| Closing balance   | <b>(6,669,656)</b> | <b>(3,649,313)</b> |



## American Pacific Borate & Lithium Ltd

### Notes to the Consolidated Financial Statements for the year ended 30 June 2019

|                                                                                    | 2019<br>\$    | 2018<br>\$    |
|------------------------------------------------------------------------------------|---------------|---------------|
| <b>14. Auditor's Remuneration</b>                                                  |               |               |
| The auditor of American Pacific Borate & Lithium Limited is RSM Australia Partners |               |               |
| <i>Amounts received or due and receivable by the parent auditor for:</i>           |               |               |
| - an audit or review of the financial report                                       | 28,850        | 28,000        |
|                                                                                    | <b>28,850</b> | <b>28,000</b> |

### 15. Directors and Key Management Personnel Disclosures

#### (a) Remuneration of Directors and Key Management Personnel

Details of the nature and amount of each element of the emolument of each Director and key management personnel of the Company for the financial year are as follows:

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Short term employee benefits | 911,544          | 563,307          |
| Long term employee benefits  | 10,805           | -                |
| Share-based payments         | 404,602          | 479,391          |
| Other benefits               | 28,864           | -                |
| <b>Total remuneration</b>    | <b>1,355,815</b> | <b>1,042,698</b> |

#### (b) Other transactions with key management personnel

JAWAF Enterprises Pty Ltd company in which Mr. Anthony Hall is a director, charged the Company consulting fees of \$160,000. The consulting fee is included in note 15(a) "Remuneration of Directors and Key Management Personnel". Nil was outstanding at year end.

Schlumpberger Inc. a company in which Mr. Michael Schlumpberger is a director, charged the Company consulting fees of \$115,600. The consulting fee is included in note 15(a) "Remuneration of Directors and Key Management Personnel". Nil was outstanding at year end.

Minerals and Metals Marketing Pty. Ltd a company in which Mr Stephen Hunt is a Director, charged the Company non-executive director fees of \$39,000. The consulting fee is included in note 15(a) "Remuneration of Directors and Key Management Personnel". Nil was outstanding at year end.

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms. There were no other transactions with key management personnel for the year ended 30 June 2019.

### 16. Related Party Disclosures

#### (a) Key management personnel

For Director related party transactions please refer to Note 15 "Director and Key Management Personnel Disclosures".

#### (b) 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%           |



|                                                                                                 | 2019<br>\$          | 2017<br>\$          |
|-------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>17. Loss per Share</b>                                                                       |                     |                     |
| Loss used in calculating basic and dilutive EPS                                                 | (3,020,343)         | (2,800,802)         |
|                                                                                                 |                     |                     |
|                                                                                                 | Number<br>of Shares | Number<br>of Shares |
| Weighted average number of ordinary shares used in calculating basic loss per share:            | 190,783,661         | 164,622,137         |
| <b>Effect of dilution:</b>                                                                      |                     |                     |
| Share options                                                                                   | -                   | -                   |
| Adjusted weighted average number of ordinary shares used in calculating diluted loss per share: | 190,783,661         | 164,622,137         |

There is no impact from 43,461,111 options outstanding at 30 June 2019 on the earnings per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

## 18. Financial Risk Management

Exposure to foreign currency risk, credit risk, liquidity risk and interest rate risk arises in the normal course of the Company's business. The Company uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

### (a) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short-term investments. The responsibility for liquidity risk management rests with the Board of Directors.

Alternatives for sourcing our future capital needs include our cash position and the issue of equity instruments. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs. The Directors expect that present levels of liquidity along with future capital raising will be adequate to meet expected capital needs.

### (b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Company's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Company manages the risk by investing in short term deposits.

|                           | 2019<br>\$ | 2018<br>\$ |
|---------------------------|------------|------------|
| Cash and cash equivalents | 2,893,663  | 2,881,565  |



## American Pacific Borate & Lithium Ltd

### Notes to the Consolidated Financial Statements for the year ended 30 June 2019

#### Interest rate sensitivity

The following table demonstrates the sensitivity of the Company's statement of profit or loss and other comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

| Change in Basis Points   | Effect on equity<br>including retained<br>earnings (\$) |                     | Effect on equity<br>including retained<br>earnings (\$) |                     |
|--------------------------|---------------------------------------------------------|---------------------|---------------------------------------------------------|---------------------|
|                          | Effect on Post<br>Tax Loss (\$)                         | Increase/(Decrease) | Effect on Post<br>Tax Loss (\$)                         | Increase/(Decrease) |
|                          | <b>2019</b>                                             |                     | <b>2018</b>                                             |                     |
| Increase 75 basis points | 21,702                                                  | 21,702              | 21,612                                                  | 21,612              |
| Decrease 75 basis points | (21,702)                                                | (21,702)            | (21,612)                                                | (21,612)            |

A sensitivity of 75 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends.

#### (c) Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company's maximum credit exposure is the carrying amounts on the statement of financial position. The Company holds financial instruments with credit worthy third parties.

At 30 June 2019, the Company held cash at bank. 100% of the Company's cash was held in financial institutions with a rating from Standard & Poors of AA or above (long term). The Company has no past due or impaired debtors as at 30 June 2019.

#### (d) Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

|             | <b>Liabilities</b> | <b>Assets</b> |
|-------------|--------------------|---------------|
|             | <b>\$</b>          | <b>\$</b>     |
| <b>2019</b> |                    |               |
| US Dollar   | 226,765            | 798,711       |
| <b>2018</b> |                    |               |
| US Dollar   | 147,564            | 1,841,956     |

## 19. Share-Based Payments

### (a) Recognised share-based payment transactions

Share-based payment transactions during the year were as follows:

|                                           | <b>2019</b>         | <b>2018</b>         |
|-------------------------------------------|---------------------|---------------------|
|                                           | <b>\$</b>           | <b>\$</b>           |
| Options issued to employees and Directors | 733,217             | 760,868             |
| Options issued to suppliers               | 378,839             | 127,211             |
| <b>Movement in share option reserve</b>   | <b>1,112,056</b>    | <b>888,079</b>      |
| Shares issued to consultants              | 84,750 <sup>1</sup> | 70,400 <sup>1</sup> |
| <b>Share-based payments recognised</b>    | <b>1,196,806</b>    | <b>958,479</b>      |

<sup>1</sup> Refer to note 11(b) for further details of the shares issued to consultants.



## American Pacific Borate & Lithium Ltd

### Notes to the Consolidated Financial Statements for the year ended 30 June 2019

Share-based payment transactions have been recognised within the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial positions as follows:

|                                                   | 2019<br>\$       | 2018<br>\$     |
|---------------------------------------------------|------------------|----------------|
| Share-based payment expense                       | 762,587          | 958,479        |
| Deferred exploration & evaluation expenditure     | 84,750           | -              |
| Issued capital – transaction costs on share issue | 349,469          | -              |
|                                                   | <b>1,196,806</b> | <b>958,479</b> |

#### (b) Options issued to employees and Directors

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 to employees and Directors during the year ended 30 June 2019:

| Grant Date | Expiry date | Exercise price per option | Balance at start of the period<br>Number | Granted during the period<br>Number | Exercised during the period<br>Number | Expired during the period<br>Number | Balance at end of the period<br>Number | Exercisable at end of the period<br>Number |
|------------|-------------|---------------------------|------------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------------------|--------------------------------------------|
| 05/11/2018 | 05/11/2022  | \$0.50                    | -                                        | 9,000,000                           | -                                     | -                                   | 9,000,000                              | 9,000,000                                  |
| 27/03/2019 | 05/11/2022  | \$0.50                    | -                                        | 1,000,000                           | -                                     | -                                   | 1,000,000                              | - <sup>1</sup>                             |
|            |             |                           | -                                        | <b>10,000,000</b>                   | -                                     | -                                   | <b>10,000,000</b>                      | <b>9,000,000</b>                           |

<sup>1</sup> The options will vest at the Board's discretion subject to satisfactory performance against KPI's following 6 months of service.

The expense recognised in respect of the above options granted during the year was \$348,000. The expense recognised during the year on options granted in prior periods was \$385,217.

The model inputs, not included in the table above, for options granted during the period ended 30 June 2019 included:

- a) options were granted for no consideration;
- b) expected lives of the options ranged from 3.6 to 4.0 years;
- c) share price at grant date ranged from \$0.135 to \$0.185;
- d) expected volatility ranged from 66% to 74%;
- e) expected dividend yield of nil; and
- f) a risk-free interest rate ranged from 1.50% to 2.23%



## American Pacific Borate & Lithium Ltd

### Notes to the Consolidated Financial Statements for the year ended 30 June 2019

The table below summarises options granted to employees and Directors during the year period 30 June 2018:

| Grant Date | Expiry date | Exercise price per option | Balance at start of the period<br>Number | Granted during the period<br>Number | Exercised during the period<br>Number | Expired during the period<br>Number | Balance at end of the period<br>Number | Exercisable at end of the period<br>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                              | -                                          |
|            |             |                           |                                          | <b>3,750,000</b>                    |                                       |                                     | <b>3,750,000</b>                       | <b>500,000</b>                             |

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

- options were granted for no consideration;
- expected lives of the options range from 2.9 to 4.6 years;
- share price at grant date ranged from \$0.290 to \$0.320;
- expected volatility ranged from 80% to 101%;
- expected dividend yield of nil; and
- a risk-free interest rate ranged from 1.25% to 1.90%

#### (c) Options issued to suppliers

During the financial year ended 30 June 2019, the Company issued options to Lead Manager's 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<br>Number | Granted during the period<br>Number | Exercised during the period<br>Number | Expired during the period<br>Number | Balance at end of the period<br>Number | Exercisable at end of the period<br>Number |
|------------|-------------|---------------------------|------------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|----------------------------------------|--------------------------------------------|
| 10/08/2018 | 10/08/2020  | \$0.25                    | -                                        | 4,000,000                           | -                                     | -                                   | 4,000,000                              | 4,000,000                                  |
| 08/05/2019 | 10/08/2020  | \$0.25                    | -                                        | 3,000,000                           | -                                     | -                                   | 3,000,000                              | 3,000,000                                  |
|            |             |                           |                                          | <b>7,000,000</b>                    | -                                     | -                                   | <b>7,000,000</b>                       | <b>7,000,000</b>                           |

The expense recognised in respect of the above options granted during the year was \$349,469. The expense recognised during the year on options granted in prior periods was \$29,370.

The model inputs, not included in the table above, for options granted during the period ended 30 June 2019 included:

- options were granted for no consideration;
- expected life of the options ranging from 1.3 to 2.0 years;
- share price at grant date ranging from \$0.180 to \$0.195;
- expected volatility ranging from 66% to 74%;
- expected dividend yield of nil; and
- a risk-free interest rate ranging from 1.50% to 1.98%



## American Pacific Borate & Lithium Ltd

### Notes to the Consolidated Financial Statements for the year ended 30 June 2019

The table below summarises options granted to suppliers during the year period 30 June 2018:

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

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 \$0.290;
- d) expected volatility of 80%;
- e) expected dividend yield of nil; and
- f) a risk-free interest rate of 1.25%

## 20. Dividends

No dividend was paid or declared by the Company in the year ended 30 June 2019 or the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2019.

## 21. Contingent Assets and Liabilities

There are no known contingent assets or liabilities as at 30 June 2019

## 22. 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 A\$461,026 (US\$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 A\$106,909 (US\$75,000) per annum until expiry on 1 October 2021.

The minimum lease commitments as at 30 June 2019 are as follows:

|                                                   | 2019<br>\$     | 2018<br>\$     |
|---------------------------------------------------|----------------|----------------|
| Within one year                                   | 106,909        | 101,310        |
| Later than one year but not later than five years | 133,637        | 227,948        |
|                                                   | <b>240,546</b> | <b>329,258</b> |



## 23. 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 period ended 30 June 2019:

|                                  | Australia<br>\$    | US<br>\$         | Total              |
|----------------------------------|--------------------|------------------|--------------------|
| <b>Period ended 30 June 2019</b> |                    |                  |                    |
| Other income                     | -                  | 112,161          | 112,161            |
| Interest income                  | 8,430              | 1,854            | 10,284             |
| <b>Segment revenue</b>           | <b>8,430</b>       | <b>114,015</b>   | <b>122,445</b>     |
| Result                           |                    |                  |                    |
| Loss before tax                  | (2,944,310)        | (76,033)         | (3,020,343)        |
| Income tax expense               | -                  | -                | -                  |
| <b>Loss for the period</b>       | <b>(2,944,310)</b> | <b>(76,033)</b>  | <b>(3,020,343)</b> |
| Asset and liabilities            |                    |                  |                    |
| Segment assets                   | 2,880,235          | 25,881,890       | 29,135,034         |
| Segment liabilities              | 119,607            | 226,765          | 346,372            |
| <b>Period ended 30 June 2018</b> |                    |                  |                    |
| Other income                     | -                  | -                | -                  |
| Interest income                  | 8,826              | 301              | 9,127              |
| <b>Segment revenue</b>           | <b>8,826</b>       | <b>301</b>       | <b>9,127</b>       |
| Result                           |                    |                  |                    |
| Loss before tax                  | (2,672,773)        | (128,029)        | (2,800,802)        |
| Income tax expense               | -                  | -                | -                  |
| <b>Loss for the period</b>       | <b>(2,672,773)</b> | <b>(128,029)</b> | <b>(2,800,802)</b> |
| Asset and liabilities            |                    |                  |                    |
| Segment assets                   | 2,225,936          | 21,580,414       | 23,806,350         |
| Segment liabilities              | 206,805            | 147,564          | 354,368            |

## 24. Significant Events after the Reporting Date

On 30 July 2019, the Company issued 2,500,000 unlisted options to Executives as part of their FY2020 Long Term Incentive award pursuant to the Company's Employee Share Option Scheme. The unlisted options are exercisable at \$0.50 each on or before 30 July 2024.

On 27 August 2019, the Company announced that it had agreed to issue a US\$2m convertible note to Amvest Capital Mining Opportunities, LLC ("Amvest"). In addition, Amvest completed detailed technical due diligence on Phase One A of the Fort Cady Borate Project (the "Project"). Upon completion of due diligence, the parties executed a term sheet for \$45m to finance the Project, comprised of a US\$37m construction term loan and a US\$8m cost overrun facility (refer to ASX release dated 27 August 2019).

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



## American Pacific Borate & Lithium Ltd

### Notes to the Consolidated Financial Statements for the year ended 30 June 2019

#### 25. Parent Entity Information

The following details information related to the parent entity, American Pacific Borate & Lithium Limited, at 30 June 2019. The information presented here has been prepared using consistent accounting policies with those presented in note 2.

|                                               | 2019<br>\$         | 2018<br>\$         |
|-----------------------------------------------|--------------------|--------------------|
| Current assets                                | 2,880,235          | 2,225,836          |
| Total assets                                  | 28,891,010         | 23,591,352         |
| Current liabilities                           | (119,607)          | (206,805)          |
| Total liabilities                             | (119,607)          | (206,805)          |
| <b>Net assets</b>                             | <b>28,771,403</b>  | <b>23,384,547</b>  |
| Issued capital                                | 31,961,550         | 25,398,240         |
| Reserves                                      | 2,367,563          | 1,255,506          |
| Accumulated losses                            | (5,557,710)        | (3,269,199)        |
|                                               | <b>28,771,403</b>  | <b>23,384,547</b>  |
| Loss of the parent entity                     | (2,288,511)        | (2,320,688)        |
| Total comprehensive loss of the parent entity | <b>(2,288,511)</b> | <b>(2,320,688)</b> |

#### Other Commitments

The Company had no commitments as at 30 June 2019.

#### Contingent Liabilities

The Company had no contingent liabilities as at 30 June 2019.



## Directors' Declaration

---

In accordance with a resolution of the Directors of American Pacific Borate & Lithium Limited, I state that:

1. In the opinion of the Directors:

- a) the financial statements and notes of American Pacific Borate & Lithium Limited for the year ended 30 June 2019 are in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the consolidated financial position as at 30 June 2019 and of its performance for the year ended on that date; and
  - ii. complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b).

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.

3. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with sections of 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

On behalf of the Board

**Michael Schlumpberger**  
**Managing Director**

California, USA  
6 September 2019

**RSM Australia Partners**

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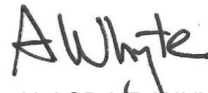
**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of American Pacific Borate & Lithium Limited for the year ending 30 June 2019, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

**RSM**

RSM AUSTRALIA PARTNERS



ALASDAIR WHYTE  
Partner

Perth WA  
Dated: 6 September 2019

**RSM Australia Partners**

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

**Opinion**

We have audited the financial report of American Pacific Borate & Lithium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | How our audit addressed this matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Capitalised exploration and evaluation expenditure</b><br>Refer to Note 9 in the financial statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p>The Group has capitalised a significant amount of exploration and evaluation expenditure, with a carrying value of \$24,692,541 as at 30 June 2019.</p> <p>We considered this to be a key audit matter due to the significant management judgments involved in assessing the carrying value of the assets including:</p> <ul style="list-style-type: none"> <li>• Determination of whether the exploration and evaluation expenditure can be associated with finding specific mineral resources and the basis on which that expenditure is allocated to an area of interest; and</li> <li>• Assessing whether any indicators of impairment are present.</li> </ul> | <p>Our audit procedures in relation to the carrying value of the deferred exploration and evaluation asset included:</p> <ul style="list-style-type: none"> <li>• Obtaining evidence that that the right to tenure of the area of interest is current;</li> <li>• Agreeing a sample of additions to supporting documentation and ensuring the amounts are capital in nature and relate to the area of interest;</li> <li>• Enquiring with and assessing management's basis on which they have determined that the exploration and evaluation of mineral resources has not yet reached the stage where it can be concluded that no commercially viable quantities of mineral resources exists;</li> <li>• Assessing and evaluating management's assessment that no indicators of impairment existed at the reporting date.</li> <li>• Enquiring with management and reviewing budgets and plans to test that the Group will incur substantive expenditure on further exploration for and evaluation of mineral resources in the specific area; and</li> <li>• Reviewing minutes of director meetings and ASX announcements to ensure that the Group had not resolved to discontinue activities in the specific area.</li> </ul> |
| <b>Share-based payments</b><br>Refer to Note 19 in the financial statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p>During the year, options were issued to key management personnel and consultants of the Group</p> <p>Management has performed the valuation of the options granted in this reporting period using the Black-Scholes Model.</p> <p>We considered the valuation of these options to be a significant risk area as it involved management's judgement in determining various inputs used in the Black-Scholes Model.</p>                                                                                                                                                                                                                                              | <p>Our audit procedures in relation to the issue of these options included:</p> <ul style="list-style-type: none"> <li>• Challenging the reasonableness of key assumptions used by management relative to the valuation at the grant date;</li> <li>• Checking the mathematical accuracy of the computation;</li> <li>• Reviewing of minutes of director meetings and ASX announcements for the approval in relation to the granting of the options; and</li> <li>• Reviewing the adequacy and accuracy of the relevant disclosures in the financial statements.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of American Pacific Borate & Lithium Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**RSM**

RSM AUSTRALIA PARTNERS

**ALW**

ALASDAIR WHYTE  
Partner

Perth WA

Dated: 6 September 2019



## ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 15 August 2019.

### Distribution of Share Holders

|                    | Ordinary Shares   |                    |
|--------------------|-------------------|--------------------|
|                    | Number of Holders | Number of Shares   |
| 1 - 1,000          | 28                | 2,547              |
| 1,001 - 5,000      | 186               | 580,822            |
| 5,001 - 10,000     | 118               | 977,656            |
| 10,001 - 100,000   | 460               | 19,682,597         |
| 100,001 - and over | 238               | 187,198,602        |
| <b>TOTAL</b>       | <b>1,030</b>      | <b>208,442,224</b> |

There were 64 holders of ordinary shares holding less than a marketable parcel.

### Top Twenty Share Holders

The names of the twenty largest holders of quoted equity securities are listed below:

| Name                                                                       | Shares             | %            |
|----------------------------------------------------------------------------|--------------------|--------------|
| ATLAS PRECIOUS METALS INC                                                  | 49,220,000         | 23.61        |
| BRING ON RETIREMENT LTD                                                    | 7,800,000          | 3.74         |
| ISLV PARTNERS LLC                                                          | 6,780,000          | 3.25         |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                                  | 6,731,874          | 3.23         |
| JAWAF ENTERPRISES PTY LTD <HALL FAMILY A/C>                                | 5,575,556          | 2.67         |
| SCOR GO LUATH LIMITED                                                      | 4,995,000          | 2.4          |
| MR DANIEL EDDINGTON + MRS JULIE EDDINGTON <DJ HOLDINGS A/C>                | 4,500,000          | 2.16         |
| GOOD SPIRIT INTERNATIONAL LIMITED                                          | 4,000,000          | 1.92         |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED                                  | 3,850,000          | 1.85         |
| WWB INVESTMENTS PTY LTD                                                    | 3,750,000          | 1.8          |
| RDA ASSET MANAGEMENT LIMITED                                               | 3,657,255          | 1.75         |
| CITICORP NOMINEES PTY LIMITED                                              | 2,926,493          | 1.4          |
| BNP PARIBAS NOMINEES PTY LTD                                               | 2,501,460          | 1.2          |
| MR ANDREW JOSEPH COATES + MRS MELINDA JANE COATES <AJ & MJ COATES S/F A/C> | 2,500,000          | 1.2          |
| MR ANDREW JOSEPH COATES                                                    | 2,500,000          | 1.2          |
| MR MERVYN ROBERT JOHN JACOB                                                | 2,333,334          | 1.12         |
| MR ZACHARY PURTON                                                          | 2,327,500          | 1.12         |
| E & E HALL PTY LTD <E & E HALL P/L S/F A/C>                                | 2,200,000          | 1.06         |
| NOXID NOMINEES PTY LIMITED <G A DICKSON FAMILY A/C>                        | 2,081,874          | 1            |
| MR MARTYN ROGER BROWN                                                      | 1,500,000          | 0.72         |
|                                                                            | <b>121,730,346</b> | <b>58.40</b> |

### Substantial Shareholders

| Name                      | Shares     | %     |
|---------------------------|------------|-------|
| Atlas Precious Metals Inc | 49,220,000 | 23.61 |

### On-Market Buy Back

There is no current on-market buy back.

### Voting Rights

All ordinary shares carry one vote per share without restriction. Options have no voting rights.


**Use of Proceeds**

In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial year ended 30 June 2019.

**Unlisted Options**

| <b>Class</b>                                                                      | <b>Number</b> | <b>Holders with more than 20%</b>                                                                               |
|-----------------------------------------------------------------------------------|---------------|-----------------------------------------------------------------------------------------------------------------|
| Options over ordinary shares exercisable at \$0.20 on or before 30 November 2021. | 7,000,000     | - JAWAF Enterprises Pty Ltd <Hall Family A/C> 1,500,000 Options                                                 |
| Options over ordinary shares exercisable at \$0.30 on or before 30 November 2021. | 1,000,000     | - Arkley Ventures Limited 1,000,000 options                                                                     |
| Options over ordinary shares exercisable at \$0.30 on or before 31 August 2020.   | 500,000       | - Jerry Aiken 500,000 options                                                                                   |
| Options over ordinary shares exercisable at \$0.30 on or before 31 May 2022.      | 6,500,000     | - Michael X. Schlumpberger 4,000,000 options                                                                    |
| Options over ordinary shares exercisable at \$0.40 on or before 30 April 2021.    | 1,750,000     | - Phillip Cleggett 1,750,000 options                                                                            |
| Options over ordinary shares exercisable at \$0.60 on or before 30 June 2022.     | 1,100,000     | - Cindi Byrns 500,000 options<br>- Orgil Battogtokh 500,000 options                                             |
| Options over ordinary shares exercisable at \$0.25 on or before 10 August 2020.   | 15,611,111    | N/A                                                                                                             |
| Options over ordinary shares exercisable at \$0.50 on or before 5 November 2022.  | 10,000,000    | - Michael X. Schlumpberger 4,000,000 options<br>- JAWAF Enterprises Pty Ltd <Hall Family A/C> 2,000,000 Options |
| Options over ordinary shares exercisable at \$0.50 on or before 30 July 2024.     | 2,500,000     | - Aaron Dean Bertolatti <ATF Bertolatti Family Trust> 1,500,000 Options                                         |



## Schedule of Tenements

### USA Project Locations



Figure 1: Location of the Fort Cady Project, California USA and Salt Wells Project, Nevada USA

### USA Tenement Listing

| Tenement Name                                                                                                                                                                               | Country | Status  | Grant Date                                                                                                                      | Expiry | Area                                                                         | Ownership Rights |                     |        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------------------------------------------------------------------------------------------------------------------------------|--------|------------------------------------------------------------------------------|------------------|---------------------|--------|
|                                                                                                                                                                                             |         |         |                                                                                                                                 | Date   | km²                                                                          | Surface          | Mineral             | Lessee |
| Fort Cady Project                                                                                                                                                                           |         |         |                                                                                                                                 |        |                                                                              |                  |                     |        |
| Parcel 0529-251-01<br>Parcel 0529-251-03                                                                                                                                                    | USA     | Granted | 8/05/2010                                                                                                                       | N/A    | 0.65<br>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<br>Litigation 1 Group<br>Litigation 4 Group<br>Litigation 5 Group<br>Litigation 2<br>Litigation 3<br>Litigation 6<br>Litigation 11<br>Geyser View 1<br>Company 4            | USA     | Granted | Various<br>12/09/1991<br>Various<br>Various<br>29/07/1937<br>29/07/1937<br>29/07/1937<br>29/07/1937<br>18/11/1934<br>15/12/1931 | N/A    | 0.65<br>0.65<br>0.65<br>0.65<br>0.65<br>0.65<br>0.65<br>0.65<br>0.28<br>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 <sup>2</sup> | Ownership Rights Surface  | Tenement Name             | Country                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|------------------------------------|-------------|-------------|----------------------|---------------------------|---------------------------|---------------------------|
| <b>Salt Wells North Borate and Lithium Project</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |         |                                    |             |             |                      |                           |                           |                           |
| The Salt Wells North includes the following claims:<br>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 | 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 |
| <b>Salt Wells South Borate and Lithium Project</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |         |                                    |             |             |                      |                           |                           |                           |
| The Salt Wells South includes the following claims:<br>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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 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.



## Important Information and Disclaimers

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### Disclaimer and Notes

For full details of exploration results refer to ASX announcements on 3 December 2018, 17 December 2018, 22 January 2019, 31 January 2019 and 15 April 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 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 Tabettha A. Stirrett of RESPEC Consulting Inc. Mrs Tabettha 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). Mr 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. Mr 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.