

28 January 2020

DECEMBER 2019 QUARTERLY REPORT

HIGHLIGHTS

- **Work commenced to enhance Fort Cady Borate Mine to include a larger SOP operation**
 - **Larger SOP operation likely to increase existing targeted US\$345m EBITDA in full production**
 - **A\$2.75m placement completed to three global institutional investors with funds to be used to progress construction related activities**
 - **Construction of Fort Cady Borate Mine (the “Mine”) commenced under existing construction permits with focus on initial SOP operation**
 - **Company continues to work constructively with referral authority for final main operational permit**
 - **Chinese SOE’s expected on site to discuss boric acid and SOP off-take and potential forward sale contract related financing**
 - **Positive ongoing progress with Amvest with respect to substantially debt financing the Mine**
 - **Network gas contract signed and initial payment made to ensure network gas is available for first production**
 - **Two US universities to be engaged to commence crop trials on speciality boron / SOP fertiliser**
-

American Pacific Borates Limited (ASX:ABR) (“ABR” or the “Company”) is pleased to provide an update on activities at its projects in Southern California and Nevada for the period ending 31 December 2019.

Increase of SOP Production

The Company is currently working on increasing SOP production from its proposed Fort Cady Borate Mine that under the current plan will produce 108k metric tonnes per annum. An enhanced DFS is expected to be released before 30 April 2020. The Board believes there is an opportunity to increase production to take advantage of the following:

COMPANY DIRECTORS

Harold (Roy) Shipes – Non-Executive Chairman
Michael X. Schlumpberger - Managing Director & CEO
Anthony Hall - Executive Director
Stephen Hunt - Non-Executive Director
John McKinney – Non-Executive Director



ISSUED CAPITAL

220.2 million shares
60.9 million options

REGISTERED OFFICE

Level 24, Allendale Square
77 St Georges Terrace, Perth
WA, 6000, Australia

US OFFICE

16195 Siskiyou Road, #210,
Apple Valley, CA, 92307, USA

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- The US is a net importer of SOP and the only incumbent producer is a high cost producer;
- ABR will have a very low cost of production relative to US production and imported SOP;
- The Mine is located on the West Coast which is a major consuming area for SOP;
- Growth rates for SOP consumption are stronger than US GDP given the link to high value crops;
- The Mine will have the required electricity and gas to power the additional Mannheim furnaces, as the Mine has access to grid electricity and network gas; and
- The Mine will have access to a brilliant logistics solution for increased production, given the process plant is located within four kilometres of a national rail network and a major interstate highway.

The increase in SOP production is expected to increase project IRR and NPV and annual EBITDA in full production.

A\$2.75m Placement Completed

On 11 December 2019, the Company announced it had completed a placement of 11m ordinary shares at 25c to raise A\$2.75m to three global institutional investors. The placement included a five for six attaching option at 30c.

Commencement of Construction

During December 2019, the Company commenced initial site works to prepare for the construction of the Fort Cady Borate Mine. Site works are ongoing with a focus on the fully permitted initial SOP operations. These include improvement to roads, site clearing/clean-up, and infrastructure improvements for construction activities.

Financing Discussions

Positive discussions with Amvest Capital continue with a view to substantially debt financing the first phase of the Mine.

The Board is also conscious there may be other financing options given the Mine has very strong financial and operational metrics including:

- Very low upfront capex;
- Unlevered post tax IRR of 41% and an NPV₈ of US\$1.50bn (A\$2.21bn);
- Targeted EBITDA in first full year of production of US\$345m;
- Modest initial production of boric acid to remove offtake risk; and
- A mining process that was successfully used on site for six years between 1995 and 2001 (refer ASX release dated 31 January 2019)

*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.
(Exchange rate of 0.68AUD to 1.00USD assumed)*

The Company has also been discussing a potential partner process with North American investment banks with deep mining and fertiliser markets experience. The Company has reviewed listed producing fertiliser focussed companies on the NYSE including Albermarle (NYSE:ALB), SQM (NYSE:SQM), Compass Minerals (NYSE:CMP) and Mosaic (NYSE:MOS). The average EV/EBITDA multiple for these companies as at 18 November 2019 for CY17, CY18E and CY19E was 10x with the PE multiples averaging 20x (refer ASX dated 19 November 2019). With these valuation metrics, the Company is also likely to commence a process for a secondary listing on the NYSE once initial production is within six months of the proposed listing date.



Final Operational Permit

The Company continues to work constructively with the EPA (Federal referral authority). The Company believes it has submitted all necessary information and expects a positive permit to be awarded over the coming months.

Ongoing Discussions with Chinese SOEs

Discussions are ongoing with major Chinese SOEs with respect to boric acid and SOP off-take agreements. The Company has advised that it is not prepared to sign off-take agreements in the absence of prepayments to support construction or project level investment. Chinese SOEs are expected to visit the site in March 2020 to progress these discussions.

Borate / SOP Fertiliser Crop Trials

The Company has commenced a process to engage a west coast and east coast US university to conduct crop trials and studies on a combined boron, potassium and sulphur speciality fertiliser that can be produced directly from the main products produced at the Fort Cady Borate Mine – boric acid and SOP.

The Company is considering producing a granular fertiliser that targets the high value US market for minimal chlorine based potassium fertilisers.

Boric acid and SOP contain three of six most consumed nutrients in North America by value and have the added advantage of minimal chlorine which makes it suitable for high value crops like nuts, fruits and tobacco.

Currently the NYSE listed fertiliser major, The Mosaic Corporation, produces a boron, potassium fertiliser marketed as Aspire (refer to www.aspireboron.com). The addition of boron is marketed as having the ability to “significantly improve root development, nutrient uptake and pollination and is proven to increase yields across a variety of crops and soil conditions” (refer to www.mosaicco.com/products/specialty_products_aspire.htm). Importantly, Aspire attracts a significant premium over Mosaics’ primary potassium based fertiliser, MOP or KCl (which contains substantial amounts of chlorine).

ENDS

Authorised for release by: Michael X. Schlumpberger, Managing Director.

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About American Pacific Borates Limited

American Pacific Borates 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, it comprises 13.93Mt of contained boric acid. In excess of US\$60m has been spent at Fort Cady, 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 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 2019¹) 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 2018²)

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

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

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 North and Salt Wells South Projects in Nevada, USA on the incurrence of US\$3m of Project expenditures. The Projects cover an area of 36km² and are considered prospective for borates and lithium in the sediments and lithium in the brines within the project area. Surface salt samples from the Salt Wells North project area were assayed in April 2018 and showed elevated levels of both lithium and boron with several results of over 500ppm lithium and over 1% boron.

¹ 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.

² 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



Figure 1 | Location of the Fort Cady and Salt Wells Projects in the USA



Appendix 1: Schedule of Tenements

Tenement Name	Country	Status	Grant Date	Expiry	Area	Ownership Rights		
				Date	km ²	Surface	Mineral	Lessee
Fort Cady Borate and Lithium Project								
Parcel 0529-251-01 Parcel 0529-251-03	USA	Granted	8/05/2010	N/A	0.65 0.32	FCCC	FCCC	N/A
Parcel 0529-251-04	USA	Granted	8/05/2010	N/A	1.09	FCCC	State of California	N/A
Company 1 Group Litigation 1 Group Litigation 4 Group Litigation 5 Group Litigation 2 Litigation 3 Litigation 6 Litigation 11 Geyser View 1 Company 4	USA	Granted	Various 12/09/1991 Various Various 29/07/1937 29/07/1937 29/07/1937 29/07/1937 18/11/1934 15/12/1931	N/A	0.65 0.65 0.65 0.65 0.65 0.65 0.65 0.65 0.28 0.65	Elementis	Elementis	FCCC
HEC #124 - #127, HEC #129, HEC #131, HEC #343, HEC #344, HEC #365, HEC #369, HEC #371, HEC #372, HEC #374 - #376	USA	Granted	Various	N/A	1.21	Elementis	Elementis	FCCC
HEC #19; HEC #21; HEC# 23; HEC#25; HEC #34 - #41; HEC #43 - #67; HEC #70 - #82; HEC #85 - #93; HEC #182; HEC #184; HEC #288; HEC #290; HEC #292; HEC #294; HEC #296 - #297; HEC #299 - #350	USA	Granted	Various	N/A	9.63	FCCC	FCCC	N/A
Salt Wells South Borate and Lithium Project								
The Salt Wells South includes the following claims: 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	23/05/18	N/A	8.5	Great Basin Resources Inc	Great Basin Resources Inc	Great Basin Resources Inc



Tenement Name	Country	Status	Grant Date	Expiry Date	Area km ²	Ownership Rights Surface	Tenement Name	Country
Salt Wells North Borate and Lithium Project								
<p>The Salt Wells North includes the following claims:</p> <p>SW 1, 2, 3, 4, 5, 6, 27, 29, 31, 32, 33, 34, 35, 36, 54, 56, 58, 59, 60, 61, 62, 63, 78, 81, 82, 84, 85, 86, 87, 88, 89, 104, 106, 108, 109, 110, 111, 112, 113, 114, 115, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 147, 149, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, , 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555</p>	USA	Earn in to acquire a 100% interest	23/05/2018	N/A	13.8	Great Basin Resources Inc	Great Basin Resources Inc	Great Basin Resources Inc

FCCC - Fort Cady (California) Corporation

Elementis - Elementis Specialties, Inc.

km² - Square Kilometres

Mining Tenements disposed: Nil

Beneficial percentage interests held in farm-in or farm-out agreements: Nil

Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed: Nil

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

AMERICAN PACIFIC BORATE & LITHIUM LTD

ABN

68 615 606 114

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(1,033)	(2,027)
(b) development	-	-
(c) production	-	-
(d) staff costs	(222)	(513)
(e) administration and corporate costs	(360)	(936)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	6
1.5 Interest and other costs of finance paid	-	(349)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other	1	54
1.9 Net cash from / (used in) operating activities	(1,611)	(3,765)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(27)	(124)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other –	-	-
2.6	Net cash from / (used in) investing activities	(27)	(124)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,750	2,750
3.2	Proceeds from issue of convertible notes	-	2,935
3.3	Proceeds from exercise of share options	35	53
3.4	Transaction costs related to issues of shares, convertible notes or options	(243)	(429)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material):		
3.10	Net cash from / (used in) financing activities	2,542	5,309

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,417	2,894
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,611)	(3,765)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(27)	(124)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,542	5,309
4.5	Effect of movement in exchange rates on cash held	(46)	(39)
4.6	Cash and cash equivalents at end of period	4,275	4,275

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	4,275	3,417
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,275	3,417

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
177
-

Payment of Directors Fees and Remuneration - \$177k

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	150
9.2 Development	1,452
9.3 Production	-
9.4 Staff costs	265
9.5 Administration and corporate costs	435
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	2,302

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter %
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Compliance statement

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



Sign here:

(Company Secretary)

Date: 28 January 2020

Print name: Aaron Bertolatti

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.