



AmericanPacific

BORATES LIMITED

ASX Announcement

ASX Code: ABR

ACN: 615 606 114

11 May 2020

ABR REMAINS ON TRACK FOR FIRST PRODUCTION IN 2H CY2021

HIGHLIGHTS

- Fort Cady Borate Mine on track for substantive construction activities to commence in Q3, CY2020
- Initial production target remains on track for 2H, CY2021
- Construction employment to peak at 140 jobs during the 12 month period
- Creation of 250 direct jobs in full production, likely to position ABR as a large employer in the County
- Critical path detailed engineering activities progressing
- Financing activities in train with various parties interested
- Final operational permit expected in Q3, CY2020
- Sales and marketing activities ongoing
- Construction manager appointed
- Focused on maintaining a strong cash position

American Pacific Borates Limited (ASX:ABR) ("ABR" or the "Company") is pleased to provide an update on its progress with respect to its target of first production in 2H, CY2021 for its flagship Fort Cady Borate Mine located in Southern California.

American Pacific Borates Limited, CEO, Michael Schlumpberger commented,

"We remain on track for first production in 2H, CY2021.

Importantly we are progressing critical path construction activities at a sensible pace whilst ensuring prudent cash preservation into the receipt of the final operational permit.

Our focus is also shifting from desktop activities to a twelve month construction period where we will be responsible for approximately 140 jobs and then an ongoing producing mine where we will directly employ around 250 people in full production.

This is an exciting phase in the Company's development and in meeting our aspiration to become a globally significant producer of specialty fertilisers."

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

240.8 million shares

63.2 million options

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Corporate Responsibility Activities

During the twelve month construction period, around 140 people will be employed at peak periods constructing the Fort Cady Borate Mine.

The resulting mine will directly employ around 250 people in full production. The indirect employment resulting from the mine is generally estimated at greater than 10 indirect jobs per direct job. The Company expects that the employment outcomes will therefore be significantly larger than the 250 people, and is likely to result in the mine being a large direct and indirect employer in the County.

With this comes tangible corporate responsibility obligations that the Company is very conscious of. ABR is already supporting various community related initiatives and has been doing so for some time. The Company's head office is located in the County where the mine is located and over the last three years, the Company has been working with local suppliers, vendors and contractors establishing relationships that will be utilised not only in construction, but also during steady state operation.

The Company has also been a member of the local Chambers of Commerce and has participated in local high school career fairs to encourage STEM (science, technology, engineering, and mathematics) related careers specific to the Fort Cady Mine and mining/engineering in general. The Company is committed to ensuring it procures locally where possible and supports its position as an important employer within the community proximate to the mine and the broader County.

Fort Cady Borate Mine Construction Related Activities

Modest initial construction activities under existing construction permits continue with respect to site preparation. Substantial construction activities will commence on receipt of the final operational permit and associated mine financing. These construction activities are currently scheduled to commence in Q3, CY2020.

Critical path detailed engineering is progressing and expected to be ready to meet the Q3, CY2020 timeline.

Necessary prepayments for long lead items have also been made. The Company has successfully re-negotiated some contracts to reduce upfront payments whilst ensuring engineering and procurement activities can still be progressed to meet the critical path.

The Company remains on track for first production in 2H, CY2021 consistent with the timeline in the Company's release to the ASX of 24 April 2020.

Financing Activities

Following the release of the enhanced DFS on 16 April 2020, the Company has commenced an active financing process with a particular focus on re-engaging with global sources of finance that specialise in financing natural projects. The relevant entities are familiar with the project with discussions having commenced after the release of the initial DFS in December 2018.

The Company aims to maximise debt to limit equity dilution.

In addition to the above discussions, the Company is also exploring:

- Off take related prepayments with discussions at an advanced stage
- Federal and Californian loan guarantee schemes
- Equipment financing options
- Project level partners



The Company continues to be satisfied it will have various financing options available on receipt of the final operational permit. The Project has exceptional financial metrics supported by:

- a) very low upfront capital expenditure
- b) low technical risk on the basis the ore body has been mined previously over a six year period
- c) very high margin supported by large by-product credits
- d) multiple revenue streams reducing pricing risk
- e) production targets that are not disruptive to the market
- f) enviable location being on the doorstep of the third largest agricultural market in the world.

Sales and Marketing Activities

Work is continuing to demonstrate the relative benefits of a boron / potash / sulfur fertiliser blend that the Company plans to prepare on site from its two main products – boric acid (H_3BO_3) and SOP (K_2SO_4). The Company expects to demonstrate a substantial increase in yield that will justify a premium price for the speciality fertiliser.

Discussions are ongoing with Chinese SOE's. Whilst the Company acknowledges supplying product to China will reduce margin, it may present a sensible holistic arrangement if combined with financing options.

US initiatives are ongoing and are likely to be ramped up once the Company has received the final operational permit. Importantly, production from Phase One A is relatively small in the context of the US market with SOP production being around 30% of the total Californian market and boric acid production around 1% of the total US market.

Final Main Operational Permit

The Company has received, and is currently reviewing a draft of the final main operational permit. The Company expects it will substantially accept the conditions meaning the referral authority should be in a position to complete the balance of the permit award process over the coming months.

The Company currently expects to be awarded the final operational permit to enable it to commence substantive construction activities in Q3, CY2020.

Corporate Activities

The Company reported a cash balance of c. A\$6.7m as at 31 March 2020. Notwithstanding this strong cash position, the Company has put in place various measures to preserve cash given current uncertainties whilst also ensuring that critical path construction related activities are progressed in a sensible manner. The Company has always opted for a light owners' team supported by key consultants and contractors as opposed to the alternate where the Company carries the bulk of the employment costs. This strategy has proved beneficial in the context of current market conditions.

The Company has a staff of five people directly employed at the Californian office following the appointment of an experienced construction manager in April 2020. This staff is supported by the equivalent of 1.5 full time equivalent (FTE) positions in Australia.

Corporate focus is currently on receipt of the final operational permit, financing activities and preconstruction activities.

-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 Mine 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). An enhanced DFS was completed in April 2020 (ASX release dated 16 April 2020). The enhanced DFS increased production of SOP to 363ktpa in full production. This complemented boric acid production of 409ktpa.

The enhanced DFS delivered exceptional financial metrics, including an unlevered post tax NPV₈ of US\$1.97bn, an unlevered post tax IRR of 39% and an EBITDA in the first full year of production of US\$438m.

JORC compliant Mineral Resource Estimate and Reserve (ASX release dated 3 December 2018¹)

JORC compliant Mineral Resource Estimate and Reserve						
Reserves	MMT	B₂O₃ %	H₃BO₃ %	Li ppm	B₂O₃ MT	H₃BO₃ 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

¹ 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 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 final permit 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.

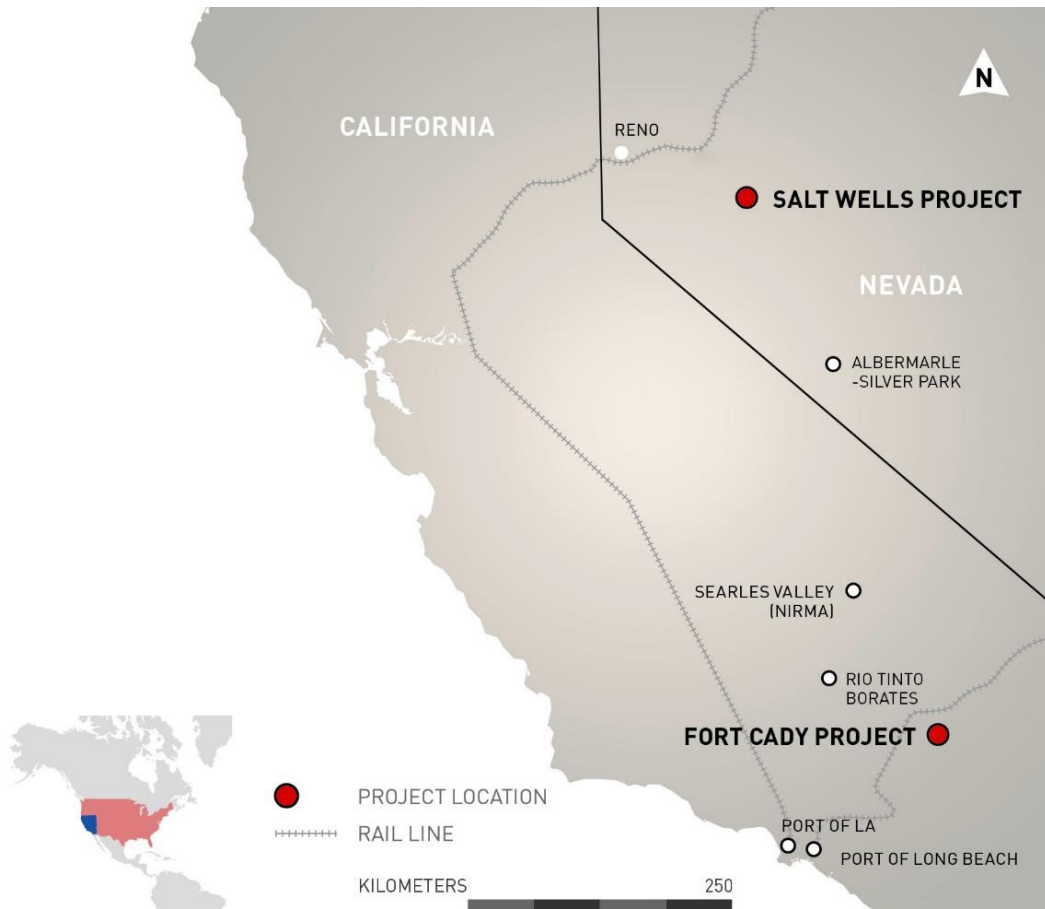


Figure 1 | Location of the Fort Cady and Salt Wells Projects in the USA