



AmericanPacific

BORATES LIMITED

ASX Announcement

ASX Code: ABR

ACN: 615 606 114

16 December 2019

ABR to Double SOP Production at Fort Cady Mine to Target EBITDA of over US\$400m in first year of full production

HIGHLIGHTS

- ABR is currently revising its Fort Cady mine plan to double SOP production
- Phase three SOP production is targeted to be 240k stpa (double current planned production of 120k stpa)
- Phase one A remains unchanged to ensure engineering and construction program is not delayed
- Based on existing DFS model, ABR is targeting EBITDA per annum in first year of full production of over US\$400m

American Pacific Borates Limited (ASX:ABR) ("ABR" or the "Company") is pleased to announce it is currently revising its Fort Cady mine plan to double its production of Sulphate of Potash ("SOP" or " K_2SO_4 "). SOP is a low chlorine speciality potassium based fertiliser that is used for crops that are chlorine intolerant or crops that grow in arid environments where the build-up of chlorine contained in MOP or KCl is considered undesirable.

Revised production levels, by phase, are demonstrated in the table below.

Table 1 | Production by phase at the Fort Cady Borate Project - Increased SOP scenario

	Boric Acid (metric tonnes)	SOP - Jan 2019 DFS (metric tonnes)	SOP - Revised Plan (metric tonnes)	SOP - Revised Plan (short tonnes)
Phase 1A	5,443	36,287	36,287	40,000
Phase 1B	76,204	-	36,287	40,000
Phase 2	163,293	36,287	72,574	80,000
Phase 3	163,293	36,287	72,574	80,000
Total (3 Phases)	408,233	108,861	217,724	240,000

COMPANY DIRECTORS

Harold (Roy) Shipes – Non-Executive Chairman
 Michael X. Schlumberger - 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

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The US market is currently a net importer of SOP with the only producer being Compass Minerals. The Company believes it is well positioned to compete in the US market with Compass Minerals and alternate sources of supply based on the fact SOP is a by-product of boric acid production after Phase 1A and the mine is located on the West Coast where the agricultural market is the largest consumer of SOP.

Phase 1A cost of production is only US\$143 / tonne per the table below which is substantially lower the existing producers supplying to the US. In Phases after this, boric acid is a by-product of production.

Table 2 | SOP Cash Costs in Phase 1A

Phase 1A			
\$ per metric tonne of SOP			
C1 Costs		C2 and C3 Costs	
Utilities	22.61	Licensing and Royalties	0.15
Consumables	431.76	Depreciation	50.75
Labour	60.82	Total C2 Costs	50.91
Equipment Lease	1.32	G&A	7.04
Maintenance	34.00	Total C3 Costs	7.04
Sustaining Capex	7.44		
(HCl by-product credit)	(348.31)	TOTAL Opex	143.84
(BA by-product credit)	(120.00)		
(Gypsum by-product credit)	(3.76)		
Total C1 Costs	85.89		

Based on the economics in the DFS that show US\$345m EBITDA in the first full year of production (refer ASX release of 31 January 2019), the Company is targeting a revised EBITDA in the first full year of production of over US\$400m.

The decision to double SOP production at Fort Cady is due to the continued strength of the SOP market and strong fertiliser market fundamentals leading to expected long term demand growth. When coupled with the extremely competitive Fort Cady SOP market positioning, the Company sees significant advantages in increased production.

The location of the Project, with advantageous proximity to rail, interstate highways and end users of SOP are additional advantages which give the Company confidence in doubling its proposed SOP production.

Importantly the increased SOP production will not alter the current timeline to first production as SOP production in Phase 1A will not change. This means that all detailed engineering completed does not require any amendments.

ENDS

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Competent Persons Statement

Fort Cady

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

Production Target

The Production Target stated in this announcement is based on the Company's enhanced DFS for the Fort Cady Borate Project as released to the ASX on 31 January 2019. The information in relation to the Production Target that the Company is required to include in a public report in accordance with ASX Listing Rule 5.16 was included in the Company's ASX Announcement released on 31 January 2019. The Company confirms that the material assumptions underpinning the Production Target referenced in the 31 January 2019 release continue to apply and have not materially changed.

Forward Looking Statements

This announcement contains 'forward-looking information' that is based on the Company's expectations, estimates and projections as of the date on which the statements were made. This forward-looking information includes, among other things, statements with respect to definitive feasibility studies, the Company's business strategy, plans, development, objectives, performance, outlook, growth, cash flow, projections, targets and expectations, mineral reserves and resources, results of exploration and related expenses. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as 'outlook', 'anticipate', 'project', 'target', 'potential', 'likely', 'believe', 'estimate', 'expect', 'intend', 'may', 'would', 'could', 'should', 'scheduled', 'will', 'plan', 'forecast', 'evolve' and similar expressions. Persons reading this announcement are cautioned that such statements are only predictions, and that the Company's actual future results or performance may be materially different. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information.



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

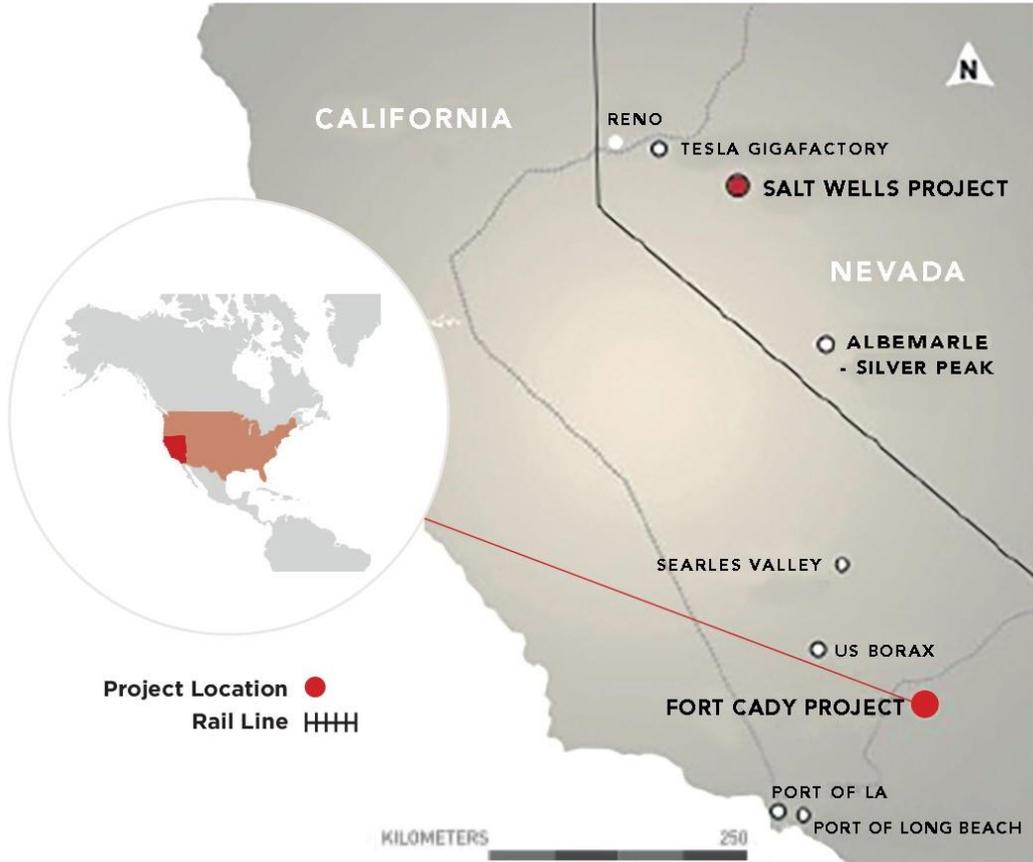


Figure 1 | Location of the Fort Cady and Salt Wells Projects in the USA