



AmericanPacific

BORATES LIMITED

ASX Announcement

ASX Code: ABR

ACN: 615 606 114

19 November 2019

## ABR WORKING ON BORON SOP SPECIALTY FERTILISER FOR MAIN PRODUCTS FROM FORT CADY BORATE MINE

### HIGHLIGHTS

- **West Coast and East Coast US University to be engaged to conduct crop trials and studies on boron SOP specialty fertiliser that is produced from the main products from the Fort Cady Borate Mine**
- **Specialty fertiliser to include boron, potassium and sulphur (chemical symbols of B, K and S), three of the first six most consumed nutrients in North America by value**
- **The Boron SOP specialty fertiliser can be produced on site**
- **Financing discussions continuing with Amvest Capital and Chinese SOEs with US partner process likely to commence as an additional financing stream**
- **Detailed engineering focusing on site civil works and long lead item equipment progressing**
- **Target remains to commence civil works for the Fort Cady Borate Mine in December 2019**

American Pacific Borates Limited (ASX:ABR) ("ABR" or the "Company") is pleased to provide an update on activities at its Fort Cady Borate Project as it progresses towards early construction activities in December 2019.

### Fertiliser Focus – Boron, Potassium and Sulphur Specialty Fertiliser

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 from the Company's main products – boric acid and SOP.

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#### 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

209.1 million shares  
51.9 million options

#### REGISTERED OFFICE

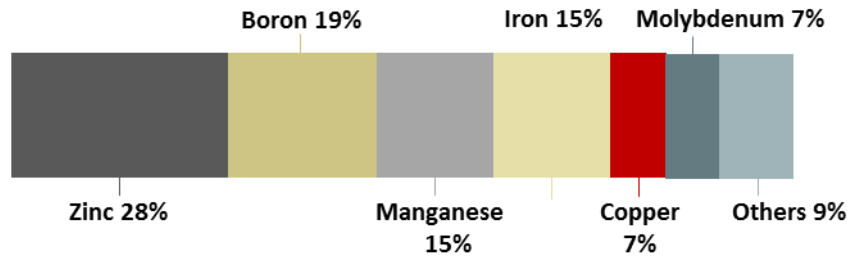
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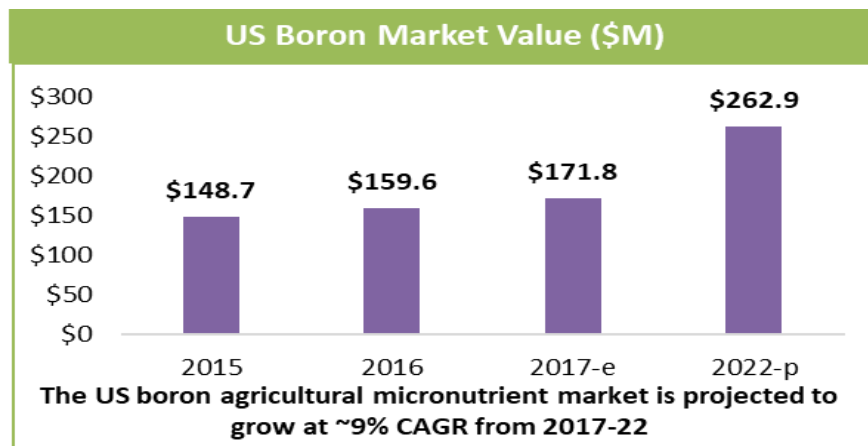
**Figure 1.** Graph showing value of micronutrient use in USA by value (Context: April 2018)

The Company is considering producing a granular fertiliser that targets the high priced 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 priced crops like nuts, fruits and tobacco.

Currently the NYSE listed fertiliser major, The Mosaic Corporation produces a boron, potassium fertiliser marketed as Aspire ([www.aspireboron.com](http://www.aspireboron.com)). The addition of the 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”. ([http://www.mosaicco.com/products/specialty\\_products\\_aspire.htm](http://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).

With the Company’s ability to produce the boron, potassium and sulphur speciality fertiliser it expects to have a fertiliser that can take advantage of the large projected increase in boron use in the US over the coming years as shown below.



**Figure 2.** Graph showing estimates of US boron market value for use as a micro nutrient



### Project Financing

The Company is pleased to report it is continuing to progress positive discussions with Amvest Capital and Chinese SOEs with respect to project finance and offtake contracts.

The Board is also conscious the Fort Cady Borate Project has very strong financial and operational metrics including:

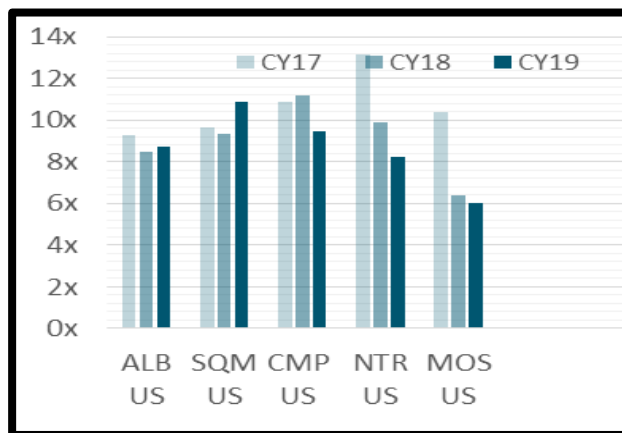
- Very low upfront capex;
- Unlevered post tax IRR of 40.5% and an NPV<sub>8</sub> of US\$1.43bn (A\$2.10bn);
- Targeted EBITDA in first full year of production of US\$345m;
- Modest initial production of boric acid to remove offtake risk; and
- A mining process that was successfully used on site for 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:CMO) and Mosaic (NYSE:MOS). The average EV/EBITDA multiple for these companies as at 10 June 2019 for CY17, CY18E and CY19E was 10x with the PE multiple averaging 20x.



**Figure 3.** Graph showing EV/EBITDA multiple of listed US entities at 10 June 2019 based on actual CY17 and estimated CY18 and CY19

At a 30c share price (close of business 18 November 2019), the Company is currently trading at an NPV<sub>8</sub> to fully diluted market capitalisation of less than 4% (A\$78.3m / A\$2,100bn). At this level, its enterprise value is 0.15x of targeted EBITDA in full production (A\$70m / A\$507m).

With the Company's current cash position it is in the fortunate position of being able to commence early on site infrastructure works in advance of receipt of the final operational permit and as such sees no urgency with respect to preparing and signing definitive legal agreements for project finance.



With the above in mind, the Company is likely to progress several financing streams into final permitting including:

- Completing final negotiations with Amvest with respect to substantially debt financing the Mine;
- Seeking offtake related financing support from Chinese SOEs;
- Running a partner process in North America focusing on listed mining and fertiliser companies; and
- Seeking to reduce capex via vendor finance or Build Own Operate Transfer arrangements

### **Detailed Engineering**

The current focus is on completion of site civil works detailed engineering to enable initial on-site construction activities in December 2019. This detailed engineering is progressing well.

**ENDS**

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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 NPV<sub>10</sub> of US\$1.25bn (NPV<sub>8</sub> 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 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 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.

<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

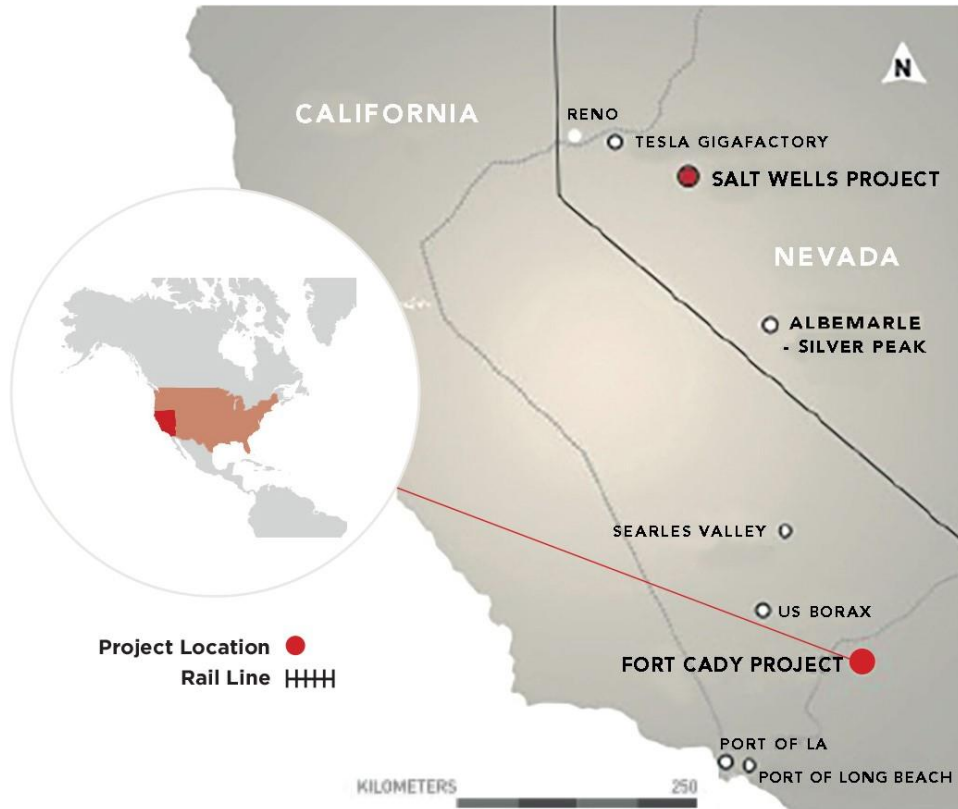


Figure 4 | Location of the Fort Cady and Salt Wells Projects in the USA