



AmericanPacific

BORATES LIMITED

ASX Announcement

ASX Code: ABR

ACN: 615 606 114

10 May 2021

ABR DEFERS PHASE 1A OF FORT CADY BORATE MINE TO FOCUS ON LARGER BORATE OPERATION TO ENHANCE US LISTING

HIGHLIGHTS

- US Advisory Board has completed initial strategic business planning
- Decision has been made to defer construction of Phase 1A of Fort Cady Borate Mine to focus on larger borate operation and production of borate specialties in combination with sales of boric acid
- Two base case mine alternates to be focussed on:
 - Option 1 – Combining all current Phase 1 operations into a 90kstpa boric acid and 80kstpa SOP operation; and
 - Option 2 – Larger operation combining option 1 above with current Phase 2 operation to deliver 270kstpa boric acid and 240kstpa SOP operation
- Value engineering enhancements focused on reducing capital intensity and operating costs to be explored via pilot production wells and processing that will deliver product for potential customers
- Further drilling to be completed to target increasing current JORC Code Compliant Mineral Resource Estimate
- Discussions advancing with potential US based CEOs and CFOs with a view to appointments being made in the short term
- Discussions commenced with US based global investment banks, potential US partners and debt capital markets advisors
- Business to commence work on borate specialty applications focused on global decarbonisation

American Pacific Borates Limited (ASX:ABR) ("ABR" or the "Company") is pleased to advise its recently appointed US Advisory Board has completed an initial strategic business plan for the Company post a three-day workshop on site that concluded on 7 May 2021. Key outputs from the strategic business plan are summarised below.

COMPANY DIRECTORS

David Salisbury – Executive Chairman

Anthony Hall – Executive Director

Stephen Hunt – Non-Executive Director

Jimmy Lim – Non-Executive Director



ISSUED CAPITAL

378.1 million shares

58.9 million options

REGISTERED OFFICE

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Construction of Fort Cady Borate Mine

The Advisory Board considered the efficacy of the current staged approach to the construction of the Fort Cady Borate Mine (the “Mine”). The following was noted:

1. The modest initial boric acid operation was underwritten by the larger SOP operation with the main output being an opportunity to value engineer the larger boric acid operation and supply initial product to potential larger customers.
2. In operating both Phase 1A and Phase 1B the Company assumes a merchant sales risk for HCl.
3. There is the potential to increase well head grade through process optimisation.
4. The delay in the commencement of SOP operations given procurement lags with European suppliers and risk around further delay means the boric acid operation would likely lose money for at least two quarters.
5. The Mine does not generate meaningful EBITDA until Phase 1C is completed.
6. The Mine capex is greater under the staged approach and operations are potentially compromised with continuous on site construction activities.
7. The Mine is focussed on SOP and boric acid and needs to explore the production of borate specialties necessary for global decarbonisation, including specialty fertilisers in partnership with Compass Minerals (refer ASX release of 7 May 2021).
8. With the Company's current market capitalisation, a move to the US and likely ongoing scarcity of borates the Company will have various options available to it to construct a larger initial operation that delivers better metrics for US capital markets and value for shareholders.

Given the above, the Advisory Board has recommended, and the Company has adopted the following:

1. The Company will defer the construction of Phase 1A of the Mine to focus on a larger initial operation.
2. Value engineering will be commenced with a view to optimising capital and operating costs through various process improvement.
3. Sufficient product for initial potential customer validation will be generated through the value engineering process.
4. Two base case mine alternates will be focussed on:
 - a. Option 1 – combining all current Phase 1 operations into a 90kstpa boric acid and 80kstpa SOP operation; and
 - b. Option 2 – larger operation combining option 1 above with current Phase 2 operation to deliver 270kstpa boric acid and 240kstpa SOP operation
5. Any value engineering upside to be incorporated into base case mine plans.
6. Production of specialty borate operations to be considered to augment base case mine alternatives.
7. Discussions to be advanced with US based investment banks, potential US partners and debt capital market advisors in parallel with updated mine planning activities.

Additional Resource Drilling

The Advisory Board has recommended the Company consider completing additional drilling with a view to expanding the footprint and scale of the JORC Code Compliant Mineral Resource Estimate.

The Company has commenced a process to prepare an Exploration Target with a view to identifying potential Resource upside and commencing drilling later in the current Calendar Year.



US Based Executive Management

Positive discussions, supported by the US Advisory Board, are advancing with potential US based CEOs and CFOs with a view to appointments being made in the short term.

Timelines

The current priority is the appointment of US based executive management to work with the Company's existing team based in the Company's head office in Hisperia, Southern California. With these appointments the focus will be on completing and progressing the following activities:

1. pilot production wells and processing,
2. value engineering existing mine plans with the goal of increasing boric acid head grade from wells,
3. updating studies for the new two base mine alternatives,
4. preparation of an exploration target and completion of Resource drilling

Parallel with these activities, discussions will be advanced by the US Advisory Board with US based investment banks, potential US partners and debt capital markets advisors.

The Company does not expect to be in a position to complete its desired strong listing into the US in the current calendar year.

- ENDS -

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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 traditional 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\$80m 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.

An updated enhanced Definitive Feasibility Study ("eDFS") was completed in February 2021 (ASX release dated 4 February 2021¹). The updated eDFS has production targets of 450ktpa of boric acid and 400ktpa of SOP in full production. Financial metrics include an unlevered post tax NPV₈ of US\$2.02bn, an unlevered post tax IRR of 41% and an EBITDA in the first full year of production of US\$453m.

The Company is currently working through a process to ensure a strong listing on a recognised New York exchange having appointed a US Advisory Board and completing various activities including strengthening its executive management team, focusing on a larger initial mining operation to deliver stronger earlier EBITDA and progressing discussions with US based investment banks, potential US partners and debt capital markets advisors.

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 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



Location of the Fort Cady and Salt Wells Projects in the USA

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 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.