

21 August 2018

ABR to increase Fort Cady Borate mine size in light of positive trends in global borate market

- **ABR to incorporate third phase into Fort Cady borate mine's Definitive Feasibility Study (DFS)**
- **Previously released Scoping Study identified a two-phase operation at the Fort Cady Project of 82k tonnes per annum increasing to 246k tonnes per annum at the completion of phase two (ASX release of 27 December 2017)**
- **Decision supported by global borate market dynamics and taking advantage of the upgraded JORC compliant Mineral Resource Estimate of 120m tonnes at 11.6% boric acid equivalent**
- **Approved railroad spur under existing mining permit to support logistics solution for larger operations**
- **Ability to sell by-product gypsum into Californian agricultural and industrial markets to also support larger operations**
- **Borate market forecast to grow at up to 6% CAGR with majority of additional supply predicted to come from Turkish Government owned Eti Maden**
- **Bulk samples from on-site testworks currently with equipment manufacturers to enable completion of flow sheet and capex estimates**
- **DFS on track for completion in Q4 CY2018**
- **Mojave Desert Air Quality Management District approval to commence construction for Fort Cady mine granted on 16 August 2018**

American Pacific Borate and Lithium Limited (ASX:ABR) ("ABR" or the "Company") is pleased to provide an update on its progress as it seeks to complete the DFS for its Fort Cady Borate Project (the "Project") in Q4, CY2018.

Major milestones completed in the current Quarter include:

1. Bulk sample from onsite testworks sent to equipment manufacturers to enable completion of flow sheet and capex estimates;
2. The decision to increase the targeted scale of the mine to include a third phase, financed through cash flow, to take advantage of the upgraded JORC compliant Mineral Resource Estimate ("MRE"), positive trends in the global borate market, the Company's approved railroad spur under its current mining permit, and the Company's ability to sell by-product gypsum into the Californian agricultural and industrial markets. This third phase adds to the December 2017 Scoping Study that targeted steady state production of 246k tonnes of boric acid per annum over a two phase construction with phase two to be funded from cash flow; and

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

190.1 million shares

21.9 million options

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3. The approval to commence construction from the Mojave Desert Air Quality Management District.

ABR's CEO and Managing Director Michael Schlumpberger commented:

"We continue to progress ABR towards becoming a globally significant producer of borates. Our decision to increase our target mine size to include a third phase is supported by: the size of our Resource; positive borate market trends; our permitted railroad spur providing the necessary logistics solution for an increase in production; and our ability to sell by-product gypsum and sulphate of potash (SOP) into large Californian agricultural and industrial markets.

Demonstrating our ongoing intent to accelerate Fort Cady into production, we have delivered further milestones of bulk samples from on-site testworks being sent to equipment vendors and the approval from the Air Quality district to enable the commencement of construction. The relatively quick approval from the Air Quality Management District highlights the support from the authorities in California and brings us one step closer to developing the project."

Fort Cady Borate Project DFS Progress

The convergence of the following factors has resulted in the Company making the decision to incorporate a third phase into its targeted mine:

- a large multi-generational borate Resource (JORC compliant MRE of 120m tonnes at 6.5% B₂O₃, or 11.6% boric acid (H₃BO₃) for 13.9m tonnes of contained boric acid (refer ASX Release of 1 February 2018), the Company's Fort Cady Borate Project hosts the largest known contained borate JORC or NI43-101 Mineral Resource Estimate in the world not owned by major borate producers Rio Tinto and Eti Maden);
- a brilliant railroad dominated logistics' solution (current mining permit allows a 3km to 4km rail spur from the main national railway line running close to the Project boundary);
- large by-product markets in California for agricultural and industrial gypsum and SOP consumption supported in part by the railroad logistics' solution; and
- a borate market growing at up to 6% CAGR with limited additional supply capacity outside of Turkey.

This additional third phase, expected to be financed through cash flows, is currently being incorporated into the upcoming DFS. The third phase builds on the Project's Scoping Study that was completed in December 2017 with the following key metrics:



Table 1 – Key Fort Cady Borate Project Scoping Study metrics (refer ASX release of 24 January 2018)

Key Economic Outcomes*	
Life of Mine (LOM)	25 years
Phase 1 annual plant capacity Boric Acid	82ktpa
Phase 1 annual plant capacity Sulphate of Potash	18ktpa
Phase 2 annual plant capacity Boric Acid - Base Case	246ktpa
Phase 2 annual plant capacity Sulphate of Potash - Base Case	54ktpa
Pre-production Capital Cost Estimate (Phase 1)	US \$98.0m
Expansion Capital Cost Estimate (Phase 2)	US \$132.0m
Well Field Development Capital Cost - Base Case	US \$11.8m pa
Sustaining Capital Cost - Base Case	US \$6.1m pa
C1 Operating Costs (excl. by-product SOP credit)	US \$349/t BA
C1 Operating Costs (incl. by-product SOP credit)	US \$193/t BA
EBITDA in first year of full production (Phase 2)	US \$156.4
Unlevered, post-tax NPV ₁₀ (US \$'m)	US \$746.9m
Unlevered, post-tax NPV ₈ (US \$'m)	US \$934.7m
Unlevered, post-tax NPV₁₀ (A\$'m)	A\$934.7m
Unlevered, post-tax NPV₈ (A\$'m)	A\$1,219.4m
IRR	41.1%
Exchange rate US\$1.00:A\$0.80	

Cautionary Statement on Fort Cady Boric Acid Scoping Study

The Boric Acid Scoping Study referred to in this announcement has been undertaken to ascertain whether a business case can be made for raising the further funding needed to proceed to more definitive studies on the viability of the Fort Cady Borate and Lithium Project. It is a preliminary technical and economic study of the potential viability of the Fort Cady Project. It is based on low level technical and economic assessments that are not sufficient to support the estimation of ore reserves. Further confirmatory resource drilling and evaluation work and appropriate studies are required before the Company will be in a position to estimate any ore reserves or to provide any assurance of an economic development case.

The Boric Acid Scoping Study is based on the material assumptions outlined below. These include assumptions about the availability of funding. While the Company considers all of the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the Scoping Study will be achieved.

To achieve the range of outcomes indicated in the Scoping Study, the Company estimates funding in the order of US\$98m (Phase 1) will likely be required for commercial-scale operations. Investors should note that there is no certainty that the Company will be able to raise that amount of funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of the Company's existing shares.

It is also possible that the Company could pursue other 'value realisation' strategies such as a sale, partial sale or joint venture of the project. If it does, this could materially reduce the Company's proportionate ownership of the project. Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the Scoping Study.

In addition to the above, bulk samples (referred to as pregnant liquor solution) from the onsite testwork program have been sent to equipment manufacturers for testworks to enable the completion of the flowsheet and capex estimates for the DFS. The results of these testworks are expected over the next six weeks.



Global Borate Market

The decision to increase the targeted size of the Project is supported by global borate market dynamics.

In 2016 the Turkish Government owned entity, Eti Maden, claimed it had a market share of over 50% of the world's borate market (source: Eti Maden and the Borate Industry, Industrial Minerals International Congress and Exhibition, 13 June 2016). It also claimed to control around 74% of the world's borate reserves.

The second largest producer of borates globally is Rio Tinto from its mine in California. Rio claims to control 30% of global borate production. Interestingly, Rio's production only grew by 1% between 2016 and 2017, and 2017 was less than 2% higher than 2014, suggesting they had reached peak production (Source: Rio Tinto Chartbook March 2018).

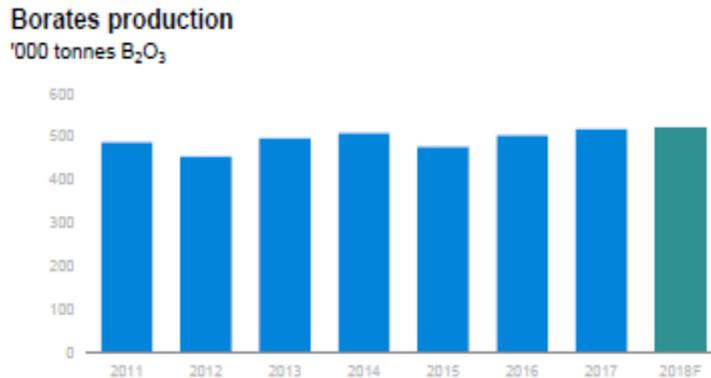


Figure 1. Rio Tinto Annual Borate Production in B₂O₃ between 2011 and 2017

In addition to the above, the Company's recently commissioned study by US based Context Inc into US micronutrient markets for boron and SOP presented a key finding that boron's annual micronutrient value is expected to grow by a strong 9% compounded annual growth rate (CAGR) through to 2022.

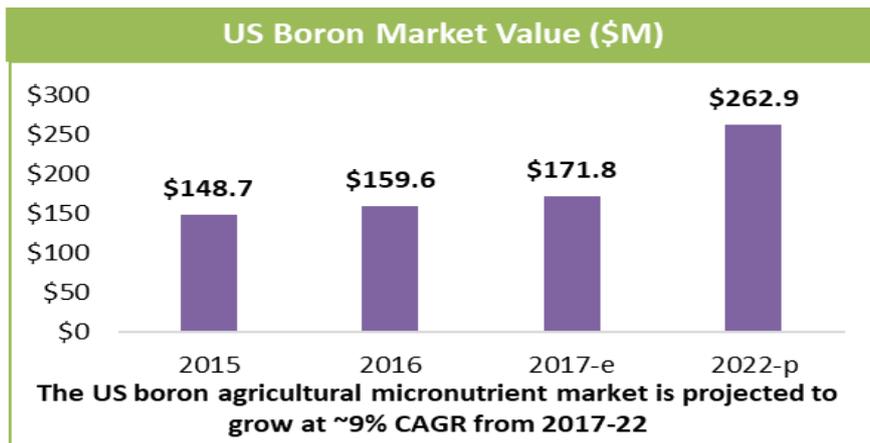


Figure 2. Graph showing estimates of US boron market value for use as a micro nutrient

With recent Turkish geopolitical issues, increasing global demand, and limited additional supply outside of Turkey, the Company is confident there will be sufficient demand to support a larger mine without any detrimental effect on pricing.



Permitting

On 16 August 2018 the Company received approval from the Mojave Desert Air Quality Management District necessary to commence construction. This application was lodged in June 2018.

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Competent Persons Statement

The information in this release that relates to Mineral Resources Results is based on information prepared by Mr Louis Fourie, P.Ge 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.



About American Pacific Borate and Lithium Limited

American Pacific Borate and Lithium Limited is focused on advancing its 100% owned Fort Cady Borate Project located in Southern California, USA (Figure 8). Fort Cady is a highly rare and large colemanite deposit with substantial lithium potential 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 Project has a JORC mineral estimate of 120.4 Mt at 6.50% B₂O₃ (11.6% H₃BO₃, boric acid equivalent) & 340 ppm Li (5% B₂O₃ cut-off) including 58.59 Mt at 6.59% B₂O₃ (11.71% H₃BO₃) & 367 ppm Li in Indicated category and 61.85 Mt @ 6.73% B₂O₃ (11.42% H₃BO₃) & 315 ppm Li in Inferred category. The JORC Resource has 13.9 Mt of contained boric acid. In total, in excess of US\$50m has historically been spent at Fort Cady, including resource drilling, metallurgical test works, well injection tests, permitting activities and substantial pilot-scale test works.

ABR expects the Fort Cady Project can quickly be advanced to construction ready status due to the large amount of historical drilling, downhole geophysics, metallurgical test work, pilot plant operations and feasibility studies completed from the 1980's to early 2000's. 33 resource drill holes and 17 injection and production wells were previously completed and used for historical mineral estimates, mining method studies and optimising the process design. Financial metrics were also estimated which provided the former operators encouragement to commence commercial-scale permitting for the Project. The Fort Cady project was fully permitted for construction and operation in 1994. The two key land use permits and Environmental Impact Study remain active and in good standing.

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.

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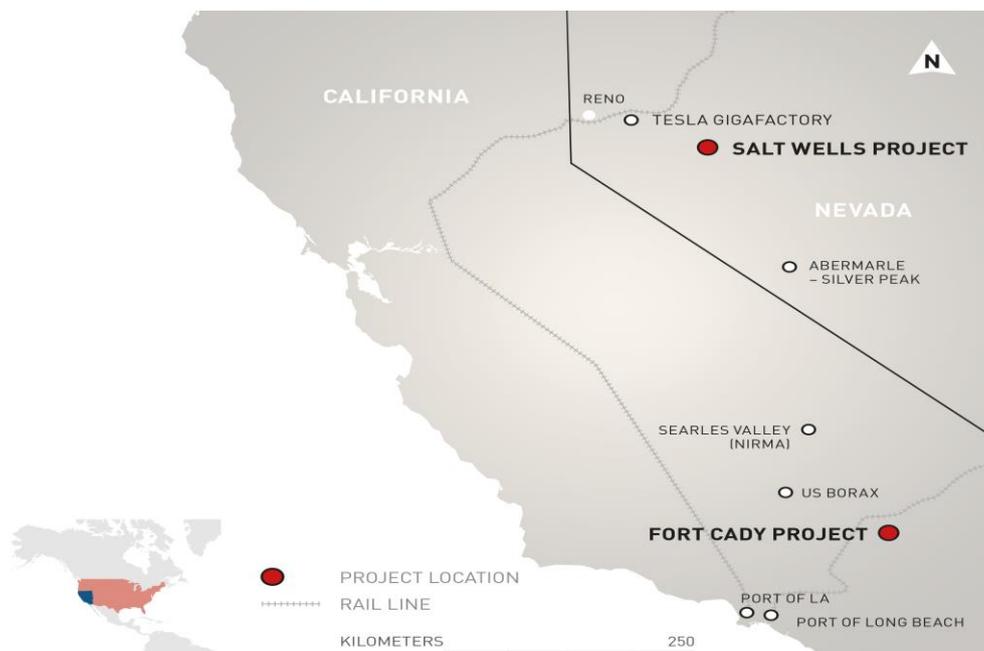


Figure 3. Location of the Fort Cady Project, California and the Salt Wells Projects, Nevada USA