

# American Pacific Borate & Lithium Ltd

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## American Pacific Borate & Lithium finalising an enhanced DFS

- An enhanced DFS for the Fort Cady Borate Project in California is being worked on, with targeted completion in the March quarter
- Strategic discussions with borate consumers and other end-product users have come about since the company's December DFS
- Fort Cady can be developed in three stages, with the first being a low-capex starter pit of sulphate of potash
- The company also has the Salt Wells Borate-Lithium exploration project in Nevada

What does American Pacific do?

American Pacific Borate & Lithium specialises in borate and lithium exploration and enhancement in the US. It is run by Michael Schlumpberger, a mining engineer with more than 30 years of experience in the mining industry, across the phases of an operating mine's life cycle. He boasts 21 years experience with Potash Corporation of Saskatchewan on his CV and held senior roles at a number of potash and resource companies before joining American Pacific.

What does American Pacific own?

The key asset is the wholly-owned Fort Cady Borate Project in Southern California.

American Pacific has spent more than US\$60 million on Fort Cady to date and released a definitive feasibility study (DFS) for the project in December 2018.

The upgraded JORC-compliant mineral resource estimate for the deposit is 120.4 million tonnes at 6.5% boron oxide (11.6% boric acid equivalent) and 340 ppm lithium (5% boron cut-off) for 7.8 million tonnes of contained boron (13.9 million tonnes boric acid).

Some 72% of the total resource is contained within the exclusive region of American Pacific's subsidiary Fort Cady California Corp, which has an active operating permit for commercial-scale mining.

Mineralisation remains open to the southeast.

American Pacific wants to be construction ready quickly at Fort Cady and start building at the project as early as the latter part of 2019.

In January 2019, the company toured its strategic partner Sinomach subsidiary China National Chemical Fiber Corp. (CNCFC) at the US borate site.

The company has since enhanced the DFS for the project, improving its financial metrics and lowering its capital expenditure costs.

**Price:** A\$0.24

**Market Cap:** A\$35.94M

### 1 Year Share Price Graph



### Share Information

**Code:** ABR

**Listing:** ASX

52 week	High	Low
	A\$0.29	A\$0.12

**Sector:** Mining

**Website:** [americanpacificborate.com](http://americanpacificborate.com)

### Company Synopsis:

*American Pacific Borate and Lithium Ltd (ASX:ABR) is listed on the Australian Securities Exchange.*

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American Pacific's managing director & CEO Michael Schlumpberger said the study had given the company a "strong platform" for starting strategic negotiations with large borate consumers.

The company is exploring options for mine construction with Sinomach subsidiary CNCFC and had a reciprocal visit on the cards earlier this year as the parties worked together.

American Pacific's December study valued the Fort Cady project at US\$1.25 billion (now \$1.8 billion Australian dollars) at an unlevered after-tax net present value (NPV10) at a 10% discount.

The NPV8 value was US\$1.59 billion while the unlevered internal rate of return (IRR) for the project was 41%.

At the time, phase I capital expenditure was US\$138.2 million, with further refining work taking place since then introducing a model for a low-capex starter pit costing just US\$36.8 million with a 13% contingency.

That starter pit stage, known as phase IA, has an unlevered after-tax NPV10 of US\$224.7 million (now \$319 million) and IRR of 58.3%.

The starter project, now part of a two-stage phase I, would bring in US\$26.7 million of earnings before interest, tax, depreciation and amortisation (EBITDA) in the first year of operation.

This option would preserve a pathway to EBITDA of more than US\$340 million in the first year of full production for the broader project.

American Pacific's now three-stage construction program is designed to progress its project with low pre-production capex and very high margins before and after by-product credits — the margins are greater than 50% before by-product credits are added for elements such as sulphate of potash (SOP), gypsum and possibly lithium.

An enhanced DFS is expected to be completed in the March 2019 quarter as financing and other strategic cooperation discussions continue.

Steady state production in the original study was a targeted 410,000 tonnes per annum (tpa) of boric acid and 110,000tpa of SOP.

Pre-production capex had also included a 13% contingency and was estimated at US\$138 million.

Another asset for the company is the Salt Wells Borate-Lithium Project, an exploration project over state lines in Nevada, near Tesla Inc (NASDAQ:TSLA) (FRA:TL0) (ETR:TL0) (SWX:TSLA).

The Nevada project gives the company more potential upside as it works towards a goal of becoming a globally significant borates producer.

American Pacific raised \$4.2 million in the second half of 2018 and had \$2.5 million cash on December 31.

Inflection points

Release of enhanced DFS targeted for March quarter

Progress of strategic discussions with borate consumers and other end-product users

Fruitful funding discussions for building two-stage or three-stage Fort Cady project, and starter pit

Construction and production milestones for project

Borate industry sentiment and value placed on US-sourced borate and other minerals

Progression of Salt Wells through exploration to development

Managing director & CEO Michael Schlumpberger outlines three-stage thinking

"We released our DFS in mid-December and in mid-December we essentially put this as a three-stage approach," managing director & CEO Michael Schlumpberger told Proactive Investors last month.

"The first stage was 40,000 of sulphate of potash with 90,000 tonnes of boric acid. Phase II trebled that production to 270,000 short tonnes of boric acid and 80,000 tonnes of SOP and then phase III was then 450,000 tonnes of boric acid plus 120,000 tonnes of SOP.

"Outstanding financial metrics, but certainly looking at that we sat back and took a view of it that perhaps it would be better to enhance the project and one way we thought to enhance the project was to lower the initial capex."

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