

## Product being trucked to port

First shipment, and revenue, soon

### Recommendation

**BUY, High Risk**

### Price

**20.5c**

### Valuation

**36c**

### Commodity

**Phosphate**

- On 3 October 2016, AEV announced that it had begun trucking product to port. This has been a little delayed by the wet season, but is still consistent with our projections
- As at 30 June, AEV had \$24.5m in cash, and will be generating revenue very soon.
- AEV has secured off-take agreements for 360kt – 480kt a year for each of the first 3 years of the 500kt/yr project.
- The SMP is only Stage 1 of the overall development; covering 5km<sup>2</sup> of a total of 1,553km<sup>2</sup> tenement.
- In Beer & Co's view, the current share price reflects ONLY the SMP project, leaving significant upside.
- Beer & Co affirms our BUY, High Risk rating.

### Snapshot

|                        |               |
|------------------------|---------------|
| Market Cap             | \$107m        |
| Cash held              | \$24.5m       |
| Shares on Issue        | 523.9m        |
| 52 Week High           | 26.0c         |
| 52 Week Low            | 8.5c          |
| 1 month / 6 month VWAP | 20.4c / 21.1c |

### Product being trucked to port

On 3 October, AEV announced that saleable product is now being trucked to port. This has been delayed by the wet seasons in Senegal, but is consistent with our projection.

### AEV has off-take agreements covering Stage 1

AEV has an 80% stake in Baobab Mining Company (BMCC).

Stage 1 of BMCC's Senegal Phosphate Rock development is the current Small Mine Permit, which is restricted to an area of 5km<sup>2</sup>, of the total area that BMCC has under licence at Baobab, of 1,553km<sup>2</sup>.

Stage 1 will produce 500kt/yr of saleable phosphate rock. BMCC has supply agreements in place covering 360kt/yr to 480kt/yr of product, plus strong enquiries for much more.

### AEV has much more upside

Beer & Co's valuation of AEV shows that the current share price

- Reflects ONLY AEV's 80% share of the 500kt/yr SMP project;
- At current commodity prices, despite current prices being the lowest in about 7 years.

AEV has significant upside potential from

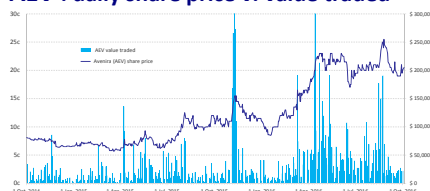
- Further projects in the 1,553km<sup>2</sup> Baobab project area, given the known presence of mineralisation, but awaiting the grant of a Mining Licence;
- Further potential in the 2,106km<sup>2</sup> Gossas area, also in Senegal;
- AEV's investment in and licence to use the Improved Hard Process, to produce high grade Super Phosphoric Acid directly from rock; and
- AEV's Resources at Wonarah, NT, which are very well suited to the application of the IHP technology.

### Beer & Co affirms our BUY recommendation on AEV

Beer & Co's risked valuation is a significant premium to the share price and Beer & Co sees significant further potential in AEV.

Beer & Co affirms our BUY, High Risk recommendation on AEV.

### AEV : daily share price v. value traded



AEV is producing phosphate (P<sub>2</sub>O<sub>5</sub>) rock from its first project in Senegal, a Small Mine Permit (SMP), limited to 5km<sup>2</sup>.

Beer & Co expects AEV's share to be 400kt/yr, with an all-in cost of US\$ 77/t, compared with current P<sub>2</sub>O<sub>5</sub> rock price of US\$ 115/t.

AEV has 1,553km<sup>2</sup> in tenement at Baobab Senegal, surrounding its SMP. This area contains significant mineralisation, which can be developed under a Mining Lease.

AEV's Wonarah project, in NT, covers about 3,575km<sup>2</sup>, and has 842Mt in Resources at 18.1% P<sub>2</sub>O<sub>5</sub> (10% cut-off).

AEV has significant further potential from applying the Improved Hard Process to its Wonarah ore and to Baobab ore.

**Author :** Pieter Bruinstroop  
[pbruinstroop@beerandco.com.au](mailto:pbruinstroop@beerandco.com.au)

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## First Product now being trucked

### Product being trucked

Figure 1 shows trucks leaving the Baobab operations, each carrying 50t of phosphate rock product to the port of Dakar.

**Figure 1 : Product being trucked from Baobab to Port**



Source : AEV's ASX announcement, 3 October 2016

Stage 1 of AEV's phosphate rock project in Senegal is now producing saleable product

Figure 2 shows 9 trucks, each with a capacity to carry 50t, at Baobab to be loaded with saleable product to be trucked 143km to the Port of Dakar, waiting at the product drying area.

**Figure 2 : Product being trucked from Baobab to Port**



Source : AEV's ASX announcement, 3 October 2016

The product is now being transported to port for sale and shipment

The wet season in Senegal is from June to September, maybe into October.

Figure 2 shows the plastic covers that are hauled over the product to keep it from becoming too wet when it rains.

Stage 1 has off-take agreement in place covering its expected production

### Off-take agreements in place

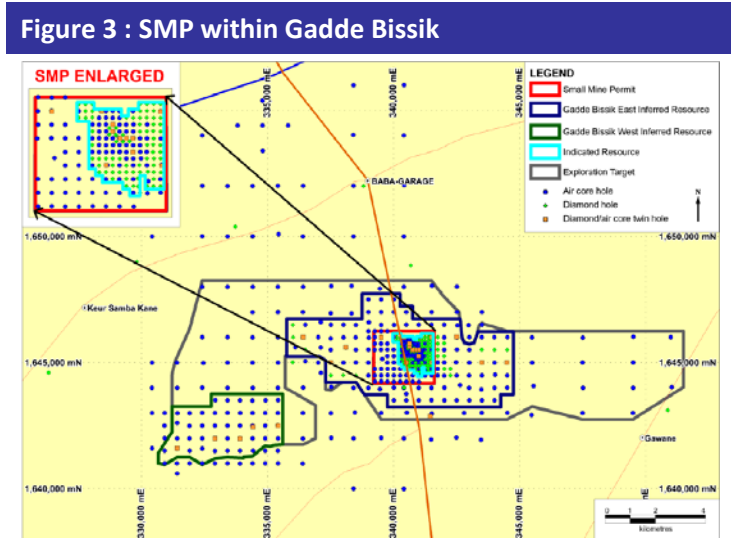
On 21 July, AEV announced that it had secured an off-take agreement for 240kt – 360kt/yr of product. On 5 August, AEV announced a further off-take agreement for 120kt/yr. This means that effectively all of the expected 500kt/yr of production is covered.

We understand that AEV has been approached by further parties seeking off-take agreements, which means that any product not taken by the 3 current parties can be easily sold into spot markets.

It also means that AEV can move ahead with confidence to develop further potential within their permitted areas, as shown in Figures 3 and 4.

AEV has more interest than it can supply at present.

This makes the extra tenement area more valuable



Source : AEV December 2015 Quarterly

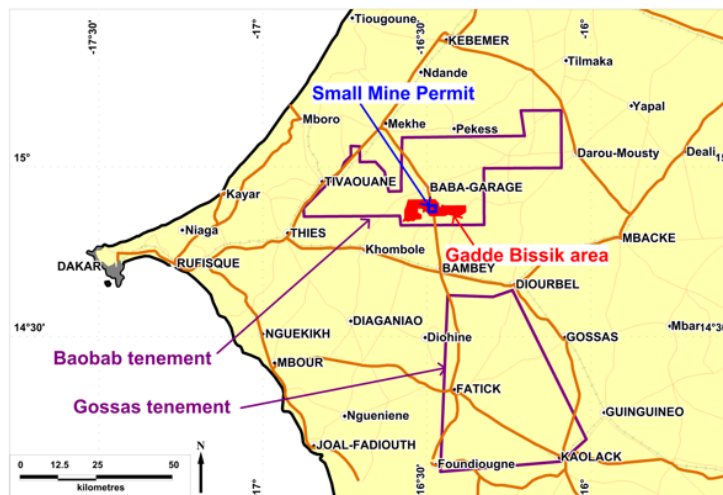
Figure 3 shows that, while the Small Miners' Permit (SMP) has had the most intensive drilling, there has been significant drilling outside the SMP, within Gadde Bissik. Figure 2 shows that Gadde Bissik is only a small part of Baobab.

Figure 4 : Gadde Bissik within Baobab, plus Gossas

AEV has Gadde Bissik, surrounding the current SMP project

and the Baobab tenement area surrounding Gadde Bissik

as well as the Gossas are to the south



Source : AEV March 2016 Quarterly

Figure 4 also shows that AEV has title to Gossas, which is a much larger area again.

## Further Potential

Figures 3 and 4 shows that AEV has title to a much larger areas that the SMP.

This was discussed in more detail in an earlier update by Beer & Co, of 5 August 2016 (see [Avenira\\_2016August05.pdf](#)), which also gave further information on our commodity price assumptions.

Figure 5 shows the detail of Beer & Co's risked, base case valuation of AEV.

**Figure 5 : Beer & Co valuation of AEV**

**Beer & Co's risked base case valuation is a significant premium to the current share price.**

| discount rate = 12.0 % | risk :            | 30 June 2016 |                |                | 3-Oct-16      |               |
|------------------------|-------------------|--------------|----------------|----------------|---------------|---------------|
|                        |                   | 100%         | Product        | per share      |               |               |
|                        | Small Mine Permit | 100%         | \$ 116m        | \$ 116m        | 17.7 c        | 18.0 c        |
|                        | Gadde Bissik East | 40%          | \$ 175m        | \$ 70m         | 10.7 c        | 11.2 c        |
|                        | Other Baobab      | 20%          | \$ 92m         | \$ 18m         | 2.8 c         | 2.9 c         |
|                        | Gossas            | nom          | \$ 5m          | \$ 5m          | 0.8 c         | 0.8 c         |
|                        | Wonarah           | nom          | \$ 5m          | \$ 5m          | 0.8 c         | 0.8 c         |
|                        | I H P (Wonarah)   | nom          | \$ 10m         | \$ 10m         | 1.5 c         | 1.5 c         |
|                        | JDC Phosphate     | nom          | \$ 0m          | \$ 0m          | 0.0 c         | 0.0 c         |
|                        | Corporate         | 100%         | (\$ 29m)       | (\$ 29m)       | (4.5c)        | (4.5c)        |
|                        | Cash / Debt, etc  | 100%         | \$ 38m         | \$ 38m         | 5.8 c         | 5.7 c         |
|                        | <b>TOTAL</b>      |              | <b>\$ 412m</b> | <b>\$ 233m</b> | <b>35.6 c</b> | <b>36.4 c</b> |
|                        | Shares on issue   |              | 523.9m         | F P O shares   | 127.1m        | Options       |
|                        |                   |              | 40.0m          | 2016 - 17      | 89.6m         | Ops. Ex'd     |

Source : Beer & Co estimates

Figure 5 shows that Beer & Co's valuation of the SMP, plus cash, less corporate costs, is about 20c/share, or the current share price.

Figure 5 also shows that there is significant further potential in AEV from:

**Beer & Co affirms our BUY, High Risk, recommendation**

- Gadde Bissik, which we have modelled as two 500kt/yr projects, which we have heavily risk weighted, as well as allowing for the impact of time;
- Other Baobab, which we have modelled on the same basis as Gadde Bissik, but with a further time delay, and a heavier risk weighting;
- Gossas, for which we have given only a nominal valuation;
- Wonarah and JDC Phosphate, which are much higher risk, but also much higher value if the IHP technology is proven commercial.

In Beer & Co's view, AEV is cheap in our base case valuation, and there is significant upside potential to our valuation.

This affirms our BUY, High Risk, recommendation.



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Report prepared by : Pieter Bruinstroop [pbruinstroop@beerandco.com.au](mailto:pbruinstroop@beerandco.com.au)

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BEER & CO PTY LTD ABN 88 158 837 186,  
AUTHORISED REPRESENTATIVE MELBOURNE VENTURE SECURITIES PTY LTD AFSL No. 224 313

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#### Melbourne Office:

Suite 4, Level 2, Bank House

11 - 19 Bank Place,

Melbourne, Vic, Australia 3000

Telephone: (+613) 9600 3599

Facsimile: (+613) 9602 2291

Email: [info@beerandco.com.au](mailto:info@beerandco.com.au)

Web: [www.beerandco.com.au](http://www.beerandco.com.au)