



Product being shipped

Low product prices and commissioning issues

Recommendation

Strong BUY, High Risk

Price

8.6c

Valuation

27c

Commodity

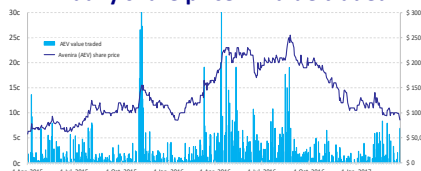
Phosphate

- **AEV's share price has halved since October 2016. Key reasons are :**
 - (i) **Softer commodity prices, with phosphate rock falling from \$110/t to \$98/t; and**
 - (ii) **Commissioning issues at AEV's operations in Senegal**
- **Commissioning issues are due to a very tight moisture specification of about 3% on the first shipment. The issues are not unusual and are being resolved.**
- **AEV has also announced a significant upgrade in its Resources, so that future projects become almost certain.**
- **Beer & Co expect that AEV has finance in place to get through the current, short-term issues. The new MD gives us confidence.**

Snapshot

Market Cap	\$45m
Cash held	\$9.0m
Shares on Issue	526.8m
52 Week High	26.0c
52 Week Low	8.6c
1 month / 6 month VWAP	9.9c / 12.8c

AEV : daily share price v. value traded



AEV is producing phosphate (P₂O₅) rock from its first project in Senegal, a Small Mine Permit (SMP), limited to 5km².

Beer & Co expects AEV's share to be 400kt/yr, with an all-in cost of US\$ 77/t, compared with our projected P₂O₅ rock price of US\$ 115/t.

AEV has 1,553km² 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 3,575km², and has 842Mt in Resources at 18.1% P₂O₅ (10% cut-off).

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

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Commissioning Issues

On 25 August, 2016, AEV announced first commercial production and on 3 October AEV announced that saleable product was being trucked to port. The first shipment, of 21,400t, was made on 7 March. The delay has been because the first shipment has a tight moisture limit of about 3%, and AEV has struggled to get its product this dry. Other customers have less tight moisture limits and a second shipment is expected in April.

In January, AEV advised that the recently installed Hydrocyclone improved throughput and product quality. AEV is working on dryers to reduce production time and improve production consistency. AEV has also identified further potential enhancements.

Financial Impact

AEV's December quarterly showed that AEV had burnt \$9.2m in cash in that quarter, leaving a cash balance of \$9.0m, of which \$4.45m was debt.

Beer & Co believes that the cash burn rate will be lower, as the capital has been spent. Also, Beer & Co estimates that, even at current subdued produce prices, the March shipment, which is about 2 weeks' of production at the current capacity, almost covers the costs of one month of operations.

Share price has fallen

From 25c in August, the AEV share price has fallen to below 10c, which is in line with Beer & Co.'s valuation of AEV based solely on the current 500kt/yr project, assuming the current product price.

Resources upgraded

On 2 March, AEV announced a significant upgrade in its Resource estimate :

- From 100Mt to 146Mt overall (compared with the current mining rate of 1.4Mt/yr); and
- In Indicated Resources for the current project, from 9 years to over 18 years' mine life

Beer & Co raises our recommendation on AEV to Strong BUY

The current problems are not unusual and are being resolved, and there is much more to AEV than the current project.

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Commissioning Issues

Product was being trucked – October 2016

Beer & Co.'s previous update on Avenira (AEV) (http://Avenira_2016October04.pdf) showed product being trucked to port. We were expecting first shipment the next month and that the SMP project would be generating cash by the end of 2016.

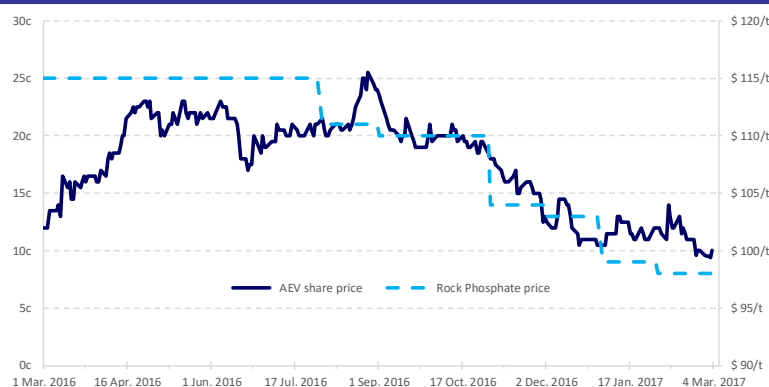
However, the newsflow dried up, and the AEV share price drifted down, as shown in Figure 1, as the commodity price also fell.

In October, AEV announced that product was being trucked to port.

Since then, the AEV share price has halved due to

- Falling commodity prices; and
- Delay in making first shipment.

Figure 1 : AEV share price v product price



Source : World Bank "pink sheets", IRESS, Beer & Co

AEV's Commissioning Issues

While AEV stated that product was being trucked to port, the operations have been having difficulty in consistently meeting the specification required for first shipment.

The issue is to achieve a moisture level of only 3%.

The specification for other shipments is not as tight.

It is rare for a project to begin operations without experiencing some commissioning issues, especially in a poorly developed country, such as Senegal. However, Beer & Co was confident at the outset that issues that arose could be resolved relatively quickly and cheaply.

Moisture content

The major issue is the moisture content of the product. The first shipment is to a customer that has specified a moisture content of about 3% (a very low level). Other clients are expected to allow up to 4% - 5%.

During the December quarter, AEV announced that it would be installing extra hydro-cyclone capacity so that the product at the end of the processing will be drier. These have been ordered and are now installed and have worked as expected.

In their update of 16 March, AEV also advised that extra pump capacity has been installed and that design and procurement work has been started to install a dryer or dryer / filter combination to further reduce production time and improve consistence.

Other Issues

To get from process plant to shipping moisture level, the material is left in the sun to dry. Developing the management regime to ensure good drying was always going to be a process of trial and error.

This method is effective for up to 9 months of the year, but does not work well during the wet season, which is about July to September, maybe into October.

Also, while the mining is operating well, crushing performance has not been as good. While there were issues with the plant, no major action was taken on this, but it can be rectified with a second unit and / or a unit that works as specified.

Financial Impact

In their Appendix 5B released as part of the quarterly report for the period ended December 2016, AEV showed :

The delay in revenue, and in ramping up operations, will consume much of AEV's available cash.

- Opening cash, as at the end of September, was \$14.3m;
- Expenditure was \$9.2m, of which \$7.0m was on the development of the SMP project;
- Ending cash was nearly \$9m, of which \$4.45m was borrowings.

On 12 January, AEV announced that it had secured a further financing facility for receivables financing.

Beer & Co.'s modelling estimates the quarterly costs of the operations, 100% basis, are about US\$ 8m. A significant portion of these costs are variable.

AEV advised that the first shipment, of 21.4kt, was made on 7 March. At current low prices, Beer & Co estimates that this is revenue of about US\$1.7m, after allowing for start-up and product discounts. This nearly covers the month's operating costs.

However, Beer & Co expects that AEV will be able to scrape through as

AEV has only an 80% interest, so its share of the quarterly costs is about \$A 8m, before corporate overheads. Hence, AEV had sufficient cash for the March quarter, but have also received revenue.

- There is only minor capital to be spent to improve the plant operations;
- AEV will increase its rate of shipment of product; and
- AEV has some discretionary expenditure it is able to curtail.

Beer & Co.'s Conclusions

Commissioning issues are to be expected.

AEV's announcement to the ASX of 16 March showed that the issues are largely resolved, and that this work has identified further enhancement

AEV's announcement to the ASX of 9 March, advising that a shipment of 21.4kt had been made, also advised that a further shipment is expected in early April.

Figure 2 shows Beer & Co.'s projected costs for the SMP project compared with revenue and benchmark pricing.

Figure 2 : Beer & Co.'s projected costs v revenues

SMP	March 17	June 17	Sep. 17	Dec. 17	March 18	June 18
A I S C	US\$ 86 /t	US\$ 88 /t	US\$ 85 /t	US\$ 77 /t	US\$ 74 /t	US\$ 72 /t
Revenue	US\$ 79 /t	US\$ 80 /t	US\$ 85 /t	US\$ 85 /t	US\$ 89 /t	US\$ 95 /t
Sales volume	21,400t	85,000t	88,321t	111,563t	123,959t	123,959t
Benchmark	US\$ 99 /t	US\$ 100 /t	US\$ 105 /t	US\$ 105 /t	US\$ 110 /t	US\$ 110 /t

Source : Beer & Co.'s estimates

Figure 2 shows that Beer & Co projects that, despite the benefit of increasing volume, it will take until late this calendar for the SMP to generate net cash.

Also, AEV has an 80% stake in the SMP.

The All-In costs relates to the SMP and exclude :

- Exploration and other costs in Gadde Bissik, outside of the SMP area, see Figures 7 and 8 further below; and
- AEV's corporate overheads.

Beer & Co expects that the cash that AEV currently has will last as :

- The SMP project has a significant volume of ore and material that has been processed, but needs further drying.
- AEV can restrain discretionary expenditure; and
- The shortfalls in Figure 2 are covered by the available cash.

New MD and CEO

New MD would have done his own Due Diligence on AEV before accepting role

On 23 March, AEV announced that Louis Calvarin has been appointed CEO and MD, and is to be based in Senegal. He had been senior vice president of specialty grade phosphate products maker Innophos.

In Beer & Co.'s view, accepting such a position is done only after successful conclusion of due diligence on the company, giving us confidence.

Product Prices

Figure 1 showed that the Phos Rock price was stable at \$115/t from September 2014 to July 2016, and has since softened to \$98/t.

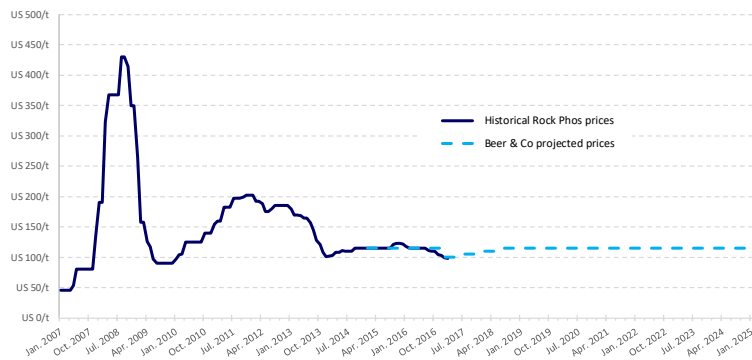
Figure 2 shows that over the last 10 years, the Phos Rock price has averaged US\$ 151/t, and that since November 2007, the Phos rock price has been below \$100/t on only 9 months.

Beer & Co.'s Long Run price assumption for phosphate rock is \$115/t

This is low compared to the average of the last 10 years, of \$153/t

But still 17% above the February 2017 price

Figure 3 : AEV share price v product price



Source : World Bank "pink sheets", Beer & Co

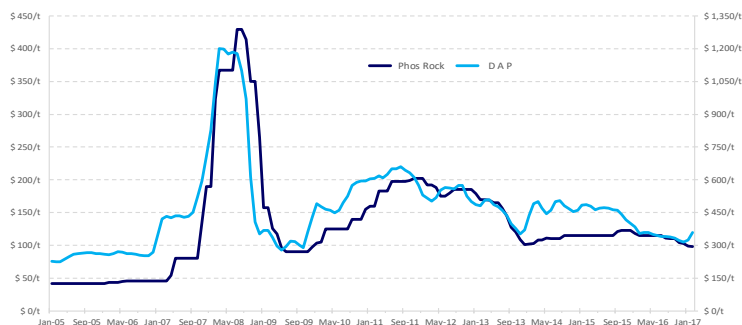
For this analysis, Beer & Co has assumed a price of \$115/t; viewing the current price as a relatively short term dip, as shown in Figure 3.

Most phosphate rock is processed into Di-Ammonium Phosphate (DAP), which supplies a controlled release of phosphorous and nitrogen in the soil. As shown in Figure 4, there is a link between the price of the 2 products.

Beer & Co is hopeful that phos rock prices will improve, as DAP prices did in the last month

Given than phos rock prices follow DAP prices

Figure 4 : DAP v Phos Rock prices



Source : World Bank "pink sheets", Beer & Co

Closer examination of Figure 4 shows that the DAP price leads the raw material price.

Figure 4 also shows that the DAP price in February rose sharply, suggesting that the Phos Rock price might follow soon.

Resource Upgrade

Resources Upgraded

Figure 5 shows AEV's Mineral Resource Estimate in December 2015, before the start of project development. It shows 12.6Mt of Indicated Resources, as part of the total of 29Mt, within the SMP, plus a further 71Mt in other tenements held by the operator.

AEV has announced a significant upgrade of its Mineral Resources Estimate at Baobab

Figure 5 : AEV Mineral Resource Estimate, December 2015

			P2O5	CaO	MgO	Al2O3	Fe2O3	SiO2
Within SMP area	Indicated	12.6 Mt	21.0 %	28.8 %	0.08 %	2.05 %	3.30 %	41.3 %
	Inferred	16 Mt	20 %	28 %	0.13 %	2.2 %	3.9 %	42 %
Gadde Bissik East	Inferred	64 Mt	19 %	26 %	0.12 %	2.8 %	4.0 %	43 %
Gadde Bissik West	Inferred	7 Mt	18 %	26 %	0.17 %	4.8 %	6.3 %	40 %
Total Gadde Bissik	Indicated	12.6 Mt	21.0 %	28.8 %	0.08 %	2.05 %	3.30 %	41.3 %
	Inferred	87 Mt	19 %	26 %	0.13 %	2.9 %	4.2 %	43 %
TOTAL		100 Mt	19.3 %	26.7 %	0.12 %	2.7 %	4.1 %	42 %

Source : AEV ASX announcement, 7 December 2015

Indicated Resources within the AMP have more than doubled

At a mining rate of 1.4Mt/yr, this has increased the mine life from 9 years to over 18 years

Figure 6 shows the revised Mineral Resource Estimate announced by AEV on 2 March 2017. It shows that Indicated Resources within the SMP area have increased from 12.6Mt to 25.9Mt, while total Resources within the SMP have remained about the same.

Which extends formal mine life from 9 years to 18 ½ years

Figure 6 : AEV Mineral Resource Estimate, January 2017

			P2O5	CaO	MgO	Al2O3	Fe2O3	SiO2
Within SMP area	Indicated	25.9 Mt	20.9 %	28.9 %	0.07 %	2.07 %	3.71 %	41.0 %
	Inferred	3 Mt	20 %	27 %	0.14 %	2.8 %	3.2 %	43 %
Gadde Bissik East	Indicated	5.8 Mt	19.5 %	27.0 %	0.05 %	2.10 %	3.64 %	44.7 %
	Inferred	53 Mt	19 %	26 %	0.13 %	2.9 %	4.0 %	45 %
Gadde Bissik West	Inferred	6 Mt	17 %	23 %	0.19 %	5.0 %	6.7 %	42 %
Gandal	Inferred	14 Mt	18 %	25 %	0.10 %	3.2 %	8.9 %	41 %
Dinguiraye	Inferred	19 Mt	18 %	25 %	0.10 %	3.2 %	3.2 %	41 %
Gad Escale	Inferred	19 Mt	20 %	28 %	0.16 %	2.3 %	2.5 %	44 %
Total Resources	Indicated	31.7 Mt	20.6 %	28.6 %	0.07 %	2.08 %	3.70 %	41.7 %
	Inferred	114 Mt	19 %	26 %	0.13 %	3.0 %	4.3 %	43.5 %
TOTAL		146 Mt	19.2 %	26.5 %	0.12 %	2.79 %	4.20 %	43.1 %

Source : AEV ASX announcement, 2 March 2017

Resources outside the SMP have increased by over 61%, from 71Mt to 115Mt

Figure 5 also shows that total Indicated Resources have increased from 12.6Mt to 31.7Mt, and overall resources from 100Mt to 146Mt.

Mineralisation Potential

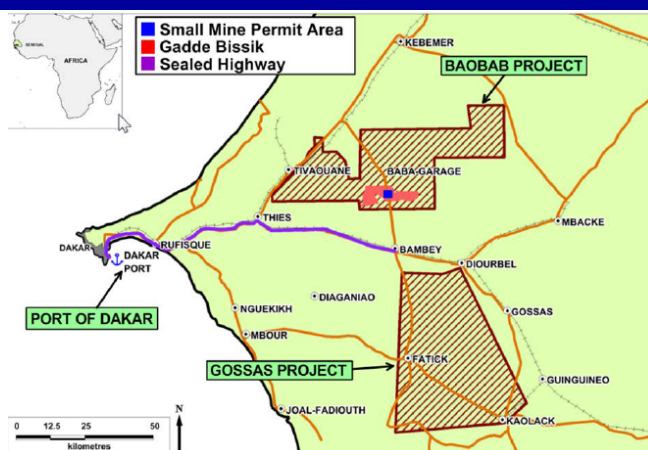
Figure 7 shows the total area in which AEV has an 80% interest. It shows that the current operations, in the Small Miners Permit (SMP) area, are a very small part of the overall tenement area.

AEV has significant further mineralisation beyond that which is defined in Resources

Figures 5 and 6 shows that AEV has defined extensive Resources, especially given current production rate, while Figure 7 shows that AEV has interest in a significant tenement area.

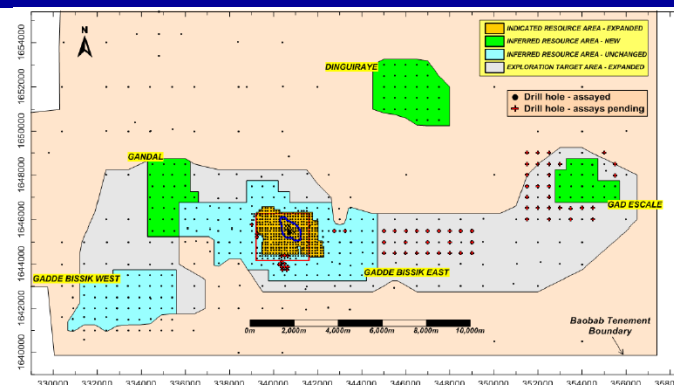
Figure 8 shows AEV's drilling and the areas for which it has defined Resources. It shows a high density of drilling in the SMP area, and even Gadde Bissik, which is only a small part of the Baobab area, has Resources defined only a part.

Figure 7 : AEV's tenement area



Source : AEV ASX announcement, 23 February 2017

Figure 8 : AEV's drilling and Resources



Source : AEV ASX

Revised Valuation

SMP Production

The SMP project has experienced commissioning difficulties, principally in reducing the moisture content of the saleable product to as low as 3%.

The project has installed extra hydro-cyclone capacity to reduce moisture, and extra drying capacity. During March, extra pumping capacity will be installed to ensure that the plant is able to operate at nameplate.

Figure 9 shows Beer & Co.'s revised projections for the SMP.

Figure 9 : Beer & Co.'s operational projections for AEV's SMP (100% basis)

Life of Mine	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2032-33	2033-34	2034-35	2035-36
Ore mined	25,900 kt	350 kt	1,276 kt	1,398 kt	1,398 kt	1,398 kt	1,398 kt	1,398 kt	1,398 kt	1,398 kt	1,398 kt	509 kt
waste : ore	6.1 : 1	9.5 : 1	7.9 : 1	6.0 : 1	6.0 : 1	6.0 : 1	6.0 : 1	6.0 : 1	6.0 : 1	6.0 : 1	6.0 : 1	6.0 : 1
Waste moved	159,026 kt	3,320 kt	10,057 kt	8,388 kt	8,388 kt	8,388 kt	8,388 kt	8,388 kt	8,388 kt	8,388 kt	8,388 kt	3,053 kt
Ore Processed	25,900 kt	245 kt	1,206 kt	1,398 kt	1,398 kt	1,398 kt	1,398 kt	1,398 kt	1,398 kt	1,398 kt	1,398 kt	684 kt
P ₂ O ₅ grade	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %
Recovery	57 %	51 %	56 %	57 %	57 %	57 %	57 %	57 %	57 %	57 %	57 %	57 %
P ₂ O ₅ recovered	3,080 kt	37,472 t	150,410 t	166,544 t	166,544 t	166,544 t	166,544 t	166,544 t	166,544 t	166,544 t	166,544 t	60,616 t
Conc grade	33.6 %	33.6 %	33.6 %	33.6 %	33.6 %	33.6 %	33.6 %	33.6 %	33.6 %	33.6 %	33.6 %	33.6 %
P ₂ O ₅ concentrate	9,169 kt	111,563 t	447,802 t	495,836 t	495,836 t	495,836 t	495,836 t	495,836 t	495,836 t	495,836 t	495,836 t	180,467 t
Mining Inventory	25,900 kt	25,551 kt	24,275 kt	22,877 kt	21,479 kt	20,081 kt	18,683 kt	17,285 kt	15,887 kt	3,305 kt	1,907 kt	509 kt
	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	20.9 %	0.0 %

Source : Beer & Co estimates

SMP plus further projects

In Beer & Co.'s view, once AEV has mastered the SMP project, which it is close to doing, then it has many opportunities to expand production.

Figure 6 showed that AEV has significant resources outside of the SMP area.

AEV chose to develop a small project as the regulatory regime is simpler and it would be a good trial for subsequent larger projects, which the Resource estimates indicate will follow.

Beer & Co has modelled AEV assuming :

- The SMP is followed by a project in Gadde Bissik East, aiming at 1.0Mt/yr of product, but otherwise effectively duplicating the SMP; and
- A further 1.0Mt/yr project in the Gadde Bissik area,

Each new project can be modelled on the SMP, but probably at a larger scale

The larger projects will have a longer approvals period and construction is assumed to start in about 3 years from now for the first project and then a further 30 months later for the third project.

Figure 10 shows Beer & Co.'s projected resulting financial outcomes for AEV.

Figure 10 : Beer & Co.'s projected financial outcomes for AEV

AUD m	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2034-35	2035-36
AUD/USD	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750
Phos Rock, USD/t	104	108	115	115	115	115	115	115	115	115	115
AEV price received	84	88	101	105	105	105	105	105	105	105	105
AEV's share of Phosphate Concentrate											
Within SMP area	85 kt	358 kt	397 kt	397 kt	397 kt	397 kt	397 kt	397 kt	397 kt	397 kt	144 kt
Gadde Bissik East	0 kt	0 kt	0 kt	0 kt	602 kt	712 kt	697 kt	697 kt	697 kt	697 kt	697 kt
Other Gadde Bissik	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	602 kt	746 kt	697 kt	697 kt	697 kt
TOTAL	85 kt	358 kt	397 kt	397 kt	999 kt	1,109 kt	1,695 kt	1,840 kt	1,790 kt	1,790 kt	1,538 kt
Sales revenue	9	42	53	56	139	158	244	270	268	269	234
Total Revenue	9	42	53	56	139	158	245	271	270	275	240
Cost of Goods Sold	(10)	(32)	(33)	(33)	(86)	(95)	(148)	(161)	(158)	(158)	(138)
Royalties	(1)	(3)	(3)	(4)	(9)	(10)	(16)	(18)	(17)	(18)	(15)
Corporate Costs	(3)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Dep'n & Amort'sn	(0)	(1)	(2)	(2)	(4)	(7)	(9)	(13)	(12)	(12)	(11)
EBIT	(4)	2	10	12	36	42	67	76	79	83	72
Tax Expense	(0)	(2)	(4)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(2)
NPAT	(5)	0	6	7	31	37	62	71	74	78	70
Exploration + Feasibility	1	2	4	3	11	0	0	0	3	0	0
Maintenance Capex	0	0	1	1	1	5	5	8	8	7	6
Expansion Capex	12	0	0	0	29	0	29	0	0	0	0
Net Cashflow	(8)	(10)	(7)	4	(24)	(2)	11	42	79	77	78
Shares on issue	526.8m	526.8m	539.4m	539.4m	539.4m	579.4m	579.4m	579.4m	579.4m	579.4m	579.4m
Earnings per Share	(2.3c)	(0.9c)	0.1 c	1.1 c	1.3 c	5.4 c	6.3 c	10.8 c	12.2 c	13.5 c	13.5 c
	(4x)	(12x)	130 x	8.8 x	7.4 x	1.9 x	1.6 x	0.9 x	0.8 x	0.7 x	0.7 x

Source : Beer & Co estimates

Further projects require a full approvals process, so each will take longer

Beer & Co has revised down our projections for FY 17 and FY 18 due to slower ramp up and lower commodity prices

Beer & Co.'s valuation of AEV has been reduced, despite the increased confidence in Resources, as we have taken a more subdued view on Baobab product prices compared to benchmark.

Beer & Co.'s base case valuation of AEV

Figure 11 shows Beer & Co.'s risked, base case valuation of AEV.

It shows that while the subsequent projects are larger in scale, their current NPV is not larger as they are some time off, showing the impact of the discount rate.

Figure 11 shows that Beer & Co.'s valuation of AEV has been revised downwards, due to lower pricing of Baobab phosphate rock compared to benchmark, despite its lower iron levels.

Also, Beer & Co has deferred the later projects due to the present commissioning issues and the need to further refine the process.

Figure 11 also shows assets for which Beer & Co has given a nominal value. These assets are not the subject of current activity, but could be in the future.

Figure 11 : Beer & Co.'s risked, base case valuation

discount rate = 12.0 %	risk :	30 June 2016		22-Mar-17		
		100%	Product	per share		
	Within SMP area	100%	\$ 70m	\$ 70m	12.0 c	13.3 c
	Gadde Bissik East	60%	\$ 101m	\$ 61m	10.5 c	11.5 c
	Other Gadde Bissik	20%	\$ 72m	\$ 14m	2.5 c	2.7 c
	Gossas	nom	\$ 5m	\$ 5m	0.9 c	0.9 c
	Wonarah	nom	\$ 5m	\$ 5m	0.9 c	0.9 c
	I H P (Wonarah)	nom	\$ 5m	\$ 5m	0.9 c	0.9 c
	JDC Phosphate	nom	\$ 0m	\$ 0m	0.0 c	0.0 c
	Corporate	100%	(\$ 29m)	(\$ 29m)	(5.0c)	(5.1c)
	Cash / Debt, etc	100%	\$ 25m	\$ 25m	4.3 c	1.8 c
	TOTAL		\$ 253m	\$ 155m	26.8 c	26.9 c
	Shares on issue		526.8m	F P O shares	167.6m	Options / Perfs
			0.0m	2016 - 17	52.6m	Ops. Ex'd

Source : Beer & Co estimates

Beer & Co expects that, as volumes increase from AEV's future projects, that our current view of relative pricing will turn out to be pessimistic.

Sensitivity analysis shows that the current AEV price reflects either

- current prices with a single extension; or
- our Long Run prices and only the current SMP project

Sensitivity

Figure 12 shows the sensitivity of Beer & Co.'s valuation to :

- Differing commodity prices; and
- The scale of AEV's activities included in the valuation.

Figure 12 : Sensitivity of Beer & Co.'s valuation

Phosphate rock prices	US\$ 100 /t	US\$ 110 /t	US\$ 115 /t	US\$ 120 /t
SMP only	4 c	8 c	10 c	13 c
Baobab Resources	12 c	20 c	24 c	29 c
AEV Total	14 c	23 c	27 c	32 c

Source : Beer & Co estimates

Figure 12 shows that the current share price is reflects either current phosphate rock price, plus discount, and the next project, or the SMP project only with more longer term commodity prices.

Conclusions

The new MD gives Beer & Co confidence.

A new MD means he would have done his own due diligence on AEV and reach a satisfactory conclusion.

Despite our lower valuation, Beer & Co affirms our Strong BUY recommendation on AEV

In Beer & Co.'s view, there are many attractions to phosphate as a product

- It is fully consumed (ie. no recycling); and
- It has demonstrable benefits in food production;
- Food demand is growing over time with global population and wealth grows.

There is good upside from

The current phosphate rock price is as low as it has been over the last 9 years, and we expect it to bounce.

- Resources outside the SMP area;
- Further mineralisation;
- Improved commodity prices; and
- Improved Baobab prices compared to benchmark

AEV is highly leveraged to growth in both phosphate rock demand and prices. While Baobab phosphate rock is priced at a discount to benchmark, Beer & Co expects that as production from Baobab increase over time, its discount to benchmark will decline.

The present share price does not allow for any improvement in rock prices nor does it give any value to AEV's project opportunities.

Our valuation is a multiple of the share price, so we raise our recommendation to Strong BUY, but with High Risk, due to Beer & Co.'s interpretation of projects.

Beer & Co Research

Avenira Limited (AEV.ASX)

March 2017

Year ended June	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
Section 1 - P&L									
Sales revenue	\$A m	0	0	9	42	53	56	139	158
Interest revenue	\$A m	1	1	0	0	0	(0)	0	0
Other revenue	\$A m	0	0	0	0	0	0	0	0
Total Revenue	\$A m	1	1	9	42	53	56	139	158
Cost of Goods Sold	\$A m	0	0	(10)	(32)	(33)	(33)	(86)	(95)
Royalties	\$A m	0	0	(1)	(3)	(3)	(4)	(9)	(10)
Corporate Costs	\$A m	(5)	(6)	(3)	(4)	(4)	(4)	(4)	(4)
Exploration Expense	\$A m	(2)	(1)	0	0	0	0	0	0
Other Operating Expenses	\$A m	(3)	(3)	0	0	0	0	0	0
Total Operating Expenses	\$A m	(9)	(10)	(13)	(39)	(41)	(41)	(99)	(109)
EBITDA	\$A m	(9)	(9)	(4)	3	13	14	40	49
Dep'n & Amort'n	\$A m	(0)	(0)	(0)	(1)	(2)	(2)	(4)	(7)
EBIT	\$A m	(9)	(9)	(4)	2	10	12	36	42
Interest Expense	\$A m	0	0	0	0	0	0	0	0
Other	\$A m	(34)	1	0	0	0	0	0	0
Pre-Tax Profit	\$A m	(43)	(8)	(4)	2	10	12	36	42
Tax Expense	\$A m	0	0	(0)	(2)	(4)	(5)	(5)	(5)
NPAT	\$A m	(43)	(8)	(5)	0	6	7	31	37

Section 2 - Key Data

Ordinary shares - year end	m	247	527	527	539	539	539	579	579
Fully diluted shares on issue	m	247	527	527	539	539	539	579	579
Weighted # shares	m	247	455	527	535	539	539	579	579
Earnings per Share	(17.5c)	(2.3c)	(0.9c)	0.1 c	1.1 c	1.3 c	5.4 c	6.3 c	6.3 c
Dividends Per Share	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c

Section 3 - Balance Sheet

Cash	\$A m	15	24	5	3	6	(0)	14	18
Receivables	\$A m	0	2	5	12	14	14	41	39
Other	\$A m	0	2	2	2	2	2	6	6
CURRENT ASSETS	\$A m	16	28	12	17	22	16	61	63
Receivables	\$A m	1	1	0	0	0	0	0	0
P, P & E	\$A m	0	1	12	12	12	40	42	69
Mining Properties / Exploration	\$A m	16	36	5	7	10	13	23	22
Other	\$A m	0	5	0	0	0	0	0	0
NON-CURRENT ASSETS	\$A m	18	43	17	19	22	53	64	91
TOTAL ASSETS	\$A m	33	71	28	37	44	69	125	154
Payables	\$A m	2	3	2	3	3	3	9	8
Debt	\$A m	0	0	0	0	0	0	0	0
Other	\$A m	1	0	0	0	0	0	0	0
CURRENT LIABILITIES	\$A m	3	3	2	3	3	3	9	8
Long Term Debt	\$A m	0	0	0	0	0	0	0	0
Other	\$A m	0	5	0	0	0	0	0	0
Provisions	\$A m	1	0	0	0	0	0	0	0
NON-CURRENT LIABILITIES	\$A m	1	5	0	0	0	0	0	0
TOTAL LIABILITIES	\$A m	4	8	2	3	3	3	9	8
NET ASSETS	\$A m	29	63	27	34	41	66	117	146
Accumulated Profit (Loss)	\$A m	(72)	(81)	(86)	(85)	(79)	(72)	(41)	(4)
Reserves	\$A m	12	26	3	9	10	28	48	40
Contributed Equity	\$A m	90	120	102	102	102	102	102	102
	\$A m	30	65	19	26	33	58	109	138
Minority Interest	\$A m	(0)	8	8	8	8	8	8	8
Total Equity	\$A m	30	72	27	34	41	66	117	146

Section 4 - Cashflow

Net Cashflow from operations	\$A m	(6)	(6)	(4)	3	13	14	40	49
Net Interest Paid	\$A m	1	1	0	0	0	(0)	0	0
Taxes Paid	\$A m	0	0	0	(0)	(2)	(4)	(5)	(5)
Change in Working Capital	\$A m	2	(0)	(4)	(6)	(1)	(0)	(21)	1
OPERATING CASHFLOW	\$A m	(3)	(5)	(8)	(3)	10	10	14	45
Exploration + Feasibility	\$A m	(2)	(3)	(1)	(2)	(4)	(3)	(11)	0
Maintenance Capex	\$A m	0	0	(0)	(1)	(1)	(1)	(5)	(5)
Expansion Capex	\$A m	0	0	0	0	0	(29)	0	(29)
PPE Acquisitions (Total Capex)	\$A m	(2)	(3)	(1)	(4)	(6)	(34)	(15)	(34)
PPE Divestments	\$A m	0	0	0	0	0	0	0	0
INVESTING CASHFLOW	\$A m	(2)	(3)	(1)	(4)	(6)	(34)	(15)	(34)
Change in Equity	\$A m	0	12	0	0	0	0	0	0
Dividends Paid	\$A m	0	0	0	0	0	0	0	0
Change in Debt	\$A m	0	0	0	0	0	0	0	0
FINANCING CASHFLOW	\$A m	0	12	0	0	0	0	0	0
Free Cashflow	\$A m	(6)	(8)	(10)	(7)	4	(24)	(2)	11
Net Cashflow	\$A m	(6)	(4)	(10)	(7)	4	(24)	(2)	11

Commodity price assumptions

Year ended June	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
AUD/USD	0.750	0.750	0.750	0.750	0.750	0.750
USD/EUR	1.100	1.100	1.100	1.100	1.100	1.100
Phos Rock, USD/t	104	108	115	115	115	115
Boabab v. Benchmark	(20)	(19)	(14)	(10)	(10)	(10)

Mine Production / Sales, phosphate concentrate (AEV share)

Within SMP area	85	358	397	397	397	397
Gadde Bissik East	0	0	0	0	602	712
Other Gadde Bissik	0	0	0	0	0	0

Resources, Reserves and assumed mining inventory

Gadde Bissik Mineral Resources

		P2O5	CaO	MgO	Al2O3	Fe2O3
Within SMP area	Indicated	12.6 Mt	21.0%	28.8%	0.08%	2.05%
	Inferred	16 Mt	20%	28%	0.13%	2.2%
Gadde Bissik East	Inferred	64 Mt	19%	26%	0.12%	2.8%
Gadde Bissik West	Inferred	7 Mt	18%	26%	0.17%	4.8%
Total Gadde Bissik	Indicated	12.6 Mt	21.0%	28.8%	0.08%	2.05%
	Inferred	87.0 Mt	19.1%	26.4%	0.13%	2.85%
TOTAL		99.6 Mt	19.3%	26.7%	0.12%	2.75%

Beer & Co estimated mining inventory, Gadde Bissik

		P2O5
Small Mine Permit	25 Mt	20%
Gadde Bissik East	51 Mt	19%
Other Boabab	40 Mt	18%

Wonarah Mineral Resources

	P2O5	Al2O3	CaO	Fe2O3	K2O	MgO
Measured	64.9 Mt	22.4%	4.47%	30%	1.1%	0.37%
Indicated	133 Mt	21.1%	4.77%	28%	1.53%	0.47%
Sub-Total	198 Mt	21.5%	4.67%	28.7%	1.39%	0.44%
Inferred	352 Mt	21%	4.6%	28%	2.1%	0.5%
TOTAL	550 Mt	21%	4.6%	28%	1.8%	0.5%

Asset based Valuation

discount rate = 12.0%	30 June 2016		22-Mar-17	
risk :	100%	Product	per share	
Within SMP area	100%	\$ 70m	\$ 70m	12.0 c
Gadde Bissik East	60%	\$ 101m	\$ 61m	10.5 c
Other Gadde Bissik	20%	\$ 72m	\$ 14m	2.5 c
Gossas	nom	\$ 5m	\$ 5m	0.9 c
Wonarah	nom	\$ 5m	\$ 5m	0.9 c
I H P (Wonarah)	nom	\$ 5m	\$ 5m	0.9 c
JDC Phosphate	nom	\$ 0m	\$ 0m	0.0 c
Corporate	100%	(\$ 29m)	(\$ 29m)	(5.0c)
Cash / Debt, etc	100%	\$ 25m	\$ 25m	4.3 c
TOTAL		\$ 253m	\$ 155m	26.8 c
Shares on issue	526.8m	F P O shares	167.6m	ptions / Perfs
	0.0m	2016 - 17	52.6m	Ops. Ex'd

Financial Ratios

Year ended June	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue	\$A m	1	9	42	53	56
EBITDA	\$A m	(9)	(9)	(4)	3	13
EBIT	\$A m	(9)	(9)	(4)	2	10
NPAT (reported)	\$A m	(43)	(8)	(5)	0	6
Adjusted EPS (cps)	(17.5c)	(2.3c)	(0.9c)	0.1 c	1.1 c	1.3 c
EPS Growth (%)		87%	63%	109%	1,372%	18%
DPS (c)	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c
Dividend Yield (%)		0%	0%	0%	0%	0%
PE adj. (x)	x	(0.4)	(4.3)	(11.6)	129.6	8.8
EV / EBITDA (x)	x	(0)	(3)	(12)	15	4
EV / EBIT (x)	x	(0)	(3)	(11)	22	5
Gearing (%)		0%	0%	0%	0%	0%
Return on Assets	(13%)	(15%)	6%	24%	18%	29%
Return on Equity	(12%)	(17%)	1%	15%	11%	27%
EBITDA Margin (%)	n/a	n/a	(45%)	8%	24%	26%
Interest Cover (x)	x	n/a	n/a	n/a	n/a	n/a

Major Shareholders

Current	30-Jun-15	end 2016	
Vulcan / Agrifos	154,000m	29.2%	27.2%
plus 40m further performance shares			
Mimran Groupe	104,750m	19.9%	25.5%
JP Morgan AM	30,509m	5.8%	5.4%

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Analyst Certification

The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities and the issuer.

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Recommendation : Beer & Co.'s investment recommendation is driven by the difference between our base case, risked valuation and the share price at the time. A Strong BUY recommendation means a very large difference (eg. over 100%), while BUY means a significant difference and Accumulate means a small, but positive difference. The recommendation is not independent of the uncertainty in Beer & Co.'s valuation; the greater the degree of uncertainty, the greater the difference between price and value required for a positive recommendation.

Risk : Risk relates to the potential, over the long run, for an investor to lose money; it is a function of both the difference between our base case valuation and the uncertainty in our valuation due to the degree of estimation and/or uncertainties about project execution. Speculative means a high chance of loss; High risk means a good chance of loss and medium means some chance of loss, given the company size.

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