

9 June 2017

COMPANY UPDATE

HIGHLIGHTS

- **New Strategic Plan for Baobab Phosphate Project**
- **Second sale of Baobab Gadde Bissik phosphate rock concentrate**
- **US\$3.6 million in bridge loans secured**
- **Company to conduct a pro rata Entitlement Offer to raise up to A\$13 million**
- **Support of major shareholders for Entitlement Offer**
- **Share Purchase Plan to close raising A\$2.5 million**

Avenira Limited ('Avenira' or 'the Company') is pleased to provide the following corporate update:

Strategic Plan

With the Company's announcement on 2 March 2017 of an Inferred Mineral Resource estimate of 114 million tonnes at 19% P₂O₅ at a 15% cut-off and Indicated Mineral Resource estimate of 31.7 million tonnes at 20.6% P₂O₅ at that same 15% cut-off at its Baobab Phosphate Project, and with the Company's experience with its existing facility at the project, Avenira has submitted an application to convert its Small Mine Permit ('SMP') into a full Exploitation Permit (previously referred to as a 'Large Mine Permit', or 'LMP'). The LMP, if granted, will provide the right foundation for a production capacity expansion, and will ensure an extended project tenure (up to 20 years, with further renewals allowed).

The Board has, in this context, approved a new **Strategic Plan** developed by Managing Director Louis Calvarin and his team. The Strategic Plan includes two stages: first optimize the existing ore beneficiation unit to bring it to a fully sustainable operational level, and then implement next step investments towards the long-term objective of becoming a leading supplier to the fertilizer industry and a leading fertilizer producer for West African and international markets.

Stage 1 will deliver a capacity and performance expansion of the existing Baobab processing facility. A Flotation line will be added to improve P₂O₅ recovery from around 50% currently to around 70%, and to reduce the silica assay of the Gadde Bissik phosphate rock concentrate product. A Drying process unit will also be added to control product moisture at the commercially required level, including during the annual wet season.

CEO Louis Calvarin explains: *"Stage 1 is intended to increase current production to the 0.5 Mtpy level and to improve product quality, opening a wider segment of the market to our product."*

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CFO and Company Secretary, Avenira Limited



Stage 2 will be the construction of a second production line delivering around 1 Mtpy of additional capacity.

The resulting combined capacity of 1.5 Mtpy will provide sufficient product for Avenira to supply a dedicated Phosphoric Acid facility – this being the Company’s long term strategic objective - while continuing to grow its relationships with its phosphate rock customers.

Engineering studies are under way to provide a detailed design as well as capital and operating cost estimates for Stage 1. The expanded plant is expected to be fully commissioned in stages within 12 to 18 months of funding. Pre-feasibility work for Stage 2 is projected to start before the end of 2017.

Funding

Both stages of the Strategic Plan detailed above will require additional funds to be raised. As a result, the Company is undertaking three funding streams.

The Company has entered into binding funding agreements with each of its two major shareholders, Agrifos Partners LLC ('Agrifos') and Tablo Corporation, an affiliate of Groupe Mimran ('Mimran') ('Major Shareholders'), whereby Agrifos will provide an unsecured bridge loan of US\$1.44 million to the Company and Mimran will provide an unsecured bridge loan of US\$2.16 million to the Company (together the '**Bridge Loans**'), each at a 6% interest rate and to be drawn down progressively and repayable on the earlier of a) six months from first draw down and b) completion of the Entitlement Offer (described below).

The Company will conduct a non-renounceable pro rata entitlement offer (the '**Entitlement Offer**') within the next five months to raise a minimum of A\$7 million and a maximum of A\$13 million. The issue price under the Entitlement Offer will be priced by reference to the 30 day VWAP of Avenira shares at the time the Entitlement Offer is announced, but will not be greater than A\$0.10 per share.

The Major Shareholders have each agreed, if requested by the Company, to underwrite any shortfall to the Entitlement Offer up to a maximum of A\$4.2 million, in the case of Mimran, and A\$2.8 million in the case of Agrifos (in each case the 'Underwritten Amount'). If the Major Shareholders are required by the Company to underwrite the Entitlement Offer, the Company will pay the Major Shareholders an underwriting fee of 5% on their respective Underwritten Amounts.

Further details of the Entitlement Offer will be announced in due course.

The proceeds from the Bridge Loans and the Entitlement Offer will be used to fund engineering studies and upfront capital costs required for Stage 1, as well as ongoing working capital requirements. A portion of the proceeds from the Entitlement Offer will be used to repay the Bridge Loans in full.

Thirdly, Avenira will be seeking additional financing to fund the remainder of Stage 1 not covered by the Bridge Loans or the Entitlement Offer, and all of Stage 2 of the Strategic Plan. Details of this will be announced in due course.



Furthermore, Agrifos have advised the Company that they have had final discussions and an agreement with the Baobab Partners LLC (“Baobab Partners”) minority shareholders to restructure Baobab Partners LLC. Agrifos currently own 70% of Baobab Partners. Baobab Partners currently own 180 million shares and 80 million unlisted options in Avenira. A portion of Baobab’s Avenira security holdings will be distributed based on the ownership rights in Baobab Partners of the parties other than Agrifos. The final outcome of the distribution will be that Agrifos will own 100% of Baobab Partners LLC. The outcome of the restructure will have no effect on the funding detailed above.

Chairman Dr Chris Pointon said: *“We are most appreciative of this gesture of confidence in the Avenira Strategy from Groupe Mimran and Agrifos Partners. It will allow management to proceed with work on Stage 1, and to properly prepare for discussions with other potential equity providers.”*

Share Purchase Plan

In addition to the funding strategies detailed above, the Company’s current Share Purchase Plan (SPP) closes today, 9 June 2017. Funds raised, including the shortfall placement, will total A\$2,500,000. The timetable for the issue of shares under the SPP is set out below:

Event	Date
Issue Date	16 June 2017
Dispatch of Holding Statements	19 June 2017
Quotation of New Shares on ASX	20 June 2017

Marketing

Market conditions in the fertilizer industry have deteriorated significantly over the past 2 years; pricing for rock phosphate has suffered as a result, and this softer supply-demand environment has made entering the market more difficult for new suppliers.

However, the Company’s maiden Baobab phosphate rock concentrate shipment (as announced on March 9th) from the Gadde Bissik mine has now been successfully processed into Phosphoric Acid by a major fertilizer industry player. This represents a key milestone in the Company’s commercial development and demonstrates the value delivered by Baobab to its customers.

A second shipment, of about 30,000 t, is due to sail within three weeks.

Pilot tests on the use of our product to manufacture Phosphoric Acid (Merchant Grade Acid, or MGA) and to manufacture the reference DiAmmonium Phosphate (DAP) fertilizer have also been carried out at Prayon (Belgium), with positive results.



CEO Louis Calvarin, stated: *“We are very pleased and proud to see the Baobab product confirmed as a high-quality option to our fertilizer industry customers. These positive steps will add to our commercial momentum and confirm that the Company’s exploration, engineering and industrial investments are on the right track. Quality improvements built into our Strategic Plan will bring the Baobab product to the next level.”*

Louis Calvarin
Managing Director and CEO



Compliance Statement

Information in this report relating to estimates of Mineral Resources is extracted from the report entitled "Significant Increase to Indicated Mineral Resource at Baobab Phosphate Project" created on the second of March 2017 and is available to view on www.avenira.com. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Cautionary Statement Regarding Forward-Looking Information

All statements, trend analysis and other information contained in this document relative to markets for Avenira trends in resources, recoveries, production and anticipated expense levels, as well as other statements about anticipated future events or results constitute forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements. Forward-looking statements are based on estimates and opinions of management at the date the statements are made. Avenira does not undertake any obligation to update forward-looking statements even if circumstances or management's estimates or opinions should change. Investors should not place undue reliance on forward-looking statements.