



Avenira Ltd (AEV.ASX)

Tracking towards 2nd half production.

Event:

- Release of March quarterly.

Investment Highlights:

- The Avenira (AEV) quarterly highlighted that the Baobab Project remains on schedule for 2nd half production**, with works “on time and on budget” according to the company.
- Key activities during the quarter included mining of the overburden, which remains the critical path**, as well as identifying the first process water bore with better than predicted flow rates. The wet screen plant had been trial erected in South Africa and we expect it to be delivered on site by the end of May.
- We conservatively forecast AEV to commence production of rock phosphate in September and achieve first sales in October.** However, the company may well likely achieve these milestones sooner.
- Cash balance at the end of March was \$32M.** We estimated AEV spent \$5.5m on capex during the quarter, and forecast that the balance of pre-production capex and working capital required is \$21.7M. This should be more than amply covered by its current cash holding.
- The large Baobab project is also progressing, despite the obvious focus on getting the small mine into production.** The key for the large project is proving significant resources to underpin a longer mine life. Positively, the mining approval and environmental permit achieved for the SMP means that AEV will not need to begin from scratch for the larger project approvals.
- AEV continues to work at progressing offtake MoUs into binding contracts.** While many potential customers would want to test bulk samples before committing top contracts, we understand that some may be satisfied with lab-size samples, with contract conditions concerning eventual product quality and impurities determining final pricing and volume.

Earnings and Valuation:

- We have revised our earnings forecasts, and now forecast NPAT of \$3.2M and \$14.3M in FY17e and FY18e (previously \$5.8M and \$9.1M). Our decline in FY17 is due to a more conservative assumption of first sales in October vs previously July. Our increase in FY18 NPAT is attributable to forecasting nil tax expense due to our belief in AEV likely utilising existing tax losses against income from Baobab.
- We have increased our risked valuation of AEV to \$0.28/share from \$0.25/share, mostly on the assuming tax loss utilisation. Our unrisked valuation of \$0.37/share remains unchanged.

Recommendation:

- We maintain our Spec Buy recommendation and increase our 12-month price target to \$0.28/share (previously \$0.25/share)**, in-line with our risked valuation. Shareprice catalysts include 1) Any binding offtake agreements; 3) First commercial production and sales of phosphate rock; 4) Progression of a large Baobab project and resource upgrades; and 5) Demonstrated project profitability.

Recommendation	Spec Buy
Previous	Spec Buy
Risk	Very High
Price Target	\$0.28
Previous	\$0.25
Share Price (A\$)	\$ 0.21
ASX Code	AEV
52 week low - high (A\$)	0.061-0.23
Valuation (A\$/share) - risked	\$0.25
Methodology	DCF
Capital structure	
Shares on Issue (M)	524
Market Cap (A\$M)	110
Net Debt/(Cash) (A\$M)	-32
EV (A\$M)	78
Options (M)	129
Contingent rights (M)	40
Staff performance rights (M)	14
Fully diluted EV (\$M)	116
12mth Av Daily Volume ('000)	215

Y/e Jun (A\$M)	2015a	2016e	2017e	2018e
Sales	0.0	0.0	63.4	88.3
Adj EBITDA	-7.1	-4.2	16.5	27.0
Adj NPAT attributable	-6.5	-3.8	3.2	14.3
Adj EPS diluted \$	-0.15	-0.01	0.00	0.02
PER x diluted	nm	nm	46.1	10.3
EV/EBITDA x	nm	nm	6.6	4.1

*Adj = undelying FSB estimate

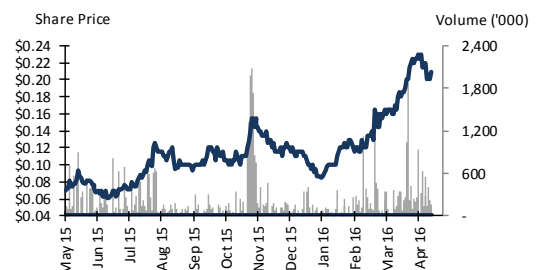
Board

Richard Block	Non-Executive Chairman
Cliff Lawrenson	Managing Director & CEO
Ian McCubbing	Non-Executive Director
Farouk Chaouni	Non-Executive Director
Timothy Cotton	Non-Executive Director
David Mimran	Non-Executive Director

Substantial Shareholders

Baobab Partners & associates	29%
Mimran Group	20%
JP Morgan	6%

Share Price Graph



Analyst: Mark Fichera
mark.fichera@fostock.com.au

+612 9993 8162

Foster Stockbroking is engaged in providing corporate services to AEV for which it has earned fees and continues to do so. Services include, but are not limited to, capital markets advisory, institutional research, and marketing roadshows.



Avenira Ltd (AEV)

Full Year Ended 30 June.

Profit and Loss A\$M	2015a	2016e	2017e	2018e
Sales revenue	0.0	0.0	63.4	88.3
Operating Costs	7.1	4.2	46.9	61.4
Underlying EBITDA	-7.1	-4.2	16.5	27.0
D&A	0.1	0.1	12.4	9.9
Underlying EBIT	-7.2	-4.3	4.1	17.1
Net Interest exp / (income)	-0.7	-0.3	-0.4	-0.5
Profit before tax	-6.5	-4.0	4.5	17.5
Tax exp / (benefit)	0.0	-0.1	0.0	0.0
NPAT before minorities	-6.5	-3.9	4.5	17.5
Minorities	0.0	-0.1	1.2	3.2
Underlying NPAT attributable	-6.5	-3.8	3.2	14.3
Non-recurring items	-36.5	0.0	0.0	0.0
Reported NPAT attributable	-43.0	-3.8	3.2	14.3
Underlying EPS diluted (\$)	-0.15	-0.01	0.00	0.02

Cashflow A\$M	2015a	2016e	2017e	2018e
Underlying EBITDA	-7.1	-4.2	16.5	27.0
Change in WC	1.0	-6.6	-1.8	-0.9
Tax paid	0.0	0.1	-2.6	-6.8
Other	1.2	1.2	0.0	0.0
Net interest	0.7	0.3	0.4	0.5
Dividends	0.0	0.0	-0.6	-2.9
Exploration	-0.5	-1.2	-1.4	-1.4
Operating Cashflow	-4.7	-10.4	10.4	15.5
Purchase of PP&E	-1.2	-18.9	-4.7	-0.8
Exploration expenditure	-0.5	-1.2	-1.4	-1.4
Asset sales	0.0	17.0	0.0	0.0
Investments	-0.2	0.0	0.0	0.0
Other	0.2	0.2	0.2	0.2
Investing Cashflow	-1.9	-2.4	-5.2	-1.3
Share buyback	-0.1	0.0	0.0	0.0
Equity raise	0.0	15.2	0.0	0.0
Debt proceeds	0.0	0.0	0.0	0.0
Financing Cashflow	-0.1	15.2	0.0	0.0
Net Cashflow	-6.7	2.4	5.2	14.2

Balance Sheet A\$M	2015a	2016e	2017e	2018e
Cash	15.4	17.8	23.1	37.3
Receivables	1.8	1.8	5.2	7.3
PPE	0.0	18.8	11.1	2.0
Intangibles	0.2	0.2	0.2	0.2
Capitalised exploration	16.0	29.3	30.6	32.0
Other	0.0	0.0	0.0	0.0
Total Assets	33.7	67.9	70.2	78.8
Accounts payable	1.9	1.9	3.6	4.7
Provisions	1.5	1.5	3.6	4.7
Debt	0.0	0.0	0.0	0.0
Other	0.6	11.2	5.4	-6.0
Total Liabilities	4.0	14.6	12.5	3.5
Reserves and capital	101.7	113.2	113.2	113.2
Retained earnings	-71.9	-75.7	-71.2	-53.7
Minorities	-0.1	15.8	15.8	15.8
Total Equity	29.7	53.3	57.7	75.3

Accounts are consolidated 100%.

Source: Company; Foster Stockbroking estimates

Financial Metrics	2015a	2016e	2017e	2018e
Sales growth %	nm	nm	nm	39%
EPS growth %	nm	nm	nm	345%
EBITDA margin	nm	nm	26%	31%
EBIT margin	nm	nm	6%	19%
Gearing (ND/ND+E)	-108%	-50%	-67%	-98%
Interest Cover (EBIT/net int)	nm	nm	nm	nm
Average ROE %	-13%	-9%	6%	22%
Average ROA %	-13%	-8%	6%	23%
Wtd ave shares (M)	248	498	578	578
Wtd ave share diluted (M)	294	627	707	707

Sales and earnings multiples	2015a	2016e	2017e	2018e
P/E x	nm	nm	46.1	10.3
EV/EBITDA x	nm	nm	6.6	4.1
EV/EBIT x	nm	nm	26.7	6.4
EV/sales x	nm	nm	1.7	1.2
Dividend yield %	0	0	0	0

Company Valuation	A\$M	A\$/sh	A\$M	A\$/sh
DCF, WACC 10% nominal				
	Unrisked	Unrisked	Risked	Risked
Segment	A\$M	A\$/sh	A\$M	A\$/sh
Baobab: SMP (AEV 80%)	87	\$0.13	83	\$0.12
Baobab: ex-SMP large project (AEV 70%)	104	\$0.15	41	\$0.06
Gossas	18	\$0.03	5	\$0.01
Wonarah & JDCP	14	\$0.02	14	\$0.02
Corporate	-29	-\$0.04	-10	-\$0.02
Exercise of in-money options*	26	\$0.04	25	\$0.04
Net cash (debt)	32	\$0.05	32	\$0.05
Company (fully diluted)	251	\$0.37	190	\$0.28
Diluted Shares (M)*	687.3		687.3	

*Includes in-the-money options at risked and unrisked valuations.

Assumes all contingent and staff performance rights convert.

Commodity Assumptions	2015a	2016e	2017e	2018e
Morocco rock 32% (US\$/t)	117	118	127	126
Baobab realised price (US\$/t)	0	106	114	117
A\$:US\$	0.84	0.73	0.70	0.70
Baobab production (kt)	0	0	390	530

Capital structure	M
Ordinary shares	524.1
Contingent rights	40.0
Staff performance rights	13.8
Options	128.6
Fully diluted	706.5

JORC Resources	Ore Mt	P ₂₅ %
Measured	0.0	-
Indicated	12.6	21.0%
Inferred	87.0	19.0%

Substantial shareholders	Interest
Baobab Partners and associates	29%
Mimran Group	20%
JP Morgan	6%



MARCH QUARTERLY UPDATE – ON TRACK FOR PRODUCTION IN 2nd HALF

- Avenira (AEV) has released its March quarterly, importantly stating that the Baobab Project remains on schedule for second half production, with works “on time and on budget” according to the company.
- Key activities during the quarter included:
 - Mining of the Stage 1 pit overburden at Gadde Bissik, utilising trucks and excavators. Mining of the overburden is the project’s critical path;
 - Completion of main site access road;
 - Delivery of site accommodation units;
 - Water and power supply works; and
 - Maintenance facility works.
- A key part of the mining preparation was to confirm presence of local water bores. Water drilling has since proven successful, with flow rates from the first deep process water bore “better than predicted” from the hydro study. Drilling of the second process water bore, as well as the community water bore, commenced last month.
- We expect production of phosphate rock to commence September and first sales in October. However AEV could likely achieve these milestones sooner.

WET SCREENING PLANT BEING DELIVERED

- The key piece of plant equipment – the wet screening plant – was trial erected in South Africa, while the ultrafine screens have been fabricated in the USA. Both these kits are being transported to Senegal where we expect the equipment to be fully delivered the end of May.

CASH BALANCE \$32M END MARCH – AMPLE TO FUND REMAINING CAPEX

- AEV reported \$32.0M of cash at the end of March. We estimate that the company expended \$5.5M on capex during the quarter, mostly on overburden removal.
- We expect the balance of pre-production capex and working capital required is approximately \$21.7M, which should be more than well covered by the company’s cash \$32.0M holding. AEV expects \$8.9M to be spend in the June quarter.

BAOBAB LARGE MINE PROJECT ALSO PROGRESSING

- While the obvious current focus is on achieving production from the SMP, AEV is also ensuring momentum is active on the larger Baobab project, including environmental permitting, resource drilling, and community impact assessments.
- We believe the key for the large project is proving sufficient resources to underpin a long mine life required, e.g. 20 years. Drilling to the east of Gadde Bissik was undertaken during the March quarter, with further proposed drilling aimed at increasing the Indicated Resources both within and adjacent to the SMP commencing late March.



- Strategically, the corporate and project transactions executed earlier this year resulting in the Mimran Group's 20% equity holding in AEV and its 20% Baobab project equity satisfies Senegalese local participation requirements, which is critical for permitting the large project.
- Given the company also has already achieved mining approval and environmental permitting for the SMP, it lays significant groundwork when it eventually seeks to obtain approvals for the larger project, negating the need to start from scratch.

WORKING TO CONVERT OFFTAKE MoUs

- As disclosed previously AEV has signed MoUs for double its planned initial offtake, and is working with buyers to convert these into binding agreements. We understand that most buyers would want to test large bulk samples before entering into binding agreements. However there are some that may enter into contracts prior to bulk shipments, but based on smaller lab-size samples and assays. Conditions pertaining to final product quality and impurities would then be negotiated to determine final pricing and volume.
- Importantly, feedback from further assays on Baobab product has been consistent with that of AEV's own analysis.
- We believe there is good demand for alternative (i.e. not from the major global supplier) phosphate rock sources from both within and outside Senegal, and that AEV should be able to successfully place product.

EARNINGS CHANGES

- We have revised our earnings forecasts for AEV. We now expect NPAT of \$3.2M in FY17 and \$14.3M in FY18 (previously \$5.8M and \$9.1M). Our decline in FY17 is due to a more conservative assumption of first sales in October as opposed to July. Our increase in FY18 is attributable to our forecast of nil tax payable due to our belief in AEV utilising existing tax losses against Baobab income.

VALUATION - \$0.28/SHARE RISKED, \$0.37/SHARE UNRISKED

- We have increased our risked valuation of AEV to \$0.28/share (previously \$0.25/share), mostly due to factoring in utilisation of tax losses. Our unrisked valuation of \$0.37/share remains unchanged.

RECOMMENDATION – MAINTAIN SPEC BUY, PT INCREASED TO \$0.28

- We maintain our Spec Buy on AEV, and have increased our price target to \$0.28/share (up from \$0.25/share), in-line with our risked valuation.
- We expect the share price to re-rate as major catalysts over the next few months are achieved, including successful commissioning of the processing plant; signed offtake contracts; progress on the large mine project; initial production and sales from the SMP, and demonstration of profitability.



FOSTER STOCKBROKING DIRECTORY

Name	Role	Phone	Email
Stuart Foster	Chief Executive Officer	+61 2 9993 8131	stuart.foster@fostock.com.au
Chris Francis	Executive Director	+61 2 9998 8167	chris.francis@fostock.com.au
Haris Khaliqi	Executive Director	+61 2 9993 8152	haris.khaliqi@fostock.com.au
Martin Carolan	Executive Director	+61 2 9993 8168	martin.carolan@fostock.com.au
Mark Fichera	Executive Director	+61 2 9993 8162	mark.fichera@fostock.com.au
Mark Hinsley	Executive Director	+61 2 9993 8166	mark.hinsley@fostock.com.au
Tolga Dokumcu	Execution & Dealing	+61 2 9993 8144	tolga.dokumcu@fostock.com.au
George Mourtzouhos	Execution & Dealing	+61 2 9993 8136	george.mourtzouhos@fostock.com.au

Foster Stockbroking Pty Ltd
A.B.N. 15 088 747 148 AFSL No. 223687
Level 25, 52 Martin Place, Sydney, NSW 2000 Australia
General: +612 9993 8111 Equities: +612 9993 8100 Fax: +612 9993 8181
Email: contact@fostock.com.au
PARTICIPANT OF ASX GROUP

Foster Stockbroking recommendation ratings: Buy = return >10%; Hold = return between -10% and 10%; Sell = return <-10%. Spec Buy = return > 20% for stock with very high risk. All other ratings are for stocks with low-to-high risk. Returns quoted are annual.

Disclaimer & Disclosure of Interests. Foster Stockbroking Pty Limited (**Foster Stockbroking**) has prepared this report by way of general information. This document contains only general securities information. The information contained in this report has been obtained from sources that were accurate at the time of issue. The information has not been independently verified. Foster Stockbroking does not warrant the accuracy or reliability of the information in this report. The report is current as of the date it has been published.

In preparing the report, Foster Stockbroking did not take into account the specific investment objectives, financial situation or particular needs of any specific recipient. The report is published only for informational purposes and is not intended to be advice. This report is not a solicitation or an offer to buy or sell any financial product. Foster Stockbroking is not aware whether a recipient intends to rely on this report and is not aware of how it will be used by the recipient. Investors must obtain personal financial advice from their own investment adviser to determine whether the information contained in this report is appropriate to the investor's financial circumstances. Recipients should not regard the report as a substitute for the exercise of their own judgment.

The views expressed in this report are those of the analyst/s named on the cover page. No part of the compensation of the analyst is directly related to inclusion of specific recommendations or views in this report. The analyst/s receives compensation partly based on Foster Stockbroking revenues, including any investment banking and proprietary trading revenues, as well as performance measures such as accuracy and efficacy of both recommendations and research reports.

Foster Stockbroking believes that the information contained in this document is correct and that any estimates, opinions, conclusions or recommendations are reasonably held or made at the time of its compilation in an honest and fair manner that is not compromised. However, no representation is made as to the accuracy, completeness or reliability of any estimates, opinions, conclusions or recommendations (which may change without notice) or other information contained in this report. To the maximum extent permitted by law, Foster Stockbroking disclaims all liability and responsibility for any direct or indirect loss that may be suffered by any recipient through relying on anything contained in or omitted from this report. Foster Stockbroking is under no obligation to update or keep current the information contained in this report and has no obligation to tell you when opinions or information in this report change.

Foster Stockbroking and its directors, officers and employees or clients may have or had interests in the financial products referred to in this report and may make purchases or sales in those the financial products as principal or agent at any time and may affect transactions which may not be consistent with the opinions, conclusions or recommendations set out in this report. Foster Stockbroking and its Associates may earn brokerage, fees or other benefits from financial products referred to in this report. Furthermore, Foster Stockbroking may have or have had a relationship with or may provide or has provided investment banking, capital markets and/or other financial services to the relevant issuer or holder of those financial products. For an overview of the research criteria and methodology adopted by Foster Stockbroking; the spread of research ratings; and disclosure of the cessation of particular stock coverage, refer to our website <http://www.fostock.com.au>.

Specific disclosures: The analyst, Foster Stockbroking and/or associated parties have material beneficial ownership in securities issued by AEV at the time of this report. Diligent care has been taken by the analyst to maintain an honest and fair objectivity in writing the report and making the recommendation.

Specific disclosure: Foster Stockbroking is engaged in providing corporate services to AEV for which it has earned fees and continues to do so. Services provided include, but are not limited to, corporate advisory, research, and coordination of marketing roadshows.