

13 June 2017

A LETTER FROM YOUR CEO, LOUIS CALVARIN

Dear Shareholder,

It is a pleasure to take a moment to write to you after what has been an incredibly busy first ten weeks in my role of Managing Director at Avenira.

I am pleased to be here at Avenira and in Senegal, and excited by the potential of the Baobab Phosphate Project and by the opportunity to build Avenira into the world's newest independent supplier of phosphate rock, to be followed by phosphoric acid - products that will become increasingly critical as the world is facing the challenge of feeding a growing global population.

It is no secret that ramping up production at Gadde Bissik has been a bumpy road. It is important to understand that it is not uncommon to find that start-up of a new production facility - especially for the first ore mined from a new deposit - requires process changes and extensive fine-tuning. Start-up and commissioning challenges like these are not insurmountable. I am very encouraged by the project foundations we have at Baobab and by the progress that has been made to date.

The key impact on us of the slower-than-expected ramp-up is the pressure this has applied to our working capital position. I would like to take this opportunity to thank you all for your recent support of the Company's Share Purchase Plan.

My clear focus for the first ten weeks has been twofold. I have been working on our industrial strategy to get production up to target capacity and beyond, and on a funding strategy to ensure that Avenira is on a firm financial footing to unlock the inherent value in Baobab for all our shareholders.


Strategic Plan

The Board has recently approved our Strategic Plan, to be delivered in two stages. First and foremost, we need to improve the performance of the existing operation. We will do this by adding a flotation line and a drying process unit which, combined, should boost production to the targeted 0.5 Mtpy and improve product quality. This quality improvement will unlock access to a number of potential customers, a key benefit in today's long market. Engineering studies are already underway towards a detailed design and associated capital and operating cost estimates.

Stage 2 will be the construction of a second production line that will lift total production to around 1.5 Mtpy capacity and provide sufficient product for Baobab to meet its long-term objective of supplying a dedicated phosphoric acid facility, while continuing to grow the Gadde Bissik phosphate rock customer base. Our plan is to start pre-feasibility engineering work for Stage 2 before the end of this year. Commissioning of the Stage 2 plant is expected within two years of funding.

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Along the way, we expect that our Exploitation Permit (previously referred to as the Large Mine Permit, or LMP, in our communications) will have been granted. The Baobab team filed this permit application at the end of May. When granted, the Exploitation Permit will be a great company asset.

Funding

Our Strategic Plan will require additional funds, to be sourced through three funding streams. We are delighted that our two major shareholders, Agrifos Partners LLC ('Agrifos') and Groupe Mimran ('Mimran'), continue to share our enthusiasm for the future of Baobab and have agreed to provide bridge funding totalling \$US3.6 million.

An entitlement offer available to all shareholders is also planned to be launched within the next quarter to raise between A\$7 and A\$13 million. This will be underwritten up to the targeted minimum A\$7 million by our two major shareholders, if requested. These funds will be used to support engineering studies and upfront Stage 1 capital costs, as well as ongoing working capital requirements, and to pay the bridge loans back.

We will also need to seek additional funding to wrap up Stage 1 and to finance Stage 2: further details on this third stream will be announced in due course.

Marketing

Unfortunately, market conditions in the fertilizer industry have deteriorated over the past 2 years: worldwide pricing for rock phosphate has suffered, and the softer supply-demand environment has made entering the market more difficult for a new supplier like us.

Despite this challenging business environment, phosphate rock concentrate from our maiden Baobab shipment has now been successfully processed into phosphoric acid by a major fertilizer industry player. This marks a key milestone in the Company's commercial development and demonstrates the value delivered by Baobab to its customers. In today's long market, to invest the time and resources to carry out such large-scale qualification runs is a meaningful step.

The second shipment is due to sail this June.

We have also carried out reference evaluation tests at Prayon, an internationally respected phosphate industry engineering firm, with positive results.

Conclusion

I recognise that recent months may have been frustrating at times for shareholders, with the ramp-up delays and the share price weakness. But I can assure you that the Avenira and Baobab teams are fully committed to our Strategic Plan. The path to long-lasting success is clear.

I am grateful for your support and look forward to delivering positive outcomes for you all in the years to come.

Yours Sincerely,

Louis Calvarin
Managing Director and Chief Executive Officer