

26 July 2017

### Strategic Plan Update

Avenira Limited ('Avenira' or 'the Company') is pleased to provide an update on the Company's Strategic Plan and operations at the Baobab Phosphate Project in Senegal.

#### Marketing

Phosphate market conditions have remained very soft; however, Avenira continues to build solid credentials as a supplier. The Company has sold two full vessel cargoes: one of these has already been successfully processed by the end customer and the other is underway.

Prayon Technologies SA, a respected phosphate industry engineering firm, has run a full evaluation of the Company's Gadde Bissik phosphate rock in its pilot unit. The test results were very positive, confirming that **"concentrated acid can be produced without any particular problem"** and that **"the concentrated acid is perfectly suitable for the production of DAP fertilizer"**. This detailed third-party evaluation confirms that the Company's Baobab project is well positioned to deliver high value-in-use to its existing and future customers.

#### Exploration

The Company has completed Diamond and AirCore infill drilling in areas inside the perimeter of its existing Small Mine Permit (SMP) and in adjacent extensions within its proposed Exploitation Permit (previously referred to as the Large Mine Permit or LMP) application area, East and West of the SMP. Initial observations are positive and an Exploration Update will be released once additional analytical and interpretation work on this drilling program has been completed.

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FOR FURTHER INFORMATION:

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## **Mining**

The Company has completed mining of the Open Pit Stages 1 and 2 and begun work on overburden removal for Stage 3. Despite the early arrival of the wet season the Company anticipates that first ore will be reached in the Stage 3 Pit by October. Grade Control AirCore drilling for Stage 3 and 4 Pits is complete, and analysis of core samples is under way. Once interpreted, the results will be used to update pit designs for both stages.

The Company has initiated a review of the net benefits of continuing with ore mining while Stage 1 of its Strategic Plan is being planned and implemented. The review will consider all relevant factors, including limitations within the existing beneficiation plant (see below), the updated Stages 3 and 4 pit designs, customers' requirements, the prevailing market pricing environment, and working capital resources.

## **Ore Processing**

The Company has used the existing beneficiation plant at the Gadde Bissik mine to process ore successfully. These past few months of production, however, have confirmed that the original design of the current ore processing plant leads to sub-optimal phosphate recovery and to a finished concentrate silica assay that is higher than our commercial target. As announced in the Company's June 9 Update, the goal of Stage 1 of the Strategic Plan is to deliver a capacity and performance expansion of the existing processing facility to improve recovery and product grade, thereby making the Baobab Project a fully sustainable operation. Engineering studies are ongoing with parties with extensive phosphate industry experience. Detailed design information as well as associated capital and operating costs estimates should be available late in 2017. One of the study objectives is to confirm the capacity level to be targeted in Stage 1, as the Company may benefit by accelerating expansion to a capacity of 1 million tonnes per annum in Stage 1 instead of 0.5 million tonnes previously contemplated.

## **Funding**

The Company is progressively drawing down the Bridge Loan funding of US\$ 3.6 million announced in June, and plans to launch the Entitlement Offer by the end of September.



Work is continuing to confirm the additional funding amount required to complete Stage 1 of our strategy, and while detailed capital cost estimates will not be known until late in 2017, the funds required will be higher than our original Baobab capital costs. Funding this project will require Avenira to raise additional debt and equity capital.

The Company is also undertaking preliminary work with advisors regarding the feasibility, funding and timing of Stage 2 of the Strategic Plan (construction of an additional 1 million tonnes production capacity). Further details on this will be announced in due course.

### **Conclusion**

The ramp-up difficulties with the Baobab Project, combined with poor phosphate market conditions, have significantly challenged the Company's working capital position. Avenira, however, has established a solid Baobab project foundation, including:

- Demonstrated a high-quality saleable product
- Established a strong local management team and implemented, tested and practiced all necessary contracts, processes and procedures to mine and ship Gadde Bissik phosphate rock concentrate
- Continued to grow phosphate rock reserves and resources
- Lodged of a Large Mine Permit application, a key step to attain the second stage of the Strategic Plan
- Received ongoing support from two major shareholders that also provide strong industry and in-country expertise and contacts.

Managing Director and Chief Executive Officer, Mr Louis Calvarin, said: *"It is essential that we successfully execute Stage 1 of our Strategic Plan so we can move the Baobab Project further down the industry cost curve and establish an economically sustainable operation from which to launch the next stages of our plan, and our Board and Management team are dedicated and focused on this successful execution. I look forward to being in Australia in the coming month and will attempt to meet with as many shareholders as possible during this visit."*