

1 July 2019

SALE OF ASSETS, FUNDING AND CORPORATE UPDATE

Highlights

Avenira Limited ('Avenira' or the 'Company') (ASX: AEV) to sell its interests in the Baobab Phosphate Project and Novaphos to a consortium of its major shareholders (the Purchasers) and receive immediate funding support (the 'Transaction').

Under the Transaction:

- Avenira to receive cash consideration of US\$3.0M (A\$4.3M), and loan and director fees forgiveness of approximately US\$1.2M (A\$1.8M), for a total value of approximately US\$4.2M (A\$6.1M), using a A\$:US\$ 0.69 exchange rate.
- Avenira to undertake, for nil consideration, a buy-back and capital reduction of all the existing shares and options held by the major shareholders.
- Pending completion of the sale ('Completion'), the Purchasers will provide loan funding of up to US\$1.8M to BMCC (the Avenira subsidiary which holds the Baobab Project); and
- The Purchasers will also make available until Completion additional loan funding to Avenira which, if used, will be deducted from the cash consideration.

Post Transaction, the new Avenira will have approximately 440.8M shares on issue, cash consideration of approximately A\$4.3M (less costs) and no debt.

In addition to providing essential short-term funding, the Transaction is attractive given the recent trading history of Avenira:

- the approximately A\$6.1M gross consideration corresponds to an equivalent A\$0.014 per Avenira share remaining post Completion, a 129% premium to the last traded price of A\$0.006; and
- the approximately A\$4.3M cash consideration corresponds to an equivalent A\$0.010 per Avenira share remaining post Completion, a 64% premium to the last traded price of A\$0.006.

As part of the Transaction, Farouk Chaouni and David Mimran (who both represent members of the Purchasers) have resigned from the Avenira Board, while Timothy Cotton (who is also representing one of the Purchasers) intends to resign upon Completion.

Further Board changes have been agreed with Louis Calvarin stepping down as Managing Director and CEO. Louis will continue on as a Non-Executive Director (Independent) and assist with the Transaction Completion and intends to resign upon Completion.

Brett Clark, (Chairman) will remain with Avenira post Completion and will appoint suitably qualified additional Non-Executive Directors at or before that time.

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FOR FURTHER INFORMATION:

Mr Louis Calvarin

Managing Director and CEO, Avenira Limited

Mr Rod Wheatley

CFO and Company Secretary, Avenira Limited



Avenira shareholders benefit from retaining the wholly owned Wonarah Phosphate Project in the Northern Territory and an exclusive licence to use the Novaphos technology in Australia. Post Completion, Avenira intends to immediately undertake high level studies to reaffirm the development pathway for Wonarah, as well as consider other investment opportunities.

Overview

Avenira Limited announces that it has entered into binding agreements to:

- sell its interests in the Baobab Phosphate Project and Novaphos to a consortium comprising Avenira's three largest shareholders, being Agrifos Partners LLC, Tablo Corporation and Agrifields DMCC (Major Shareholders); and
- undertake a buy-back and capital reduction of all of the Avenira shares and options held by the Purchasers for nil consideration.

As part of the Transaction, the Purchasers have agreed to provide immediate financial support to Avenira's 80% owned subsidiary company, Baobab Mining and Chemicals Corporation SA (BMCC) (which in turn wholly owns the Baobab Project) and to provide additional working capital support to Avenira as the parent company.

Avenira will call a meeting of shareholders to approve the Transaction and will prepare a Notice of Meeting setting out the Transaction terms and including an Independent Expert's Report providing an opinion on whether the Transaction is fair and reasonable to Avenira shareholders (other than the Purchasers).

Avenira Chairman, Mr Brett Clark, said *"We are grateful for the support of Avenira's shareholders through to this point. With the support of the major shareholders, we have been able to structure a transaction that not only relieves considerable financial stress facing the company, but also affords Avenira shareholders an opportunity to continue with the ability to trade their shares, as well as crystallise the value of the Baobab Project and Novaphos interests.*

Avenira will move to becoming debt free, with cash available to re-examine its large Wonarah Phosphate Project in the Northern Territory and other investment opportunities. Along with Non-executive Director, and fellow Independent Director, Louis Calvarin, we unanimously recommend that Avenira shareholders vote in favour of the Transaction at the upcoming shareholder meeting.

I would also like to thank Farouk Chaouni and David Mimram for their support as directors / board members over the past few years and wish them well on their future endeavours.

And finally, I'd like to thank Louis Calvarin for his efforts and guidance for over two years as Managing Director and CEO and look forward to working with him over the next few months to close out the Baobab sales transaction."

Summary of the Transaction Agreement

Under an agreement executed 28 June 2019 (Transaction Agreement) Avenira has agreed to sell or assign all its rights and interests in the following assets to the Purchasers:



- Baobab Fertilizer Africa (BFA) (the wholly owned subsidiary which holds Avenira's interests in the Baobab Phosphate Project) and the associated Baobab Intellectual Property and Other Information;
- Novaphos (other than the existing Australian Licence Agreement as outlined below);
- The intercompany loan between Avenira and BMCC; and the intercompany loan between Avenira and BFA.

As part of the agreement, Avenira will receive cash consideration of US\$3,000,000 (Cash Consideration) and the Purchasers will waive or forgive outstanding Director fees currently totalling A\$375,000.

As part of the Transaction, Avenira will:

- Undertake a buy-back and capital reduction all of the shares and options in Avenira held by the Purchasers and their related parties for nil consideration (effectively removing their shareholdings in Avenira); and
- assign the existing Avenira Corporate Loan (current balance of US\$0.92M) to BFA.

Whilst Avenira is selling its interests in Novaphos (including the licence agreement to use the Novaphos technology in Senegal), Avenira retains an exclusive licence to use the Novaphos technology in Australia.

From the Transaction Date (being the date of execution of the Transaction Agreement) the Purchasers will provide a Working Capital Facility for the benefit of BMCC. This facility is not to exceed US\$1.8M and will be on the same terms as the previously announced BMCC Funding Agreements dated 16 May 2019. This amount is not repayable by Avenira.

The Purchasers will also, at Avenira's request, provide a Working Capital Supplement Facility of up to US\$300,000 to Avenira to cover any shortfall in funding for Avenira to reach Completion or fund the costs of the Transaction. The terms of this facility will also be the same as the previously announced loan agreements dated 16 May 2019. Any drawdowns under this facility will be deducted from the Cash Consideration.

If the Transaction is not approved by Avenira shareholders or Completion does not occur on or before 1 October 2019 or the Transaction Agreement is terminated for any reason, then both facilities would become immediately due and payable.

The Transaction is subject to a number of conditions precedent being satisfied, including:

- all third-party consents for the Transaction being received within 80 days;
- the parties entering into a Novaphos licence agreement amendment for Senegal within 21 days;
- the Parties obtaining all shareholder, regulatory and other approvals necessary for the Transaction including under ASX Listing Rule 10.1, 11.2, Chapter 2E and Chapter 2J and as necessary under section 611 item 7 (to the extent the Major Shareholders will have a relevant interest in each other's shares due to execution of this Term Sheet and/or other arrangements between them in connection with the Transaction) of the Corporations Act 2001 (Cth) within 90 days;
- an Independent Expert's Report concluding that the Transaction is in the best interests of Avenira shareholders and fair and reasonable to Avenira shareholders (excluding the Major Shareholders) or not fair but reasonable to Avenira shareholders (excluding the Major Shareholders) (IER Opinion) within 60 days;
- no material adverse change in the Assets; and



- no event of default on either the Avenira Corporate Loan or the BMCC Funding Agreements.

The Transaction will result in the Purchasers taking on responsibility for the outcome of current Senegalese tax audits of BMCC and Gadde Bissik Phosphate Operations SUARL (its operating subsidiary). The final amount of these tax liabilities is not known.

Table 1 shows the effect of the Transaction on the Avenira capital structure.

Table 1: Avenira capital structure pre and post Transaction

Avenira Shareholder	Pre-Transaction Shares / Options	Pre-Transaction interest in Avenira (%)	Post-Transaction Shares / Options	Post-Transaction interest in Avenira (%)
Agrifos	240.5M shares 80.0M options	22.7%	Nil	Nil
Agrifields	151.8M shares	14.3%	Nil	Nil
Tablo Corporation	225.6M shares	21.3%	Nil	Nil
Sub-Total	617.9M shares 80.0M options	58.4%	Nil	Nil
Remaining Shareholders	440.8M shares 5.0M performance rights	41.6%	440.8M shares	100%
Total	1,059M shares 80.0M options 5.0M performance rights	100%	440.8M shares	100%

Transaction Rationale

To consider the Transaction, Avenira formed a committee comprising Brett Clark (Chairman) and Louis Calvarin (formerly Managing Director) (the Independent Directors).

The Independent Directors believe there are key reasons for Avenira to undertake the Transaction:

- *The Transaction provides funding certainty*

The Company has been seeking to progress alternative funding arrangements from a number of different sources over the past several months, including bank loans from West African banks. These discussions have taken considerably longer than anticipated and there is no certainty a loan will be obtained.

The Transaction offers an ability for Avenira to become debt free and receive cash consideration of US\$3.0M (less costs to reach Completion), which delivers greater financial certainty for Avenira shareholders than otherwise achievable.

- *The Transaction provides value for shareholders*



The Transaction consideration, being a combination of cash and loan forgiveness, is attractive:

- Gross consideration value of approximately A\$6.1M (comprising the cash consideration of US\$3.0 / A\$4.3M plus the value of the Avenira Corporate Loan of US\$0.9 / A\$1.3M and the value of Director fees to be forgiven of approximately US\$0.3 / A\$0.4M), or A\$0.014 per remaining Avenira share, representing a 129% premium to the last traded price of A\$0.006 per share; and
- The Cash Consideration value of US\$3.0 / A\$4.3M, or approximately A\$0.010 per remaining Avenira share, represents a premium of 64% to the last traded price.
- ***Avenira retains the Wonarah Phosphate Project***

The Transaction provides a platform for Avenira to progress the Wonarah Phosphate Project as well as consider other investment opportunities.

Board Recommendation

The Independent Directors:

- (a) unanimously recommend that Avenira shareholders vote in favour of the Transaction; and
- (b) affirm that they intend to vote any Avenira shares in which they have a relevant interest in favour of the Transaction,

in the absence of a superior proposal, and subject to an Independent Expert providing the IER Opinion.

Board Composition

Upon execution of the Transaction Agreement, David Mimran and Farouk Chaouni resigned from the Board of Avenira.

The Board now comprises Brett Clark (Chairman), Louis Calvarin (Non-Executive Director) and Timothy Cotton (Non-Executive Director and representative of Agrifos, one of the Purchasers).

Upon Completion, Timothy Cotton and Louis Calvarin intend to resign from the Board. Avenira will appoint suitable replacement Directors at or before that time.

Funding Update

With immediate effect, the Purchasers have provided a working capital facility of up to US\$1.8M to BMCC. Without this facility, BMCC would have no funding and there would be no certainty that it could meet its commitments. Avenira will not provide any additional funding to BMCC until Completion.

Timing and Next Steps

A Notice of Meeting and Explanatory Statement will be prepared containing information relating to the Transaction, the reasons for the Independent Director's recommendation, an Independent Expert's report, details of the buy-back and capital reduction, and the resolutions required to complete the Transaction. This document is currently expected to be sent to Avenira shareholders in August 2019.



Avenira shareholders will have an opportunity to vote on the Transaction and capital reduction at a shareholder meeting targeted for September 2019.

Subject to meeting all of the condition's precedent, the Transaction is likely to complete shortly after the shareholder meeting. Further details will be included in the Notice of Meeting documents for shareholders to review.

Brett Clark

Chairman

Avenira