



**AVENIRA LIMITED**

ACN 116 296 541

**NOTICE OF GENERAL MEETING**

**EXPLANATORY MEMORANDUM**

**AND**

**PROXY FORM**

in respect of the

**GENERAL MEETING OF SHAREHOLDERS**

to be held at 9:30am (WST) on 14 October 2019

at DLA Piper, Level 31, Central Park, 152 - 158 St Georges Terrace, Perth Western Australia

**The Independent Expert has concluded that the Transaction is not fair but reasonable**

**IMPORTANT INFORMATION**

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

**AVENIRA LIMITED**  
**ABN 48 116 296 541**

**NOTICE OF GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the General Meeting (**General Meeting** or **Meeting**) of holders of ordinary shares (**Shareholders**) of Avenira Limited ABN 48 116 296 541 (**Company** or **Avenira**) will be held at DLA Piper, Level 31, Central Park, 152 - 158 St Georges Terrace on 14 October 2019 at 9:30am (WST) for the purpose of transacting the following business, in each case, as more particularly described in the Explanatory Memorandum accompanying this Notice.

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum, Proxy Form and Schedules form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders at 5:00pm on 12 October 2019.

Terms and abbreviations used in this Notice (including the Explanatory Memorandum) are defined in Schedule 1.

**AGENDA**

**1. Resolution 1 – APPROVAL FOR SALE OF MAIN UNDERTAKING**

To consider and, if thought fit, to pass with or without amendment, as an **ordinary** resolution the following:

*"That, for the purposes of Listing Rules 10.1 and 11.2 and sections 208 and item 7 of section 611 of the Corporations Act, Shareholders approve the sale of the Sale Assets to the Major Shareholders and the acquisition of the relevant interest in the issued voting shares of the Company by the Major Shareholders (and their associates) up to a maximum voting power of 58.42% which would otherwise be prohibited by section 606(1) of the Corporations Act in accordance with the Sale Agreement and otherwise on the terms and conditions detailed in the Explanatory Memorandum."*

**Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- (a) Baobab Partners LLC, Agrifields DMCC or Tablo Corporation or any of their associates; and
- (b) a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder if the Resolution is passed, or an associate of that person.

However, the Company will not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (d) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition**

The Company will disregard any votes cast on this Resolution by or on behalf of Baobab Partners LLC, Agrifields DMCC or Tablo Corporation or any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 2. Resolution 2 – SELECTIVE BUY-BACK

To consider and, if thought fit, to pass with or without amendment, as a **special** resolution the following:

*"That, subject to the approval of Resolution 1, pursuant to and in accordance with section 257D of the Corporations Act and for all other purposes, the Shareholders approve the terms of the Buy-Back Agreement for the selective buy-back of 617,873,016 Shares from the Major Shareholders on the terms and conditions in the Buy-Back Agreement, as detailed in the Explanatory Memorandum."*

### **Voting Prohibition**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Baobab Partners LLC, Agrifields DMCC or Tablo Corporation or any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### **By order of the Board**

**Brett Clark**  
**Chairman**

**Dated: 10 September 2019**

**EXPLANATORY MEMORANDUM**

**1. Introduction**

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at DLA Piper, Level 31, Central Park, 152 - 158 St Georges Terrace, Perth Western Australia on 14 October 2019 at 9:30am (WST).

The purpose of this Explanatory Memorandum is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions at the Meeting.

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Company is not aware of any relevant information that is material to the decision on how to vote on the Resolutions other than as is disclosed in this Explanatory Memorandum or previously disclosed to Shareholders by the Company by notification to the ASX.

Neither ASIC, ASX nor their officers take any responsibility for the contents of the Notice or this Explanatory Memorandum.

**2. Action to be taken by Shareholders**

Shareholders should read the Notice including this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

**Proxies**

A Proxy Form is enclosed with the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, appoint a proxy to vote on their behalf by signing and returning the Proxy Form to the Company in accordance with the instructions thereon. Returning the Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the proportion or number is not specified, each proxy may exercise half of the votes.

A Shareholder can direct its proxy to vote for, against or abstain from voting on each Resolution by marking the appropriate box in the voting directions section of the Proxy Form. If a proxy holder votes, they must cast all votes as directed. Any directed proxies that are not voted will automatically default to the Chairperson of the Meeting, who must vote the proxies as directed.

The Chairperson intends to vote all undirected proxies in favour of all Resolutions except where proxies are received from any Shareholder who is subject to a voting exclusion, in which case the Chairperson will abstain from voting those shares.

Proxy Forms must be received by the Company no later than 9:30am (WST) on 12 October 2019, being at least 48 hours before the Meeting

An appointment of a proxy or power of attorney is not effective for the Meeting unless:

- (a) in the case of a proxy, the Proxy Form and, if it is executed by an attorney, the relevant power of attorney or a certified copy of it; and
- (b) in the case of an attorney, the power of attorney or a certified copy of it, is received by the Company by one of the following means of delivery, in respect of Shareholders registered on the Company's Australian share register, prior to 9:30am WST on 12 October 2019 by:
  - (i) facsimile, to Computershare Investor Services Pty Ltd at 1 800 783 447 (International: +61 39473 2555);
  - (ii) delivery, to Computershare Investor Services Pty Ltd at Level 11, 172 St George's Terrace, Perth, Western Australia 6000;
  - (iii) mail, to Computershare Investor Services Pty Ltd at GPO Box 242, Melbourne, Victoria, 3001;
  - (iv) electronically by appointing your proxy online at [www.investorvote.com.au](http://www.investorvote.com.au). Please refer to the enclosed Proxy Form for more information about appointing your proxy online; or
  - (v) for intermediary online subscribers only (custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

If you are a beneficial Shareholder and receive these materials through your broker or through another intermediary, please complete and return the form of proxy or voting instruction form in accordance with the instructions provided to you by your broker or by the other intermediary.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

### **Corporate Representative**

A body corporate which is a Shareholder, or which has been appointed as a proxy, is entitled to appoint an individual to act as its representative at the Meeting in accordance with section 250D of the Corporations Act.

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with:

- (a) a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative; or
- (b) a copy of the resolution appointing that person as the corporate Shareholder's representative at the Meeting, certified by a secretary or director of the corporate Shareholder.

A Certificate of Appointment of Corporate Representative form is available from the Company on request.

### **Independent Expert's Report**

Shareholders should carefully consider the report prepared by the Independent Expert. The Independent Expert's Report comments on the fairness and reasonableness of Resolution 1 to

the Shareholders in the Company. The Independent Expert has determined that Resolution 1 is not fair but reasonable to the Shareholders in the Company. A copy of the Independent Expert's Report is included as Schedule 3 to this Notice. If requested by a Shareholder, the Company will send to the Shareholder a hard copy of the Independent Expert's Report at no cost.

### **3. Inter-Conditional Resolutions**

The Transaction requires approval under the Listing Rules. Resolutions 1 and 2 are inter-conditional. Consequently, if any of the Resolutions is not approved by Shareholders, the Transaction will not be completed.

For information relating to the Company's intentions if the Transaction does not proceed, refer to Section 4.13.

## 4. Overview

### 4.1 Background

On 1 July 2019, the Company announced it had entered into an agreement with the Major Shareholders (**Sale Agreement**) pursuant to which the Company will:

- (a) sell its 100% interest in the issued share capital of BFA (BFA is the holding company of Avenir's 80% interest in the Baobab Phosphate Project) (Refer to Section 4.2);
- (b) sell the Novaphos Interest (Refer to Section 4.3);
- (c) assign the intellectual property associated with the Baobab Phosphate Project and the Novaphos Interest to the Major Shareholders (Refer to Section 4.4);
- (d) assign the BMCC Loan to the Major Shareholders (or their nominee) (Refer to Section 4.5);
- (e) assign the BFA Loan to the Major Shareholders (or their nominee) (Refer to Section 4.5),

(together, the **Transaction**).

### 4.2 Baobab Phosphate Project

The Baobab Phosphate Project is located in Senegal, West Africa, approximately 140km east of Dakar. Avenir owns 80% of the project through its 100% interest in BFA, which in turn owns 80% of Baobab Mining and Chemicals Corporation S.A. (**BMCC**) which holds permits for the Baobab Phosphate Project.

BMCC holds an Exploration Permit which covers approximately 1,163km<sup>2</sup> and an Exploitation Permit of approximately 75km<sup>2</sup>.

In 2016, a 'starter' mine was developed to mine the Gadde Bissik part of the deposit under a small mine permit (**SMP**) of approximately 5km<sup>2</sup>. This development experienced numerous recovery and commissioning issues and was placed on care and maintenance in 2018. The Company commenced studies investigating a new development, one which would incorporate additional processing equipment and in parallel progressed the exploitation permit which would give the Company access to a larger area to mine.

On 18 March 2019, the Company announced a Feasibility Study (+/-20% Class 4 estimate) for a new development comprising open-cut mining with a new processing plant constructed on site producing approximately 1mtpa of phosphate rock concentrate grading 36.4% P<sub>2</sub>O<sub>5</sub> for local and international sale over a 13 year life.

Pre-production capital expenditure for the Baobab Phosphate Project was estimated as US\$183 million, with projected operating costs of US\$56/t (not including any royalty).

The Company had planned, subject to funding, to commence a 'bankable' feasibility study on the Baobab Project, which would include further metallurgical test work to confirm the flow sheet to be used in the development as well as further investigation with respect to the tailings storage facilities.

The following table shows the Mineral Resources stated for the Baobab Phosphate Project as at 30 June 2019:

Area	Deposit	Classification	Mt	P <sub>2</sub> O <sub>5</sub> %	CaO %	MgO %	Al <sub>2</sub> O <sub>3</sub> %	Fe <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %
Within Exploitation Permit	Gadde Bissik East	Indicated	41.8	19.4	26.8	0.08	2.23	3.87	44.0
		Inferred	136	16	22	0.17	3.4	4.0	51
	Gandal	Inferred	31	15	21	0.10	4.3	7.9	46
	Gadde Escale	Inferred	80	16	23	0.15	2.4	3.0	52
	Subtotal within Exploitation Permit	Indicated Inferred	41.8 247	19.4 16	26.8 22	0.08 0.16	2.23 3.2	3.87 4.1	44.0 50
Outside Exploitation Permit	Gadde Bissik East	Indicated	0.3	16.4	22.3	0.17	3.96	3.76	48.7
		Inferred	9	16	22	0.19	4.2	3.3	50
	Gadde Bissik West	Inferred	26	13	17	0.35	6.7	7.0	48
	Gandal	Inferred	1	14	19	0.06	2.5	6.9	54
	Gadde Escale	Inferred	2	15	21	0.32	2.9	4.6	51
	Dinguiraye	Inferred	35	17	25	0.24	3.4	3.7	46
Subtotal outside Exploitation Permit	Indicated Inferred	0.3 73	16.4 15	22.3 21	0.17 0.27	3.96 4.7	3.76 4.9	48.7 48	
<b>Total Resource</b>		Indicated	42.1	19.4	26.8	0.08	2.24	3.87	44.0
		Inferred	320	16	22	0.18	3.5	4.3	50

**Table 1: Gadde Bissik Mineral Resources Estimates at 10% P<sub>2</sub>O<sub>5</sub> Cut-off Grade**

All Resources listed above were prepared and first disclosed under the JORC Code 2012 (refer to ASX release “Avenira Delivers Strong Feasibility Study for Expansion of Baobab Phosphate Project”, 18 March 2019). The Company confirms it is not aware of any new information or data that materially affects the information included in the relevant market announcement 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 Independent Expert has valued the Baobab Phosphate Project in the range of \$21.6 million and \$44 million with a preferred value of \$32.8 million (refer to section 11.7 of the Independent Expert’s Report for further details).

#### 4.3 The Novaphos Interest

Avenira holds interests in Novaphos Inc (**Novaphos**), comprising:

- (a) US\$1,678,468 outstanding notes;
  - (b) US\$501,899 total accrued interest on the outstanding notes;
  - (c) 6,730 common shares;
  - (d) 93,425 common share warrants;
  - (e) 282 series A preference shares;
  - (f) 15,748 series B2 preference shares;
  - (g) 31,496 series B2 warrants;
  - (h) 42,702, 2018 bridge warrants; and
  - (i) all of the interests (equity or debt) of Avenira Holdings LLC,
- (together the **Novaphos Interest**).



Mr Tim Cotton, a Director and CEO of Novaphos, and Mr Farouk Chaouni, the Chairman of Novaphos and a former Director, together own 100% of Agrifos Partners LLC, which owns 100% of each of Baobab and Thetis Investments LLC (**Thetis**). Baobab and Thetis together own approximately 22.2% of the fully diluted common stock of Novaphos.

#### 4.4 Intellectual Property

Novaphos is a USA based company that has stated that it is seeking to commercialise technology to enable the efficient processing of low grade phosphate sources (**IHP Technology**). Novaphos has stated that the IHP Technology has the potential to enable sustainable production of high-quality superphosphoric acid (**SPA**) using low quality phosphate rock without creating phosphogypsum waste.

Novaphos has constructed a demonstration plant which it is continuing to refine to achieve commercialisation of the technology.

Avenira has exclusive rights to use the IHP Technology in Senegal and Australia. In connection with the Transaction, the Major Shareholders will acquire the exclusive license to use the IHP Technology in Senegal and Avenira will retain the exclusive license to use the IHP Technology in Australia. Avenira has agreed to terminate certain secured step-in license rights in favour of Avenira, included in the current license agreement to use the IHP Technology in Australia, in consideration for Novaphos' cooperation and consent to Avenira's sale and transfer of the Novaphos Interest.

#### 4.5 Loan Agreements

Avenira, BMCC and BFA are party to the following loan agreements:

- (a) the loans from Avenira to BMCC pursuant to the loan agreement dated 1 March 2017, which as at the date of this Notice has \$13,044,900 outstanding (**BMCC Loan**);
- (b) the loans from Avenira to BFA pursuant to the loan agreement dated 1 July 2018, which as at the date of this Notice has \$18,018,616 outstanding (**BFA Loan**);
- (c) the loan agreements between Avenira and each of the Major Shareholders dated 15 March 2019, which as at the date of this Notice has \$1,382,131 outstanding (**Avenira Corporate Loan**); and
- (d) the loan agreements between BMCC and each of the Major Shareholders dated 16 May 2019, which as at the date of this Notice has \$2,507,314 outstanding (**BMCC Funding Agreement**).

#### 4.6 Material Terms of the Sale Agreement

The material terms and conditions of the Sale Agreement are as follows:

##### 4.6.1 Sale Assets

Avenira will sell or assign its rights in the following assets to the Major Shareholders (or their nominee):

- (a) its 100% interest in the issued share capital of BFA (BFA is the holding company of Avenira's 80% interest in the Baobab Phosphate Project);
- (b) the Novaphos Interest;
- (c) intellectual property associated with the Baobab Phosphate Project and the Novaphos Interest;
- (d) the BMCC Loan;
- (e) the BFA Loan,

(together the **Sale Assets**).

#### 4.6.2 **Conditions Precedent**

Completion of the Transaction is subject to and conditional upon the satisfaction (or waiver) of the following:

- (a) Avenira and the Major Shareholders obtaining all requisite third-party consents to transfer the Sale Assets;
- (b) Avenira and the licenceholder, among others, entering into an agreement to amend and restate the licence agreement granting the exclusive right to use the IHP Technology in Australia;
- (c) Shareholders approving the Resolutions;
- (d) no material adverse change in the Baobab Phosphate Project or the Sale Assets occurring;
- (e) no event of default, or event or circumstance which could be an event of default, occurring under the Avenira Corporate Loan; and
- (f) no event of default, or event or circumstance which could be an event of default, occurring under the BMCC Funding Agreement,

(together the **Remaining Conditions Precedent**).

In addition to the Remaining Conditions Precedent, the Sale Agreement provides for additional conditions precedent which, as at the date of this Notice, have been satisfied.

#### 4.6.3 **Consideration**

The consideration to be received by Avenira for the Sale Assets comprises the following:

- (a) a cash payment of US\$3 million (approximately A\$4.3 million) to Avenira (less any amount outstanding under the Working Capital Supplement Facility (refer to Section 4.6.4(b)));
- (b) the Buy-Back (refer to Section 4.8);
- (c) assignment and forgiveness of any directors fees payable to Messrs Timothy Cotton, David Mimran or Farouk Chaouni, which as at the date of completion of the Transaction are expected to amount to approximately A\$405,000; and
- (d) assignment and forgiveness of the Avenira Corporate Loan, which as at the date of this notice is \$1,382,131,

(the **Consideration**).

#### 4.6.4 **Funding during the Transaction**

Under the Sale Agreement the following additional funding have been provided:

- (a) **Working Capital Facility:** by the Major Shareholders; a facility of US\$1.8 million to be used by BMCC to meet all costs incurred by BFA and BMCC in accordance with a specific budget agreed between the parties (**Budget**). At the date of this Notice Avenira has drawn down US\$873,500 of the Working Capital Facility; and

- (b) **Working Capital Supplement Facility:** by Tablo; a facility of US\$300,000 to be used by BMCC to cover any shortfall in funding for Avenira to reach completion of the Transaction and the transaction costs of the Transaction. Funds may be upstreamed from BMCC to Avenira. At the date of this Notice, BMCC has drawn down US\$300,000 of the Working Capital Supplement Facility. The cash component of the Consideration will be reduced by the amount outstanding under the Working Capital Supplement Facility.

#### 4.6.5 **Conduct of Business**

Avenira must, and must procure that BFA and BMCC conduct their businesses, in the ordinary course of and in accordance with the Budget and, without the consent of the Major Shareholders do not undertake certain actions, including:

- (a) repay any loans by BFA, BMCC or GBO to Avenira;
- (b) dispose of any interest in the Baobab Phosphate Project;
- (c) grant any security (other than in the ordinary course) over their assets;
- (d) incur any indebtedness;
- (e) issue any securities;
- (f) declare any dividend; or
- (g) change the nature of its business.

#### 4.6.6 **Exclusivity**

Avenira has granted the Major Shareholders exclusivity until the earlier of completion of the Transaction or the termination of the Sale Agreement in respect of any transaction to acquire any of the issued share capital of BFA, BMCC or GBO or an interest in the Baobab Phosphate Project or any other transaction that has that economic effect.

#### 4.6.7 **Changes to the Board and subsidiary board of Directors**

Pursuant to the Sale Agreement:

- (a) on 28 June 2019, Messrs Farouk Chaouni and David Mimran resigned from the Board.
- (b) Messrs Timothy Cotton and Louis Calvarin will resign from the Board on completion of the Transaction; and
- (c) Messrs Louis Calvarin and Rod Wheatley will resign from the boards of BMCC and BFA on completion of the Transaction.

### 4.7 **Rationale for the Transaction**

The Independent Directors (being the Directors other than Mr Timothy Cotton, who is a related party and shareholder of Baobab Partners LLC, a Major Shareholder) have considered various options available to the Company and have determined that the Transaction is in the best interest of the Company for the following reasons:

- 4.7.1 **Previous Funding:** Avenira acquired the Baobab Phosphate Project in 2016. Since that time the Company has spent considerable funds for limited gain. At the time of entering into the Sale Agreement, the Company, BFA and BMCC have approximately A\$7.1 million of external debt and BMCC has recently received a statement from the

Senegalese Government's tax office outlining the results of its recent audit of BMCC which identified US\$1.6 million in additional tax liabilities. BMCC is in the process of appealing the results of this audit, which may take up to 6 months. Subject to BMCC's payment of a holding amount, the tax liabilities will be payable at the end of the appeal process. The external debt of \$8.5m, the subject of the AEV Corporate Loan, the BMCC Loan and a short-term credit line facility to GBO, is not presently due and payable and will remain with the BFA, BMCC and GBO following completion of the Transaction. Accordingly, the Company will be debt free.

- 4.7.2 **Future Funding:** as announced on 14 June 2019, the Company requires an additional A\$11-14 million to advance the Baobab Project through to a final investment decision. Over the past year the Company has been actively seeking additional investment from third parties to repay its debts and fund the Company's activities through to the final investment decisions of the Baobab Phosphate Project. At the date of this Notice, the Company has not been able to agree any third party funding. The Independent Directors believe the key reasons for this is:
- (a) the poor state of the phosphate market;
  - (b) the high capital cost to develop the Baobab Phosphate Project reported in the Feasibility Study completed earlier this year; and
  - (c) the high amount of further funding required to de-risk the project (relative to the size of Avenir).
- 4.7.3 **Continuing Support of Major Shareholders:** While the Company's Major Shareholders have been supportive during this time, they were not able to continue to fund the Company through further debt. In late June 2019, the Company suspended from trading on ASX given the financial uncertainty facing the Company. If the Company is not approved by Shareholders, Without raising additional funds or on-going support from the Major Shareholders, the Company may not be able to continue as a going concern.
- 4.7.4 **Certainty in respect of value:** the Transaction provides value certainty for Shareholders at a significant premium to the Share price prior to announcement of the Transaction, including:
- (a) the value of the gross consideration, being A\$6.1 million, or A\$0.014 per Share on issue after the Buy-Back, represents a premium of 129% to the last trading price of Shares before announcement of the Transaction being, A\$0.06;
  - (b) the value of the cash consideration, being approximately US\$3 million (approximately A\$4.3 million) (less any amounts outstanding under the Working Capital Supplement Facility, or A\$0.01 per Share on issue after the Buy-Back, represents a premium of 64% to the last trading price of Shares before announcement of the Transaction being, A\$0.006,
- 4.7.5 **Independent Expert:** The Independent Expert has concluded that the Transaction is not fair but reasonable for non-associated Shareholders and that the position of non-associated Shareholders, on completion of the Transaction, is more advantageous than if the Transaction does not proceed.
- 4.7.6 **Future of Avenir:** The Transaction enable the Company to become debt free and receive a cash injection of approximately \$US\$3 million (approximately A\$4.3 million) in cash (less any amounts outstanding under the Working Capital Supplement Facility).

With a further A\$11-14 million required to advance the Baobab Phosphate Project through to a final investment decision, the Independent Directors believe an exit from its interests in the Baobab Phosphate Project and Novaphos Interest and a focus on new shareholder value opportunities, including the Wonarah Project are in the best interests of Avenir shareholders.

The Independent Directors believe that disposing of the Baobab Phosphate Project and Novaphos Interest (assets which the Independent Directors believe will require significant further financial investment in the near term which is not able to be met by Avenir) for the Consideration (including US\$3 million (approximately A\$4.3 million) in cash (less any amounts outstanding under the Working Capital Supplement Facility)), and is in the best interests of its shareholders.

Importantly, if the Transaction is implemented it will mean Avenira is able to exit its exposure to significant in-country debts and contingent tax liabilities. Remaining Avenira shareholders will also benefit from the Company's continued ownership of the Wonarah Project and the retention of the Australian licence for the IHP Technology and the Company will have sufficient cash available to pursue other investment opportunities should they become available.

#### 4.8 Details of the Buy-Back

In accordance with the Sale Agreement the Company will enter into a selective buy-back agreement with the Major Shareholders and their associates (**Buy-Back Agreement**).

Pursuant to the Buy-Back Agreement the Company will Buy-Back 617,873,016 Shares (**Buy-Back Shares**) held by the Major Shareholders and their associates.

The Buy-Back is subject to Shareholders approving Resolution 2.

##### 4.8.1 Rationale of the Buy-Back

The Independent Directors believe the Buy-Back is in the best interests of the Company and those Shareholders entitled to vote on Resolution 2 (i.e. Shareholders other than the Major Shareholders) for the following reasons:

- (a) **Part of the Transaction:** as detailed in Section 4.1, the Buy-Back is an integral part of the Transaction. Upon Completion, the Major Shareholders will acquire the Sale Assets, and the Buy-Back Shares held by the Major Shareholders will be cancelled resulting in the Major Shareholders ceasing to have any interest in the Company. The consideration for the Transaction has been structured so that while no cash shall be payable by the Company to the Major Shareholders to effect the Buy-Back, the Buy Back Shares will be bought back as part consideration for the Transaction.
- (b) **Anti-dilution:** as a result of the Buy-Back, each Shareholder (other than the Major Shareholders) will have their percentage interest in the entire issued share capital of the Company increased.
- (c) **Cash-backing:** the cash-backing per Share will increase from \$0.0003 per Share to \$0.01 per Share; and
- (d) **Other alternatives:** the Company determined that a capital reduction would not be appropriate in connection with the Transaction.

##### 4.8.2 Summary of the Terms of the Buy-Back

The terms of the Buy Back are contained in the Buy-Back Agreement. The principal terms are as follows:

- (a) the Company shall convene a meeting of Shareholders to consider the approval of the Buy-Back; and
- (b) the Buy-Back will, subject to the satisfaction of the Conditions (outlined in Section 4.6.2), take place on the Completion.

##### 4.8.3 Effect of the Buy-Back on Control and Issued Capital of Avenira

If the Shareholders approve Resolution 2, no cash will be paid by the Company to the Major Shareholders and the Buy-Back Shares will be cancelled upon completion of the Transaction. This will reduce the total number securities on issue as follows:

Total Securities pre Buy-Back		Total Securities post Buy-Back	
Shares	Options	Shares	Options
1,058,628,242	80,000,000	440,755,226	80,000,000

Completion of the Buy-Back will occur on, and is conditional upon, completion of the Transaction.

The Options on issue expire, and will automatically lapse, on 24 September 2019. The Options are held by Baobab Partners LLC and their associates. Baobab Partners LLC has entered into an agreement with the Company where it agrees that it will not, and that it will procure its associates do not, sell, assign, transfer or otherwise deal with the Options.

The Buy-Back Shares are held as follows, and the Buy-Back will result in the following persons ceasing to be a substantial shareholder of the Company:

	Shares	
<b>Baobab Partners LLC (and its associates)</b>	240,528,141	22.72%
<b>Agrifields DMCC (and its associates)</b>	151,761,842	14.34%
<b>Tablo Corporation (and its associates)</b>	225,583,333	21.36%
	<b>617,873,316</b>	<b>58.42%</b>

Accordingly, the Buy-Back will result in the Major Shareholders no longer having control of Avenira.

The Buy-Back will not will not cause any person, whether an existing Shareholder or not, to acquire a relevant interest in Shares exceeding 20%.

The cash backing per Shares before and after the Buy-Back is as follows:

	Before Buy-Back	After Buy-Back
<b>Total number of Shares on issue</b>	1,058,628,242	440,755,226
<b>Cash balance of the Company (A\$)</b>	\$0.3 million	\$3.9 million
<b>Cash backing per Share (A\$)</b>	\$0.0003	\$0.01

#### 4.8.4 Director Participation in the Buy-Back

Baobab Partners LLC (and its associates) (of which Timothy Cotton, a Director of the Company, is a shareholder) will participate in the Buy-Back.

#### 4.8.5 Source of funds for the Buy-Back

The Buy-Back is part consideration for the Transaction. Accordingly, Avenira will buy-back and cancel the Buy-Back Shares for part consideration of the Transaction.

### 4.9 Major Shareholders Interest

On 28 June 2019, the Major Shareholders entered into an agreement to jointly pursue the Transaction (**Major Shareholder Agreement**), as well as the Sale Agreement.

Pursuant to the Major Shareholder Agreement and the Sale Agreement, each Major Shareholder agreed that subject to Avenira passing a resolution under item 7 of section 611 of the

Corporations Act, it will dispose of its, and will procure that its associates will dispose of their, Shares under the Buy-Back. Accordingly, each Major Shareholder will acquire control over the shares in the Company held by the other Major Shareholders and but for the operation of section 609(7) of the Corporations Act, each Major Shareholder would acquire a relevant interest in the Shares of the aggregate number of Shares held by the Major Shareholders, being 617,873,016 Shares (**Major Shareholder Shares**).

The Major Shareholder Agreement, is conditional upon Resolution 1 being approved by Shareholders.

#### **4.10 Financial Effect of the Transaction**

The Company will receive US\$3 million (approximately A\$4.3 million) (less any amount outstanding under the Working Capital Supplement Facility) in cash proceeds from the Transaction which will provide working capital for the Company to undertake exploration of its Wonarah Project and potentially investigate new business and acquisition opportunities.

The Transaction provides certain value for Shareholders, but will result in the Company no longer being exposed to any financial benefit that might be realised from the Baobab Phosphate Project and Novaphos Interest in the future.

A pro-forma statement of financial position of the Company, that has been prepared to enable Shareholders to make an assessment of the likely effect of the Transaction on the financial position of the Company is detailed in Schedule 2.

#### **4.11 Advantages of the Transaction**

The advantages of the Transaction is as follows:

- 4.11.1 upon completion of the Transaction, the Transaction will add approximately US\$3 million (approximately A\$4.3 million) (less any amount outstanding under the Working Capital Supplement Facility) to the cash reserves of the Company;
- 4.11.2 the Transaction provide value certainty for Shareholders at a significant premium to the Share price prior to announcement of the Transaction, including:
  - (a) the value of the gross consideration, being A\$6.1 million, or A\$0.014 per Share on issue after the Buy-Back, represents a premium of 129% to the last trading price of Shares before announcement of the Transaction being, A\$0.06;
  - (b) the value of the cash consideration, being approximately US\$3 million (approximately A\$4.3 million) (less any amounts outstanding under the Working Capital Supplement Facility, or A\$0.01 per Share on issue after the Buy-Back, represents a premium of 64% to the last trading price of Shares before announcement of the Transaction being, A\$0.006,
- 4.11.3 the Company will become debt free and receive a cash injection;
- 4.11.4 the Directors are of the view that better opportunities exist elsewhere for the Company and will retain the Wonarah Project located in the Northern Territory and the licence to use the IHP Technology in Australia;
- 4.11.5 the Independent Expert has concluded that the Transaction is not fair but reasonable;
- 4.11.6 as at the date of the Notice, no superior proposal to acquire the Sale Assets or the Company has emerged;
- 4.11.7 as at the date of the Notice, no alternative funding arrangement has emerged;
- 4.11.8 if the Transaction is not approved, the Share price may trade below the price per Share which the consideration payable for the Transaction represents;
- 4.11.9 the Transaction means that the Company will cease to have the burden of the financial obligations it would otherwise have in relation to running and developing the Baobab Phosphate Project; and

- 4.11.10 the Selective Buy-Back:
- (a) is an integral part of the Transaction and will result in Shares having a greater level of cash backing; and
  - (b) will reduce the issued share capital of the Company by approximately 58% potentially providing for better per Share growth and cash flow opportunities for future investments.

#### **4.12 Disadvantages of the Transaction**

The disadvantages of the Transaction is as follows:

- 4.12.1 the Independent Expert has concluded that the Transaction is not fair. However, the Independent has noted that the Transaction is reasonable;
- 4.12.2 the Company will no longer own the Baobab Phosphate Project or Novaphos Interest and, therefore, Shareholders will not participate in any potential future value created by those assets;
- 4.12.3 as a result of the Transaction, the Company will not have the prospect of generating positive cash flows if the Baobab Phosphate Project enters into production;
- 4.12.4 there are risks associated with progressing the Wonarah Project and developing and exploring the Wonarah Project may not return any value for Shareholders; and
- 4.12.5 there is a risk that the Company may not be able to locate and acquire suitable investment opportunities.

#### **4.13 Avenira's Intentions Following Completion of the Transaction**

Following completion of the Transactions:

- 4.13.1 Avenira will progress the development and exploration of the Wonarah Project;
- 4.13.2 Avenira will maintain the right to use the IHP Technology in Australia; and
- 4.13.3 Avenira will have cash reserves of approximately A\$3.9 million.

Following completion of the Transaction, the Directors intend to:

- 4.13.4 undertake a review of the Wonarah project to determine the potential value that it may offer to Shareholders; and
- 4.13.5 investigate other opportunities, primarily in the mining sector.

#### **4.14 Major Shareholder Intentions Following Completion of the Transaction**

The Major Shareholders currently intend to focus BFA on the development of the Baobab Phosphate Project into an active phosphate mining operation. The near-term plan will be to reduce costs where possible pending completion of additional feasibility work. Once sufficient feasibility work is complete, BFA will need to seek financing for the investments that will be required to develop the mine and then make those investments. In parallel, the Major Shareholders intend to seek to develop commercial outlets for the Baobab phosphate rock output.

With respect to the Novaphos interests, the Major Shareholders intend to have BFA remain a minority, passive owner in Novaphos. There is no intention to increase BFA's position in Novaphos.

#### **4.15 Implications if the Transaction Do Not Proceed**

If the Transaction does not proceed, the Sale Agreement will be terminated. Upon termination of the Sale Agreement, the BMCC Funding Agreement and the Working Capital Supplement Facility become immediately due and repayable and all tax liabilities of BMCC and GBO will be payable by BMCC and GBO, subsidiaries of the Company. Without raising additional funds or on-going support from the Major Shareholders, the Company may not be able to continue as a going concern.



#### 4.16 Recommendation of the Independent Expert

As required by Listing Rule 10.1 and item 7 of section 611 of the Corporations Act, the Directors commissioned the Independent Expert, to prepare a report on Resolution 1 to ascertain whether it is fair and reasonable to Shareholders (other than the Major Shareholders and their associates).

**The Independent Expert has concluded that Resolution 1 is not fair but reasonable for Shareholders (other than the Major Shareholders and their associates).**

Schedule 3 contains a complete copy of the Independent Expert's Report. Shareholders are urged to read the Independent Expert's Report in full.

The Independent Expert has given, and has not withdrawn, its consent to the inclusion of its report in the Notice in the form and context in which it appears.

As the Major Shareholders are the purchaser, it is expected that they have made their own determination of the fairness and reasonableness of the Transaction.

#### 4.17 Directors' Recommendation

Other than Timothy Cotton, Director, who is a director and shareholder of Baobab Partners LLC, a Major Shareholder, no Director has a material interest in the outcome of the Transaction, other than as a result of any interest arising solely in their capacity as a Shareholder.

Each of the Directors, other than Mr Timothy Cotton (who has abstained from making a recommendation due to the interest noted above) consider, having reviewed the Independent Expert's Report, that the terms of the Transaction are not fair but reasonable insofar as the Shareholders are concerned, and **RECOMMEND that Shareholders (in the absence of a superior proposal) vote IN FAVOUR of the Transaction by VOTING IN FAVOUR all ALL Resolutions, as the Directors intend to do in respect of the Shares they hold.**

Refer to Section 4.7 for additional details of the reasons for the Director's recommendation.

#### 4.18 Tax Implications

There will be no tax implications for Shareholders (other than the Major Shareholders) as a result of the Transaction.

#### 4.19 Indicative Timetable

The anticipated timetable for completion of the Transaction is as follows:

Event	Date
Last date and time for receipt of Proxy Form	9:30am (WST) on 12 October 2019
Date and time for determine eligibility to vote	5:00pm (WST) on 12 October 2019
Meeting	9:30am (WST) on 14 October 2019
Satisfaction of Conditions	expected to be on 14 October 2019
Completion of Transaction	expected to be on or about 19 October 2019

## **5. Resolution 1 - Approval for Transaction of Main Undertaking**

### **5.1 Background**

Resolution 1 seeks Shareholder approval pursuant to Listing Rules 10.1 and 11.2, section 208 of the Corporations Act and item 7 of section 611 for the Company to complete the Transaction, under which it will dispose of the Sale Assets.

### **5.2 ASX Listing Rules 10.1 and 11.2**

Listing Rule 10.1 prevents a company from disposing of a "substantial asset" to certain persons identified in Listing Rule 10.1, including a "substantial holder" who alone, or together with its associates, has a Relevant Interest in at least 10% of the votes attaching to the voting securities in the company.

As the Major Shareholders hold an aggregate interest in 58.37% of the Shares, the Major Shareholders are a "substantial holder" for the purposes of Listing Rule 10.1. In addition, the Sale Assets account for more than 5% of the equity interests of the Company as set out in its last annual report, meaning that the Sale Assets constitute a "substantial asset" for the purposes of the Listing Rules.

Listing Rule 11.2 restricts the Company's ability to dispose of its main undertaking without Shareholder approval. The interest in the Baobab Phosphate Project, which the Company proposes to sell to the Major Shareholders pursuant to the Sale Agreement, constitutes the main undertaking of the Company.

The effect of passing Resolution 1 will be to allow the Company to dispose of its main undertaking and a substantial asset to the Major Shareholders by completing the Sale Agreement without breaching Listing Rules 10.1 or 11.2.

### **5.3 Section 208 of the Corporations Act**

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company.

Under Section 208 of the Corporations Act, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company (such as a director of the company), the public company or entity must:

- 5.3.1 obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- 5.3.2 give the benefit within 15 months following such approval, unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The sale of the Sale Assets constitutes giving a financial benefit to a related party.

As Baobab and Tablo are controlled by directors (or persons who were directors of the Company in the previous 6 months) they are related parties of the Company. As Agrifields is acting in concert with Baobab and Tablo, it is also a related party of the Company. Accordingly, the Major Shareholders are a related party of the Company and the proposed Transaction will constitute the provision of a financial benefit to a related party of the Company.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought under Section 208 of the Corporations Act for the Transaction.

### **5.4 Independent Expert's Report**

As required by Listing Rule 10.10.2, the Company has appointed the Independent Expert to report on the terms of the Transaction. Refer to Section 4.16 for further details.

Shareholders are urged to carefully read the Independent Expert's Report to understand its

scope, the methodology of the valuation and the sources of information and assumptions made.

The Independent Expert's Report is also available on the Company's website. If requested by a Shareholder, the Company will send to the Shareholder a hard copy of the Independent Expert's Report at no cost.

## 5.5 Specific Information required by Listing Rules 10.1, 10.10 and 11.2

For the purposes of Listing Rules 10.1, 10.10 and 11.2 the following information regarding the Transaction is provided:

- 5.5.1 an Independent Expert's Report has been included as Schedule 3 and details:
- (a) the effect of the Transaction on the Company; and
  - (b) whether the Transaction is fair and reasonable to Shareholders (other than the Major Shareholders), and
- 5.5.2 a voting exclusion statement in relation to Resolution 1 is included in the Notice.

## 5.6 Sections 217 to 227 of the Corporations Act

Pursuant to Sections 217 to 227 of the Corporations Act, the Company provides the following information to Shareholders in respect of the Transaction:

- 5.6.1 the related party to whom the financial benefit will be given is the Major Shareholders, or their nominee;
- 5.6.2 the nature of the financial benefit to be provided is the sale of the Sale Assets;
- 5.6.3 Director Timothy Cotton is precluded from considering the Resolution 1 as he has an interest in the outcome of the Resolution 1;
- 5.6.4 each of the Directors, other than Mr Timothy Cotton (who has abstained from making a recommendation due to his interest in the Transaction) recommend that Shareholders vote in favour of Resolution 1 (refer to Section 4.16 for further details); and
- 5.6.5 ASIC in reviewing documents lodged under section 218 relating to the giving of financial benefits to related parties of public companies requires explanatory information regarding the value of the benefits proposed to be provided. Details of the set out in the Independent Experts report in Schedule 3.

## 5.7 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

### 5.7.1 The identity of the persons making the acquisition and their associates.

The persons who will have a relevant interest in the Shares are as follows:

	Maximum Number of Shares
<b>Baobab Partners LLC (and its associates)</b>	617,873,316
<b>Agrifields DMCC (and its associates)</b>	617,873,316
<b>Tablo Corporation (and its associates)</b>	617,873,316

If Shareholders approve Resolution 1, each of the Major Shareholders will have a maximum voting power of 58.42%.

## 5.7.2

**Full particulars (including the number and percentage) of Shares in which the Major Shareholders (or their associates/nominees) have or will have a relevant interest immediately before and after completion of the Major Shareholder Agreement.**

	Relevant interest before Major Shareholder Agreement		Relevant interest after Major Shareholder Agreement		Relevant interest after Buy-Back	
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage
<b>Baobab Partners LLC (and its associates)</b>	240,528,141	22.78%	617,873,316	58.42%	-	0%
<b>Agrifields DMCC (and its associates)</b>	151,761,842	14.34%	617,873,316	58.42%	-	0%
<b>Tablo Corporation (and its associates)</b>	225,583,333	21.36%	617,873,316	58.42%	-	0%

The following persons are associates of the Major Shareholders and will have a relevant interest in any Major Shareholder Shares acquired:

- (a) Baobab Partners LLC;
- (b) Baobab Founders LLC;
- (c) Agrifos Partners LLC;
- (d) Mr Timothy Cotton;
- (e) Mr Farouk Chaouni;
- (f) Vulcan Phosphates LLC;
- (g) Messrs Driss Chaouni, Saad Chaouni and Timothy Cotton as joint trustees of the Chaouni Family Trust;
- (h) Agrifields DMCC;
- (i) Tablo Corporation;
- (j) Ennomos Foundation;
- (k) Mr David Mimran; and
- (l) Mr Amit Gupta.

Upon completion of the Major Shareholder Agreement, the maximum voting power of the persons described above will be 58.42% of the issued Shares in the Company. This represents a maximum increase in voting power of 44.08%.

## 5.7.3

**The identity, associations (with the Major Shareholders) and qualifications of any person who is intended to become a Director if Shareholders approve Resolution 1.**

No person is intended to or will become a director of the Company if Shareholders

approve Resolution 1.

5.7.4 **An explanation of the reasons for the proposed acquisition of Shares by the Major Shareholders.**

But for the operation of section 609(7) of the Corporations Act, the Major Shareholders would have acquired a relevant interest in the Major Shareholder Shares following the entry into the Major Shareholder Agreement.

The Major Shareholder Agreement is:

- conditional on Shareholders' approval a resolution for item 7 of section 611 of the Corporations Act;
- does not confer any control over, or power to substantially influence, the exercise of voting rights attached to any of the shares held by Major Shareholders; and
- does not restrict disposal of the shares held by Major Shareholders for more than 3 months from the date of the Major Shareholder Agreement.

The Major Shareholders have entered into the Major Shareholder Agreement to pursue the Transaction.

5.7.5 **When the acquisition of the relevant interest in the Major Shareholder Shares will occur.**

The Major Shareholders will acquire a relevant interest in the Major Shareholder Shares once the resolution under item 7 of section 611 of the Corporations Act is passed.

5.7.6 **Particulars of the terms of the proposed acquisition.**

On 28 June 2019, the Major Shareholders entered into the Major Shareholder Agreement.

Pursuant to the Major Shareholder Agreement, each Major Shareholder agreed that subject to Avenira passing a resolution under item 7 of section 611 of the Corporations Act, it will dispose of its, and will procure that its associates will dispose of their, Shares on completion of the Transaction by virtue of the Buy-Back, and not otherwise dispose of them for a period of not more than 3 months from the date of the Major Shareholder Agreement.

Accordingly, but for the operation of section 609(7) of the Corporations Act, each Major Shareholder, on entering into the Major Shareholders Agreement on 28 June 2019 would have acquired a relevant interest in the Shares of the aggregate number of Major Shareholder Shares.

The Major Shareholder Agreement, is conditional upon Shareholders approving a resolution for item 7 of section 611 of the Corporations Act.

Once the resolution under item 7 of section 611 of the Corporations Act is passed, each Major Shareholder will acquire a relevant interest in the Shares of the aggregate number of Major Shareholder Shares.

5.7.7 **Details of the terms of any other relevant agreement that is conditional upon (or directly or indirectly depends on) Shareholders approval of the proposed acquisition.**

The Major Shareholder Agreement is conditional upon Shareholders approval of the proposed acquisition.

5.7.8 **Major Shareholder's intentions regarding the future of the Company if Shareholders approve Resolution 1.**

The Major Shareholders have advised the Company that they:

- (a) intend to undertake the Transaction which will result in the disposal of the Baobab Phosphate Project and Novaphos Assets;
- (b) have no current intention to inject further capital into the Company;
- (c) other than the transfer of the employment of BMCC executives Lera Grandio and Charles Graham from the Company to BMCC, have no current intentions in respect to the future employment of present employees of the entity;
- (d) intend to complete the Transaction, which will result in assets being transferred between the Company and the Major Shareholders and their associates; and
- (e) intend to enter into the Buy-Back under which the Major Shareholder Shares will be bought back and cancelled by the Company, such that none of the Major Shareholders and their associates hold any relevant interest in the Company and cease to be Shareholders.

**5.7.9 Any intention of the Major Shareholders to significantly change the Company's financial or dividend policies.**

The Major Shareholders have advised the Company that they have no current intention to change the Company's current financial or dividend policies.

**5.7.10 The interests of the Directors in Resolution 1.**

Mr Timonty Cotton is an associate of Baobab Partners LLC.

**5.7.11 Identity of the Directors who approved or voted against the proposal to put Resolution 1 to Shareholders.**

The Independent Directors approved the proposal to put Resolution 1 to Shareholders.

**5.7.12 Recommendation of each Director as to whether Shareholders should approve Resolution 1.**

Refer to Section 4.17.

**5.7.13 An analysis of whether the acquisition is fair and reasonable when considered in the context of the Shareholders other than the Major Shareholders.**

What is fair and reasonable must be judged in all the circumstances of the Transaction. This requires taking into account the likely advantages to Shareholders if Shareholders approve all of the Resolutions and the Transaction is completed, and comparing them with the disadvantages to Shareholders if the Transaction is not completed.

The Independent Expert has concluded that the acquisition of the Major Shareholder Shares the subject of Resolution 1 is not fair but reasonable to Shareholders not associated with the Major Shareholders.

The Company strongly recommends that Shareholders read the Independent Expert's Report in full, a copy of which is contained in Schedule 3.

**5.8 Directors' Interests and Recommendation**

Refer to Section 4.17.

The Chairperson intends to exercise all available proxies in favour of Resolution 1 except where proxies are received from any Shareholder who is subject to a voting exclusion, in which case the Chairperson will abstain from voting those shares.

## **6. Resolution 2 - Selective Buy-Back**

### **6.1 Background**

Resolution 2 seeks Shareholders approval pursuant to section 257D of the Corporations Act for the Company to undertake the Buy-Back.

### **6.2 Section 257D of the Corporations Act**

The Corporations Act provides that the rules relating to share buy-backs are designed to protect the interests of shareholders and creditors by:

- 6.2.1 addressing the risk of the transaction leading to the company's solvency;
- 6.2.2 seeking to ensure fairness between the shareholders of the company; and
- 6.2.3 requiring the company to disclose all material information.

In particular, Section 257A of the Corporations Act provides that a company may buy back its own shares if:

- 6.2.4 the buy-back does not materially prejudice the company's ability to pay its creditors; and
- 6.2.5 the company follows the procedures laid down in Division 2 of Part 2J.1 of the Corporations Act.

The procedures required differ for each type of buy-back. The Buy-Back is classified as a selective buy-back.

Pursuant to Section 257D(1) of the Corporations Act, a selective share buy-back must be approved by either:

- 6.2.6 a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person whose shares are to be bought back or by their associates; or
- 6.2.7 a resolution agreed to, at a general meeting by all ordinary shareholders.

Pursuant to Section 257D(2) of the Corporations Act, the Company must include with the Notice a statement setting out all information known to the Company that is material to the decision on how to vote on the Resolution 2. However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to Shareholders.

Section 257H(3) of the Corporations Act provides that immediately after the registration of the transfer to a company of shares bought back, the shares are cancelled.

### **6.3 Further Details**

Refer to Section 4.8 for further details of the Buy-Back.

### **6.4 Directors' Interests and Recommendation**

Refer to Section 4.17.

The Chairperson intends to exercise all available proxies in favour of Resolution 2 except where proxies are received from any Shareholder who is subject to a voting exclusion, in which case the Chairperson will abstain from voting those shares.

## SCHEDULE 1 - GLOSSARY

**A\$** means Australian dollars.

**ASIC** means the Australian Securities & Investments Commission.

**Avenira Corporate Loan** has the meaning given in Section 4.5.

**Sale Agreement** has the meaning given in Section 4.1.

**Board** means the current board of directors of the Company.

**BFA** means Baobab Fertilizer Africa of Republic.

**BFA Interest** means Avenira's interest in 100% of the issued share capital of Baobab Fertilizer Africa, a company incorporated in Mauritius.

**BFA Loan** has the meaning given in Section 4.5.

**BMCC** means Baobab Mining and Chemicals Corporation SA.

**BMCC Funding Agreement** has the meaning given in Section 4.5.

**BMCC Loan** has the meaning given in Section 4.5.

**Budget** has the meaning given in Section 4.6.4.

**Buy-Back** has the meaning given in Section 4.1(b).

**Buy-Back Agreement** has the meaning given in Section 4.8.

**Buy-Back Shares** means the Shares held by the Buy-Back Shareholders.

**Chairperson** means the chair of the Meeting.

**Company** means Avenira Limited (ACN 116 296 541).

**Consideration** has the meaning given in Section 4.6.3.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the current directors of the Company.

**Explanatory Memorandum** means the Explanatory Memorandum accompanying the Notice.

**GBO** means Gadde Bissik Phosphate Operations SUARL.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**IHP Technology** has the meaning given in Section 4.4.

**Independent Directors** means Messrs Brett Clark and Louis Calvarin.

**Independent Expert** means RSM Corporate Australia Pty Ltd.

**Independent Expert's Report** means the report prepared by the Independent Expert and annexed to this Notice.

**Major Shareholder Agreement** has the meaning given in Section 4.9.

**Major Shareholders** means Tablo Corporation, Baobab Partners and Agrifields DMCC and their associates.

**Major Shareholder Shares** has the meaning given in Section 4.8.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Memorandum and the Proxy Form.

**Novaphos** has the meaning given in Section 4.3.

**Novaphos Interest** has the meaning given in Section 4.3.

**Option** means an option to acquire a Share.

**Proxy Form** means the proxy form accompanying the Notice.

**Remaining Conditions Precedent** has the meaning given in Section 4.6.2.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Sale Assets** has the meaning given in Section 4.6.1.



**Section** means a section of the Explanatory Memorandum.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Transaction** has the meaning given in Section 4.1.

**US\$** means United States dollars

**WST** means Western Standard Time as observed in Perth, Western Australia.

**SCHEDULE 2 - PRO FORMA**

<b>AVENIRA LIMITED - GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>Half Year Dec 2018</b>	<b>Post Transaction</b>
	\$	\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,258,962	4,326,516
Trade and other receivables	1,192,648	43,020
Inventory	1,365,275	
<b>TOTAL CURRENT ASSETS</b>	<b>4,816,885</b>	<b>4,369,535</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	1,481,600	1,481,600
Plant and equipment	1,213,355	5,034
Financial assets	15,620	15,620
Capitalised Exploration Expenditure	10,468,404	5,978,000
Capitalised Development Expenditure	50,237,759	-
Other assets	688,767	-
Intangibles	136,151	44,223
<b>TOTAL NON-CURRENT ASSETS</b>	<b>64,241,656</b>	<b>7,524,477</b>
<b>TOTAL ASSETS</b>	<b>69,058,541</b>	<b>11,894,012</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,541,922	253,786
Provisions	209,178	143,008
Loans and borrowings	1,623,803	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,374,903</b>	<b>396,794</b>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	2,522,046	1,289,500
Loans and borrowings	6,681,257	-
Deferred tax liabilities	2,231,428	-
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>11,434,731</b>	<b>1,289,499</b>
<b>TOTAL LIABILITIES</b>	<b>14,809,634</b>	<b>1,686,293</b>
<b>NET ASSETS</b>	<b>54,248,907</b>	<b>10,207,719</b>
<b>EQUITY</b>		
Issued capital	142,270,348	142,280,148
Reserves	27,188,874	17,594,196
Accumulated losses	(118,715,784)	(149,666,625)
Capital and reserves attributable to members of Avenira Ltd	<b>50,743,438</b>	<b>10,207,719</b>
Non-controlling interest	3,505,469	-
<b>TOTAL EQUITY</b>	<b>54,248,907</b>	<b>10,207,719</b>

**SCHEDULE 3 - INDEPENDENT EXPERT'S REPORT**

**PROXY FORM**

**APPOINTMENT OF PROXY  
AVENIRA LIMITED  
ACN 116 296 541**

**ANNUAL GENERAL MEETING**

I/We   
of   
being a Shareholder entitled to attend and vote at the Meeting, hereby  
appoint   
Name of proxy

OR  the Chair as my/our proxy

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at DLA Piper, Level 31, Central Park, 152 - 158 St Georges Terrace, Perth Western Australia, and at any adjournment thereof.

**CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES**

**The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.**

**Voting on business of the Meeting**

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Resolution 1 – Approval for Transaction of Main Undertaking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Selective Buy-Back	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is

**Signature of Shareholder(s):**

**Date:** \_\_\_\_\_

**Individual or Shareholder 1**

**Shareholder 2**

**Shareholder 3**

**Sole Director/Company Secretary**

**Director**

**Director/Company Secretary**

**Contact Name:** \_\_\_\_\_ **Contact Ph (daytime):** \_\_\_\_\_

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## INSTRUCTIONS FOR COMPLETING PROXY FORM

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1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
  - **(Individual):** Where the holding is in one name, the Shareholder must sign.
  - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
  - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

<b>Online</b>	At <a href="http://www.investorvote.com.au">www.investorvote.com.au</a>
<b>By mail</b>	Share Registry – Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001, Australia
<b>By fax</b>	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)
<b>By mobile</b>	Scan the QR Code on your proxy form and follow the prompts
<b>Custodian</b>	For Intermediary Online subscribers only (custodians) please visit
<b>Voting</b>	<a href="http://www.intermediaryonline.com">www.intermediaryonline.com</a> to submit your voting intentions,

so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy Forms received later than this time will be invalid.**