

31 July 2019

## JUNE 2019 QUARTERLY ACTIVITIES REPORT

### HIGHLIGHTS

- Avenira entered into binding agreements to sell its interest in the Baobab Phosphate Project and Novaphos to consortium of its major shareholders (the Purchasers) and receive immediate funding support (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 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.

### Corporate

- US\$0.8 million shareholder bridge loans secured
- A\$0.3 million cash balance at 30 June 2019

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## 1. BAOBAB PHOSPHATE PROJECT SALE

### 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.

The Company is in the process of preparing 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) which will be sent to shareholders shortly. Avenira shareholders will have an opportunity to vote on the Transaction and capital reduction at the 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.

## 2. BAOBAB PHOSPHATE PROJECT (Avenira 80%)

### 2.1 EXPANSION AND UPGRADE PROJECT

During the quarter following the completion of the feasibility study in March 2019 the Company reviewed value engineering study proposals. No further progress was made due to funding constraints.

### 2.2 PROJECT OPERATIONS

Key areas of activity during the June 2019 quarter are listed below.

#### Occupational Health and Safety

No medical treatment injury or lost-time injury during the quarter.

#### Mining & Processing

There was no crushing and processing of mined ore from the Run Of Mine material onsite during the quarter as the Company has been monitoring commissioning and evaluation tests of a modified contracted crushing and screening operation.

#### Sales

There were no sales during the quarter.

#### Senegal Tax audit

Following a tax audit BMCC has received a demand notice from the tax department for US\$1.6 million on outstanding VAT and WHT. On advice from the Company's tax advisors we believe the amount due is significantly



lower as a result BMCC will submit an arbitration appeal request to the tax department. The appeal process is expected to take approximately six months.

### **3. WONARAH PHOSPHATE PROJECT, Australia NT (Avenira 100%)**

The Company intends to review the Wonarah project once the sale of the Baobab Project and Novaphos interest is complete, including whether to commence a Scoping Study during the December 2019 quarter.

## **4. CORPORATE**

### **4.1 FUNDING UPDATE**

During the quarter, the Company's 80% subsidiary Baobab Mining and Chemicals Corporation ('BMCC') executed the loan agreements ('Shareholder Loans') with the Company's three major shareholders Agrifos Partners LLC, Tablo Corporation and Agrifields DMCC (each a 'Lender') for US\$0.8M (approximately A\$1.1M) as part of an emergency funding package while it sought to secure further funding, including from local West African banks.

The unsecured Shareholder Loans have been entered into on the following previously announced terms:

- Maturity: 30 September 2019 (or as extended by agreement between the parties)
- Interest: accrued at 10% per annum
- Structure: the Shareholder Loans are between the Company's 80% subsidiary BMCC and the Lenders, to be drawn down in tranches over the coming weeks
- Other: customary events of default, negative pledges and undertakings

As part of the sale transaction referred to above, an additional US\$1.8M (approximately A\$2.6M) in facilities was agreed with the major shareholders on identical terms, to achieve completion. Drawdown notices totalling US\$0.31M were submitted under this facility during the quarter and received in early July.

During the quarter, the Company held discussions with multiple potential funding providers, however other than the sale transaction, no funding alternative (capable of acceptance) was achieved.

### **4.2 BOARD AND EXECUTIVE UPDATES**

Mr Louis Calvarin resigned as Managing Director and Chief Executive officer on 30 June 2019. He will continue as non-executive director until the Transaction completes.

Non-Executive Directors Mr Farouk Chaouni and Mr David Mimran retired from the Board on 28 June 2019.

The Avenira Board has commenced a search for new non-executive directors.

### **4.3 CASH POSITION**

At the end of the June 2019 Quarter, Avenira had a cash balance of \$0.3 million.



## Schedule of Avenira Limited Tenements as at 30 June 2019

Location	Tenement Name	Tenement	Nature of Company's Interest
Northern Territory	Arruwurra	EL29840	100%
Northern Territory	Wonarah	EL29841	100%
Northern Territory	Dalmore	EL29849	100%
Northern Territory	Central Wonarah	EL31477	100%
Senegal	Baobab	014015/MIM/DMG	80%
Senegal	Gadde Bissik	2018-1840	80%

### Compliance Statement

Information in this report relating to Exploration Results or estimates of Mineral Resources or Ore Reserves has been extracted from the reports listed below. The reports are available to be viewed on the company website at: [www.avenira.com](http://www.avenira.com)

#### **Baobab Project:**

27 April 2015: Minemakers to acquire a potential near-term production rock phosphate project in the Republic of Senegal

11 May 2015: Minemakers delivers maiden Inferred Resource for Baobab Rock Phosphate Project in Republic of Senegal

22 September 2015: Baobab project update

7 December 2015: Maiden Indicated Mineral Resource at Baobab Phosphate Project

21 January 2016: Technical Report Mineral Resource Estimation for the Gadde Bissik Phosphate Deposit, Republic of Senegal

28 October 2016: September 2016 Quarterly activities report

23 February 2017: Baobab exploration results update

2 March 2017: Significant increase to Indicated Mineral Resource at Baobab Phosphate Project.

9 June 2017: Company Update (Strategic Plan)

31 July 2017: June 2017 Quarterly Activities Report

11 September 2017: Baobab Exploration Results Update

12 October 2017: Mineral Resource increase at Baobab Phosphate Project

5 February 2018: Mineral Resource Increase at Baobab Phosphate Project

22 October 2018: Avenira receives Exploitation Permit for Baobab Phosphate Project

18 March 2019: Avenira delivers strong feasibility study for Expansion of Baobab Phosphate Project

#### **Wonarah Project:**

15 March 2013: Technical Report Mineral Resource Estimation for the Wonarah Phosphate Project, Northern Territory, Australia

30 April 2014: Quarterly activities report

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements 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 company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

### Cautionary Statement Regarding Forward-Looking Information

All statements, trend analysis and other information contained in this document relative to markets for Avenira trends in resources, recoveries, production and anticipated expense levels, as well as other statements about anticipated future events or results constitute forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements. Forward-looking statements are based on estimates and opinions of management at the date the statements are made. Avenira does not undertake any obligation to update forward-looking statements even if circumstances or management's estimates or opinions should change. Investors should not place undue reliance on forward-looking statements.

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AVENIRA LIMITED ABN 48 116 296 541

🏠 Suite 19, 100 Hay Street, Subiaco, Western Australia 6008

✉ PO Box 1704 West Perth WA 6872

☎ +61 8 9264 7000

@ [frontdesk@avenira.com](mailto:frontdesk@avenira.com)

FOR FURTHER INFORMATION:

**Mr Louis Calvarin**

Managing Director and CEO, Avenira Limited

**Mr Rod Wheatley**

CFO and Company Secretary, Avenira Limited