

**Product now being stockpiled**

**First shipment late September / early October**

**Recommendation**

**BUY, High Risk**

**Price**

**25.5c**

**Valuation**

**34c**

**Commodity**

**Phosphate**

- On 5 August 2016, AEV announced that it had secured an off-take agreement for 240kt – 360kt/yr of product.
- On 16 August, AEV announced that it had secured a further off-take agreement for 120kt/yr.
- On 25 August, AEV announced that, while still in the commissioning phase, the Baobab SMP project has produced saleable product.
- Product is being stockpiled and first shipment is expected in late September / early October.
- The SMP is only Stage 1 of the overall development.
- Beer & Co affirms our BUY, High Risk rating.

**Snapshot**

Market Cap	\$128m
Cash held	\$24.5m
Shares on Issue	523.9m
52 Week High	26.0c
52 Week Low	8.5c
1 month / 6 month VWAP	21.9c / 20.0c

**AEV confirms off-take for most of its expected production**

AEV has announced off-take agreements for a minimum of 360kt/yr, up to 480kt/yr, for each of 3 years, with potential extension, from its 500kt/yr SMP project.

This means that the product is effectively committed.

**AEV confirms first product**

AEV announced, on 25 August, that, as part of the commissioning process, that first saleable product had been produced.

Production is now being stockpiled.

First shipment is expected in about 5 weeks.

**Beer & Co comment**

AEV (then Minemakers) announced the intention to acquire the Baobab project in April 2015, with the formal acquisition completed in September.

To go from project acquisition to product in less than 12 months is an outstanding achievement and a testament to AEV.

However, the project is still in the commissioning phase and needs to increase its throughput.

When this project is fully ramped up, AEV can focus on opportunities in the other 1.548km<sup>2</sup> of Baobab that surround the 5km<sup>2</sup> SMP.

**Beer & Co retains a BUY recommendation on AEV**

Beer & Co's risked valuation on AEV is 34c/share, which is based on current commodity prices, even though phosphate rock prices are presently at their lows.

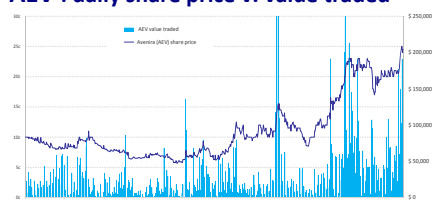
Beer & Co has given either very heavily risked, or only nominal valuation, to the upside potential in AEV.

As AEV progresses its potential, our valuation is expected to rise.

Beer & Co's risked valuation is still a significant premium to the share price and Beer & Co sees significant further potential in AEV.

Beer & Co affirms our BUY, High Risk recommendation on AEV.

**AEV : daily share price v. value traded**



AEV is progressing development of its first project in Senegal, to produce phosphate (P<sub>2</sub>O<sub>5</sub>) rock, from a Small Mine Permit, which is limited to 5km<sup>2</sup>.

Beer & Co expects AEV's share to be 400kt/yr, with an all-in cost of US\$ 77/t, compared with current P<sub>2</sub>O<sub>5</sub> rock price of US\$ 115/t.

AEV has 1,553km<sup>2</sup> in tenement in Senegal, surrounding its SMP. This area contains significant mineralisation, which can be developed under a Mining Lease.

AEV's Wonarah project, in NT, covers about 3,575km<sup>2</sup>, and has 842Mt in Resources at 18.1% P<sub>2</sub>O<sub>5</sub> (10% cut-off).

AEV has significant further potential from applying the Improved Hard Process to its Wonarah ore and to Baobab ore.

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**First Product now being stockpiled**

**Off-take agreements in place**

On 21 July, AEV announced that it had secured an off-take agreement for 240kt – 360kt/yr of product.

AEV is effectively covered for off-take.

On 5 August, AEV announced a further off-take agreement for 120kt/yr.

We understand that AEV has been approached by further parties seeking off-take agreements.

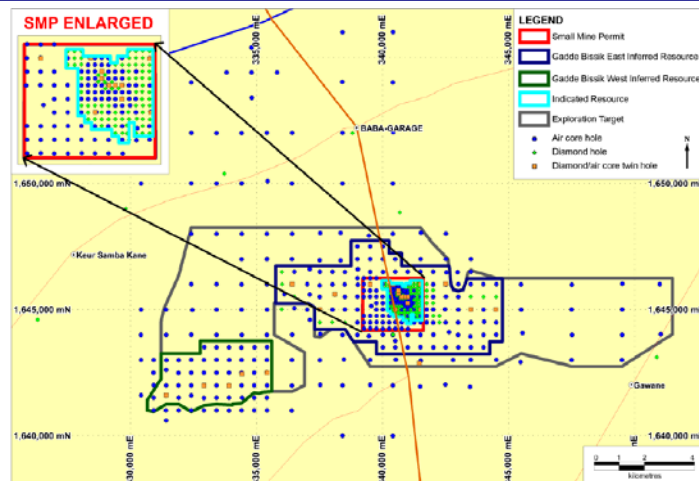
In Beer & Co’s view, this means that the Baobab is effectively fully sold, as any product not taken by the 3 current parties can be easily sold into spot markets.

It also means that AEV can move ahead with confidence to develop further potential within their permitted areas, as shown in Figures 1 and 2.

AEV has more interest than it can supply at present.

This makes the extra tenement area more valuable

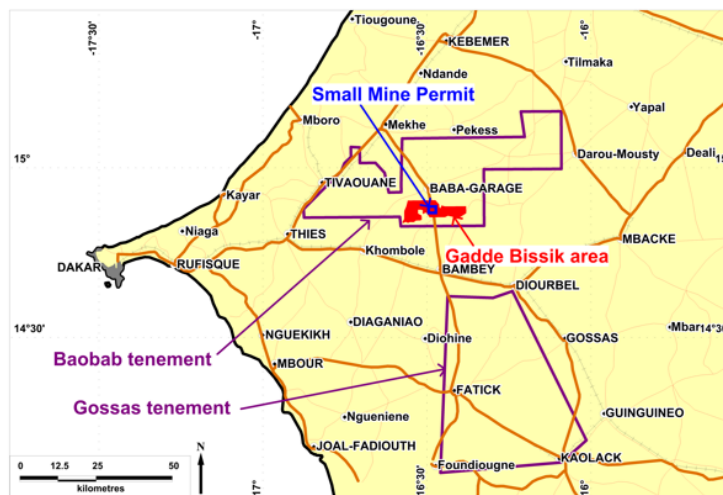
**Figure 1 : SMP within Gadde Bissik**



Source : AEV December 2015 Quarterly

Figure 1 shows that, while the Small Mine Permit (SMP) has had the most intensive drilling, there has been significant drilling outside the SMP, within Gadde Bissik. Figure 2 shows that Gadde Bissik is only a small part of Baobab.

**Figure 2 : Gadde Bissik within Baobab, plus Gossas**



Source : AEV March 2016 Quarterly

AEV has Gasdde Bissik, surrounding the current SMP project

and the Baobab tenement area surrounding Gadde Bissik

as well as the Gossas are to the south

Figure 2 also shows that AEV has title to Gossas, which is a much larger area again.

### First Product now available

Figure 3 shows that, while still in commissioning, the SMP is producing saleable product.

**Figure 3a : Product being stockpiled**



Source : AEV's ASX announcement, 25 August 2016

**Figure 3b : Product being stockpiled**



Source : AEV's ASX announcement, 25 August 2016

**AEV has first product in stockpiles**

The project is still in commissioning phase, with throughput to be ramped up.

Figure 4 shows that the mine has been developed to exposure ore so that throughput will not be mining constrained.

**Production is still to ramp up**

**Mining is well advanced**

**First shipment in about 5 weeks.**

**Figure 4 : Mining at the SMP**



Source : AEV's ASX announcement, 25 August 2016

Figure 4 also shows the dark skies associated with the rainy season, which pose a small threat to the project in terms of productivity and also product quality, in particular moisture levels.

## Further Potential

Figures 1 and 2 shows that AEV has title to a much larger areas that the SMP.

This was discussed in more detail in Beer & Co's previous update of AEV, of 5 August 2016 (see [Avenira\\_2016August05.pdf](#)), which also gave further information on our commodity price assumptions.

Figure 5 shows the detail of Beer & Co's risked, base case valuation of AEV.

**Figure 5 : Beer & Co valuation of AEV**

	discount rate = 12.0 %	30 June 2015		25-Aug-16	
		risk :	100%	Product	per share
Small Mine Permit	90%	\$ 101m	\$ 91m	13.5 c	15.9 c
Gadde Bissik East	40%	\$ 155m	\$ 62m	9.3 c	10.7 c
Other Baobab	20%	\$ 83m	\$ 17m	2.5 c	2.8 c
Gossas	nom	\$ 5m	\$ 5m	0.7 c	0.7 c
Wonarah	nom	\$ 5m	\$ 5m	0.7 c	0.7 c
I H P (Wonarah)	nom	\$ 10m	\$ 10m	1.5 c	1.5 c
JDC Phosphate	nom	\$ 0m	\$ 0m	0.0 c	0.0 c
Corporate	100%	(\$ 30m)	(\$ 30m)	(4.4c)	(4.4c)
Cash / Debt, etc	100%	\$ 41m	\$ 41m	6.1 c	6.1 c
<b>TOTAL</b>		<b>\$ 370m</b>	<b>\$ 200m</b>	<b>29.9 c</b>	<b>34.0 c</b>
Shares on issue		247.2m	F P O shares	127.1m	Options
		278.2m	2015 - 16	104.6m	Ops. Ex'd
		40.0m	later		

Source : Beer &amp; Co estimates

While the AEV share price has risen, it only now is a very pale reflection of the extra potential beyond the SMP.

Beer & Co affirms our BUY, High Risk, recommendation

At the time of our 5 August update note, the AEV share price was 20c/share.

Figure 5 shows that Beer & Co's valuation of the SMP, plus cash, is about 20c/share.

Figure 5 also shows that there is significant further potential in AEV from:

- Gadde Bissik, which we have modelled as two 500kt/yr projects and have heavily risk weighted, as well as allowing for the impact of time;
- Other Baobab, which we have modelled on the same basis as Gadde Bissik, but with a further time delay, and a heavier risk weighting;
- Gossas, for which we have given only a nominal valuation;
- Wonarah and JDC Phosphate, which are much higher risk, but also much higher value if the IHP technology is proven commercial.

In Beer & Co's view, AEV is cheap in our base case valuation, and there is significant upside potential to our valuation.

This affirms our BUY, High Risk, recommendation.

**Beer & Co Research**

Avenira Limited (AEV.ASX)

August 2016

Year ended June		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Section 1 - P&amp;L</b>									
Sales revenue	\$A m	0	0	43	61	96	173	176	271
Interest revenue	\$A m	1	0	0	0	0	1	2	2
Other revenue	\$A m	0	0	0	0	0	0	0	0
<b>Total Revenue</b>	\$A m	<b>1</b>	<b>0</b>	<b>43</b>	<b>61</b>	<b>97</b>	<b>174</b>	<b>178</b>	<b>273</b>
Cost of Goods Sold	\$A m	0	0	(28)	(34)	(53)	(94)	(94)	(150)
Royalties	\$A m	0	0	(3)	(4)	(6)	(11)	(11)	(18)
Corporate Costs	\$A m	(5)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Exploration Expense	\$A m	(2)	0	0	0	0	0	0	0
Other Operating Expenses	\$A m	(3)	0	0	0	0	0	0	0
<b>Total Operating Expenses</b>	\$A m	<b>(9)</b>	<b>(4)</b>	<b>(35)</b>	<b>(42)</b>	<b>(63)</b>	<b>(109)</b>	<b>(110)</b>	<b>(172)</b>
<b>EBITDA</b>	\$A m	<b>(9)</b>	<b>(4)</b>	<b>8</b>	<b>20</b>	<b>33</b>	<b>65</b>	<b>68</b>	<b>101</b>
Dep'n & Amort'n	\$A m	(0)	0	(1)	(2)	(3)	(6)	(7)	(10)
<b>EBIT</b>	\$A m	<b>(9)</b>	<b>(4)</b>	<b>7</b>	<b>17</b>	<b>30</b>	<b>59</b>	<b>61</b>	<b>91</b>
Interest Expense	\$A m	0	0	0	0	0	0	0	0
Other	\$A m	(34)	0	0	0	0	0	0	0
<b>Pre-Tax Profit</b>	\$A m	<b>(43)</b>	<b>(4)</b>	<b>7</b>	<b>17</b>	<b>30</b>	<b>59</b>	<b>61</b>	<b>91</b>
Tax Expense	\$A m	0	0	(3)	(6)	(7)	(7)	(7)	(7)
<b>NPAT</b>	\$A m	<b>(43)</b>	<b>(4)</b>	<b>4</b>	<b>11</b>	<b>23</b>	<b>52</b>	<b>54</b>	<b>84</b>

**Section 2 - Key Data**

		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Ordinary shares - year end	m	247	525	579	588	588	668	668	668
Fully diluted shares on issue	m	247	525	579	588	588	668	668	668
Weighted # shares	m	247	454	574	582	588	668	668	668
Earnings per Share		(17.5c)	(0.8c)	0.7 c	1.9 c	3.9 c	7.7 c	8.0 c	12.6 c
Dividends Per Share		0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c

**Section 3 - Balance Sheet**

		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Cash	\$A m	15	24	24	11	29	102	129	215
Receivables	\$A m	0	0	14	15	32	43	44	74
Other	\$A m	0	2	2	2	6	6	6	10
<b>CURRENT ASSETS</b>	\$A m	<b>16</b>	<b>26</b>	<b>40</b>	<b>29</b>	<b>67</b>	<b>151</b>	<b>179</b>	<b>299</b>
Payables	\$A m	2	0	3	3	6	8	8	14
Debt	\$A m	0	0	0	0	0	0	0	0
Other	\$A m	1	0	0	0	0	0	0	0
<b>CURRENT LIABILITIES</b>	\$A m	<b>3</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>8</b>	<b>8</b>	<b>14</b>
Long Term Debt	\$A m	0	0	0	0	0	0	0	0
Other	\$A m	0	0	0	0	0	0	0	0
Provisions	\$A m	1	0	0	0	0	0	0	0
<b>NON-CURRENT LIABILITIES</b>	\$A m	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	\$A m	<b>4</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>8</b>	<b>8</b>	<b>14</b>
<b>NET ASSETS</b>	\$A m	<b>29</b>	<b>43</b>	<b>61</b>	<b>74</b>	<b>113</b>	<b>193</b>	<b>246</b>	<b>359</b>
Accumulated Profit (Loss)	\$A m	(72)	(76)	(72)	(61)	(38)	14	68	152
Reserves	\$A m	12	16	27	29	44	53	52	81
Contributed Equity	\$A m	90	102	105	106	106	126	126	126
Minority Interest	\$A m	30	43	61	74	113	193	246	359
<b>Total Equity</b>	\$A m	<b>30</b>	<b>43</b>	<b>61</b>	<b>74</b>	<b>113</b>	<b>193</b>	<b>246</b>	<b>359</b>

**Section 4 - Cashflow**

		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Net Cashflow from operations	\$A m	(6)	(4)	8	20	33	65	68	101
Net interest Paid	\$A m	1	0	0	0	0	1	2	2
Taxes Paid	\$A m	0	0	0	(3)	(6)	(7)	(7)	(7)
Change in Working Capital	\$A m	2	(1)	(11)	(1)	(14)	(9)	(1)	(24)
<b>OPERATING CASHFLOW</b>	\$A m	<b>(3)</b>	<b>(5)</b>	<b>(3)</b>	<b>16</b>	<b>14</b>	<b>49</b>	<b>61</b>	<b>72</b>
Exploration + Feasibility	\$A m	(2)	(4)	(6)	(8)	(5)	0	0	0
Maintenance Capex	\$A m	0	0	(2)	(2)	(3)	(5)	(4)	(8)
Expansion Capex	\$A m	0	0	0	(18)	0	0	(29)	0
<b>PPE Acquisitions (Total Capex)</b>	\$A m	<b>(2)</b>	<b>(4)</b>	<b>(8)</b>	<b>(27)</b>	<b>(9)</b>	<b>(5)</b>	<b>(34)</b>	<b>(8)</b>
PPE Divestments	\$A m	0	0	0	0	0	0	0	0
<b>INVESTING CASHFLOW</b>	\$A m	<b>(2)</b>	<b>(4)</b>	<b>(8)</b>	<b>(27)</b>	<b>(9)</b>	<b>(5)</b>	<b>(34)</b>	<b>(8)</b>
Change in Equity	\$A m	0	13	2	2	0	20	0	0
Dividends Paid	\$A m	0	0	0	0	0	0	0	0
Change in Debt	\$A m	0	0	0	0	0	0	0	0
<b>FINANCING CASHFLOW</b>	\$A m	<b>0</b>	<b>13</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>0</b>
<b>Free Cashflow</b>	\$A m	<b>(6)</b>	<b>(9)</b>	<b>(11)</b>	<b>(12)</b>	<b>5</b>	<b>45</b>	<b>27</b>	<b>64</b>
<b>Net Cashflow</b>	\$A m	<b>(6)</b>	<b>4</b>	<b>(8)</b>	<b>(10)</b>	<b>5</b>	<b>65</b>	<b>27</b>	<b>64</b>

**Commodity price assumptions**

Year ended June		2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
AUD/USD		0.750	0.750	0.750	0.750	0.750	0.750
USD/EUR		1.100	1.100	1.100	1.100	1.100	1.100
Phos Rock, USD/t	USD /t	115	115	115	115	115	115
Baobab v. Benchmark		(7)	(1)	5	5	5	5
Low Fe v. benchmark		(2)	(2)	(2)	(0)	6	10

**Mine Production / Sales, phosphate concentrate (AEV share)**

		2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Small Mine Permit		294	400	400	400	400	400
Gadde Bissik East		0	0	214	712	697	697
Other Baobab		0	0	0	0	0	599

**Resources, Reserves and assumed mining inventory**
**Gadde Bissik Mineral Resources**

			P2O5	CaO	MgO	Al2O3	Fe2O3
Within SMP area	Indicated	12.6 Mt	21.0%	28.8%	0.08%	2.05%	3.30%
	Inferred	16 Mt	20%	28%	0.13%	2.2%	3.9%
Gadde Bissik East	Inferred	64 Mt	19%	26%	0.12%	2.8%	4.0%
Gadde Bissik West	Inferred	7 Mt	18%	26%	0.17%	4.8%	6.3%
Total Gadde Bissik	Indicated	12.6 Mt	21.0%	28.8%	0.08%	2.05%	3.30%
	Inferred	87.0 Mt	19.1%	26.4%	0.13%	2.85%	4.17%
<b>TOTAL GADDE BISSIK</b>		<b>99.6 Mt</b>	<b>19.3%</b>	<b>26.7%</b>	<b>0.12%</b>	<b>2.75%</b>	<b>4.06%</b>

**Beer & Co estimated mining inventory, Gadde Bissik**

		P2O5
Small Mine Permit		25 Mt
Gadde Bissik East		51 Mt
Other Baobab		40 Mt

**Wonarah Mineral Resources**

		P2O5	Al2O3	CaO	Fe2O3	K2O	MgO
Measured	64.9 Mt	22.4%	4.47%	30%	1.1%	0.37%	0.19%
Indicated	133 Mt	21.1%	4.77%	28%	1.53%	0.47%	0.21%
Sub-Total	198 Mt	21.5%	4.67%	28.7%	1.39%	0.44%	0.2%
Inferred	352 Mt	21%	4.6%	28%	2.1%	0.5%	0.2%
<b>TOTAL</b>	<b>550 Mt</b>	<b>21%</b>	<b>4.6%</b>	<b>28%</b>	<b>1.8%</b>	<b>0.5%</b>	<b>0.2%</b>

**Asset based Valuation**

discount rate = 12.0%		30 June 2015	29-Aug-16
	risk :	100%	Product per share
Small Mine Permit	90%	\$ 101m	\$ 91m
Gadde Bissik East	40%	\$ 155m	\$ 62m
Other Baobab	20%	\$ 83m	\$ 17m
Gossas	nom	\$ 5m	\$ 5m
Wonarah	nom	\$ 5m	\$ 5m
I H P (Wonarah)	nom	\$ 10m	\$ 10m
JDC Phosphate	nom	\$ 0m	\$ 0m
Corporate	100%	(\$ 30m)	(\$ 30m)
Cash / Debt, etc	100%	\$ 41m	\$ 41m
<b>TOTAL</b>		<b>\$ 370m</b>	<b>\$ 200m</b>
Shares on issue		247.2m	F P O shares
		278.2m	2015 - 16
		40.0m	later
		127.1m	Options
			Ops. Ex'd

**Financial Ratios**

Year ended June		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue	\$A m	0	43	61	97	174	178
EBITDA	\$A m	(9)	(4)	8	20	33	65
EBIT	\$A m	(9)	(4)	7	17	30	59
NPAT (reported)	\$A m	(43)	(4)	4	11	23	52
Adjusted EPS (cps)		(17.5c)	(0.8c)	0.7 c	1.9 c	3.9 c	7.7 c
EPS Growth (%)			95%	181%	176%	110%	95%
DPS (c)		0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c
Dividend Yield (%)		0%	0%	0%	0%	0%	0%
PE adj. (x)	x	(0.4)	(29.3)	36.1	13.1	6.2	3.2
EV / EBITDA (x)	x	(0)	(28)	15	7	3	1
EV / EBIT (x)	x	(0)	(28)	16	8	4	1
Gearing (%)		0%	0%	0%	0%	0%	0%
Return on Assets		(9%)	11%	22%	26%	29%	24%
Return on Equity		(9%)	6%	15%	21%	27%	22%
EBITDA Margin (%)		n/a	n/a	18%	32%	35%	37%
Interest Cover (x)	x	n/a	n/a	n/a	n/a	n/a	n/a

**Major Shareholders**

Current	30-Jun-15	end 2016
Vulcan / Agrifos	154,000m	29.3%
plus 40m further performance shares		
Mimran Groupe	104,750m	19.9%
JP Morgan AM	30,509m	5.8%

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The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities and the issuer.

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