# AVENIRA LIMITED

# 2017 ANNUAL REPORT

Annual Report 2017

# HIGHLIGHTS

### *THE VISION*

*Avenira Limited has a long-term vision to develop a portfolio of agricultural minerals and production assets that will build long term shareholder value by supplying agricultural nutrients needed to help address the fundamental issue of global food security.*

### *CORPORATE STRATEGY*

*To become a major contributor to the world nutrient market through the development of a carefully selected portfolio of valuable phosphate and other nutrient projects.*

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***BAOBAB, SENEGAL (80% OWNED)***

- *Senegal is stable and mining friendly*
- *Phosphate is a vital commodity*
- *Sedimentary rock phosphate mineralisation*
- *Simple open pit mining, unconsolidated sand*
- *High quality ore, potentially beneficiated to high grade premium product level*
- *First shipment March 2017*
- *Project optimisation work underway*
- *Good proximity to existing markets*
- *Progress to Exploitation Permit (Large Mine Permit) underway*

***WONARAH, AUSTRALIA (100% OWNED)***

- *One of Australia's largest known phosphate Mineral Resources*
- *Requires processing technology advances (IHP) to be financially viable*
- *Strategy implemented to reduce holding costs while maintaining development opportunity*

***JDCPHOSPHATE, USA (APPROX. 7% HOLDING)***

- *JDCP owns a proprietary phosphate technology, Improved Hard Process (IHP)*
- *JDCP has secured funding to accelerate the next phase of commercialisation, including continuous piloting of an improved flowsheet design*
- *Avenira holds exclusive IHP licensee rights for Australia and Senegal*

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# CORPORATE INFORMATION

## ABN 48 116 296 541

**DIRECTORS**

Christopher Pointon
*(Independent Non-executive Chairman)*

Louis Calvarin
*(Managing Director and CEO)*

Ian McCubbing
*(Independent Non-executive Director)*

Timothy Cotton
*(Non-executive Director)*

Farouk Chaouni
*(Non-executive Director)*

David Mimran
*(Non-executive Director)*

**COMPANY SECRETARY**

John Ribbons
Rodney Wheatley

**REGISTERED OFFICE**

Suite 19, 100 Hay Street
Subiaco, WA 6008

**PRINCIPAL PLACE OF BUSINESS**

Suite 19, 100 Hay Street
Subiaco, WA 6008

**SOLICITORS**

Richard O'Shannassy & Co Pty Ltd
Level 3, 46 Ord Street
West Perth, WA 6005

DLA Piper Australia Level
31, Central Park
152-158 St Georges Terrace Perth,
WA 6000

**BANKERS**

National Australia Bank Limited
1232 Hay Street
West Perth, WA 6005

**SHARE REGISTER**

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth, WA 6000
Telephone: 1300 787 272

**AUDITORS**

Ernst & Young
11 Mounts Bay Road
Perth, WA 6000

**INTERNET ADDRESS**

www.avenira.com

**EMAIL ADDRESS**

frontdesk@avenira.com

**STOCK EXCHANGE LISTING**

Avenira Limited shares are listed on the:
Australian Securities Exchange (Code: AEV)

# CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

*Dear Shareholders*

*The 2017 financial year has seen Avenira hit many critical milestones and establish a solid foundation with our flagship Baobab Phosphate Project in Senegal.*

*We continue to be excited by the opportunity this project presents for your company. In the past 12 months we have:*

- *Established mining operations and commissioned the Processing Facility at the Gadde Bissik mine without any lost time injuries or environmental non-compliance events;*
- *Produced phosphate concentrate product at target specification and made two full commercial shipments;*
- *Received important feedback that Baobab's Gadde Bissik product is of high quality and will deliver value to our customers;*
- *Continued to grow the phosphate rock resource and lodged an application for an Exploitation Permit (Large Mine concession); and*
- *Laid out our Strategic Plan for the long term sustainable development of the Baobab project, ultimately leading to multi-million tonne annual production of Gadde Bissik phosphate rock.*

*While these milestones have been welcomed, the project ramp-up has been impacted by multiple delays. It is not uncommon, but nonetheless frustrating, to find that a new facility processing a new ore deposit requires extensive fine-tuning and process design adjustments.*

*On the marketing front, phosphate market pricing conditions have deteriorated during the past twelve months. The combination of lower-than-expected product sales and reduced prices has had a significant impact on working capital.*

*To meeting these challenges, the Board and our Managing Director and CEO, Mr Louis Calvarin, have developed a Strategic Plan that will see Baobab upgraded, expanded and funded.*

## *BAOBAB PHOSPHATE PROJECT*

*Two full vessel cargoes have been sold to customers since first production was achieved at Baobab. Pleasingly, the shipped Gadde Bissik phosphate rock concentrate has been successfully processed into finished fertiliser products.*

*Baobab's Gadde Bissik product has also been tested by Prayon Technologies, a trusted phosphate engineering firm with extensive global experience in phosphate processing and phosphate concentrates. Prayon's conclusions were very positive, showing that the Gadde Bissik product can be processed into commercial phosphoric acid and then into granulated fertiliser (DAP), with good yields, good productivity and low sulfuric acid consumption. These are all very positive signs for our project.*

*However, the early months of operation have confirmed that the design of the current ore processing plant leads to sub-optimal phosphate recovery and to a finished concentrate silica assay that is higher than our commercial target. Both parameters make the current operation financially unsustainable in the present market environment.*

*The Strategic Plan developed by the Company management and approved by the Board is designed to address the current operation's key weaknesses. In particular a flotation plant will deliver higher recoveries and reduced silica, while a drying unit will deliver consistent commercial product moisture throughout the year.*

*Engineering studies, conducted by Hatch, are underway to establish design parameters and associated capital costs for the upgrades outlined above. In order to maximise the returns of any additional investment, an expansion of the project nameplate capacity to 1Mtpa has now been integrated into the plan.*

*Avenira's long-term strategic objective is to develop a dedicated Phosphoric Acid Plant that could be supplied with Gadde Bissik phosphate rock concentrate. Such a Plant would be built using the IHP process or the traditional wet sulfuric-attack process.*

*The long-term potential of Baobab was underpinned during the year by a significant 150% increase in the Indicated Mineral Resource to an estimated 31.7 million tonnes at 20.6% $P_2O_5$ and a lift in the Inferred Mineral Resource to 114 million tonnes at 19% $P_2O_5$, both at a 15% cut-off garade and as at 31 January 2017. As such the Company has applied for an Exploitation Permit (previously referred to as a Large Mine Permit) in an expanded area around the current Gadde Bissik Small Mine Permit. Exploration results give us confidence that these Resources will be further expanded.*

*This Resource base is sufficient to support long term production of 1 million tonnes/year high quality rock phosphate concentrate through an expansion project which will add flotation to increase $P_2O_5$ recovery by around 40% from that achieved by the current wet screening. In addition the expansion will incorporate iron and silica reduction and a drying facility.*

### *FUNDING*

*The commissioning and ramp-up issues at Baobab did place considerable strain on the Company's finances during the year. Fortunately, we have continued to enjoy the support of our two major shareholders, Agrifos Partners LLC ('Agrifos') and Groupe Mimran ('MNR'), who have great confidence in the future of Baobab. The pair have provided bridge funding totalling $US3.6 million (A$4.5 million) and also agreed to underwrite, up to*

## CHAIRMAN AND MANAGING DIRECTOR'S REVIEW (cont…)

*A$7 million, a planned entitlement offer to all shareholders to raise up to A$13 million.This funding will be used to complete an independent third party Definitive Feasibility Study for the brownfield expansion of Gadde Bissik.*

***Additional equity and debt funding will be required to implement the expansion, and we look forward to the support of existing and potentially new shareholders in this quest***

### *WONARAH PHOSPHATE PROJECT*

*The Wonarah Phosphate Project in Australia's Northern Territory continues to be part of Avenira's long term strategic plan.*

*Wonarah is a very large and highly prospective project however the low-grade nature of the deposit and its remote location will require an enabling technology to become commercially feasible at current phosphate prices. One such technology is the Improved Hard Process technology being developed by JDCPhosphate, in which Avenira maintains an investment and holds technology licensing agreements.*

*Given the longer-term nature of the Wonarah investment the Company has continued to take action to lower the holding costs, by reducing the size of its tenements while maintaining secure tenure over all key areas of the Project.*

### *JDCPHOSPHATE*

*The Board continues to believe in the long-term merits of Avenira's investment in JDCPhosphate and the Improved Hard Process technology and in particular its potential to help commercialise the Wonarah Phosphate Project.*

*The IHP technology is a patented process for the production of high-grade phosphoric acid using low-grade phosphate rock, and without creating phosphogypmsum waste.*

*JDCP recently informed the Company that it had successfully raised the required amount of funding to carry out the next step of its development plan towards a commercial scale process. A continuous smaller scale unit is now being built to demonstrate at pilot scale the modified flowsheet of its IHP design, as patented by JDCP. This modified design is expected to resolve the processing issues identified previously and if testing is successful will lead to the development of a full-scale plant.*

### *CONCLUSION*

*Given the outstanding progress made over the past year we would like to thank, in particular, our on-site staff in Senegal for efficiently and professionally commissioning the Baobab Project's Gadde Bissik processing plant, and for operating the mine and beneficiation plant to produce and ship two full vessels of Gadde Bissik phosphate rock concentrate to its customers. More broadly, we thank our fellow Board members and our small team of corporate staff for their enthusiasm and effort throughout the year.*

*To our shareholders, thank you for supporting the Company during this transformational period.*

*The current phosphate rock market situation and the limitations of our existing beneficiation plant have combined to make this year a very challenging and at times frustrating one, for the Company as well as for its shareholders.*

*We fully appreciate the frustration you may have experienced, and we assure you that these frustrations are shared by your Board. However, we have not wavered from our belief that the Baobab Project holds tremendous value for Avenira's shareholders. The goal of our Strategic Plan is to deliver this value to our stakeholders and shareholders.*

*Avenira's Board strongly believe in the long-term fundamentals of the macro-nutrient sector, given the expanding world population and demand for improved nutrition. It is clear to us that we have a major high quality phosphate resource in Senegal which has the potential to support the fertiliser needs of West Africa and beyond for many years.*

**Christopher Pointon**
*Chairman*

**Louis Calvarin**
*Managing Director and CEO*

## DIRECTORS' REPORT

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Avenira Limited (Company) and the entities it controlled at the end of, or during, the year ended 30 June 2017.

## DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

### NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

**Dr. Christopher Pointon**, B.Sc (Hons), PhD (Geology), FGS, MIMMM, (*Non-executive Chairman – appointed 7 December 2016 – former Non-executive Director*)

***Experience & Expertise***

Dr. Christopher Pointon who is based in the United Kingdom, is a respected mining executive with deep public company board and operational management experience. Dr. Pointon trained as a geologist and has over 35 years' experience in the resources business, initially with Rio Tinto and subsequently with Royal Dutch/Shell, Gencor, Billiton and BHP Billiton where he was a member of the Executive Committee from 2001 to 2006. He has since served on the boards of a number of public and private companies. His experience includes exploration, operations management, mergers, acquisitions, post-transaction integration and change management. He has led acquisition and aggressive growth initiatives as well as major turn-arounds and divestments and he has operated in Australia, Africa, Asia, South America and Europe.

***Other Current Listed Company Directorships***

None

***Former Listed Company Directorships in the last 3 years***

African Eagle Resources plc

***Special Responsibilities***

Member of the Audit Committee

Chairman of the Remuneration and Nomination Committee

**Dr. Louis Calvarin**, PhD (Process Engineering), *(Managing Director and Chief Executive Officer – appointed 29 March 2017)*

***Experience & Expertise***

Louis Calvarin, who is currently based in Sénégal, has three decades' experience with a focus on operational excellence and optimisation in various process industries including basic chemicals, specialty chemicals and the fertiliser industry. In the latter, he has been active in the full value chain, from mining exploration through phosphate rock procurement, ocean logistics and rock transformation into standard as well as specialty fertiliser products.

Dr. Calvarin has led technology development and engineering projects at Rhodia in France (now Solvay) before focusing on mineral processing business operations in several European countries. He then relocated to the United States to lead the manufacturing operations of the merging Rhodia and Albright & Wilson businesses. When the division was spun-off to private equity major Bain Capital as Innophos, he stayed on board to lead the company's operations through a successful IPO, de-leveraging and then external growth into nutrition business lines.

***Other Current Listed Company Directorships***

None

***Former Listed Company Directorships in the last 3 years***

None

***Special Responsibilities***

None

**Richard H (Dick) Block**, B.Sc (Chemical Engineering), *(former Non-executive Chairman – deceased 4 December 2016)*

***Experience & Expertise***

Dick Block was a US based mining and processing industry executive with 4 decades' experience in the fertiliser and base and precious metals businesses. The majority of his career was with the Freeport-McMoRan group of companies, where he rose to Executive Vice President and Chief Operating Officer of Freeport-McMoRan Inc. and senior vice president of Freeport-McMoRan Copper & Gold Inc. In addition, he was President of two of the world's largest phosphate mining and fertiliser producing firms, Agrico Chemical Company and IMC-Agrico Company. Further, he was deeply involved in Queensland Nickel JV in Australia in the 1980s.

Mr Block was a senior executive or member of the board of directors of six NYSE and TSE listed firms, including Amax Gold Inc. and Kinross Gold Corporation. Also, he was a member of the board of a number of trade, non- profit and

## DIRECTORS' REPORT (cont…)

charitable organisations, including the International Fertiliser Industry Association, the Fertiliser Institute, the Phosphate Chemicals Export Association (Phos Chem), the Sulphur Institute, United Way of the North Shore and Illinois Public High School District 115.

***Other Current Listed Company Directorships***

None

***Former Listed Company Directorships in the last 3 years***

None

***Special Responsibilities***

None

**Cliff Lawrenson**, B.Com. (Hons), *(former Managing Director and Chief Executive Officer – resigned 11 January 2017)*

***Experience & Expertise***

Cliff Lawrenson joined Avenira after holding the position of Chief Executive Officer of FerrAus Limited which he led to a recommended takeover by Atlas Iron Limited in December 2011. Mr Lawrenson held the position of group Chief Executive Officer of GRD Limited from 2006 which incorporated GRD Minproc Limited, OceanaGold Limited and Global Renewables. Prior to joining GRD Limited, Mr Lawrenson was a senior executive and Vice President of CMS Energy Corporation in the United States of America and Singapore.

He has worked extensively in investment banking around the world and holds postgraduate qualifications in Finance and Strategy.

Mr Lawrenson has served on several boards in international locations where he led the development and financing of numerous major infrastructure projects. He is also Non-executive Chairman of Pacific Energy Limited.

***Other Current Listed Company Directorships***

Non-executive Chairman of Pacific Energy Limited from August 2010

***Former Listed Company Directorships in the last 3 years***

None

***Special Responsibilities***

None

**Ian McCubbing**, B.Comm (Hons), MBA(Ex), CA, GAICD *(Non-executive Director)*

***Experience & Expertise***

Ian McCubbing is a Chartered Accountant with more than 25 years' corporate experience, principally in the areas of accounting, corporate finance and mergers and acquisitions. He has spent more than 15 years working with ASX-200 and other listed companies in senior finance roles including positions as finance director and Chief Financial Officer in mining and industrial companies.

***Other Current Listed Company Directorships***

Non-executive Director of Swick Mining Services Limited from August 2010

Non-executive Chairman of Rimfire Pacific Mining NL from July 2016

Non-executive Chairman of Sun Resources NL from October 2016

***Former Listed Company Directorships in the last 3 years***

Non-executive Director of Mirabela Nickel Limited from January 2011 to April 2014

Non-executive Director of Kasbah Resources from March 2011 to December 2016

***Special Responsibilities***

Chairman of the Audit Committee

Member of the Remuneration and Nomination Committee

**Timothy Cotton**, B.Comm (Hons), *(Non-executive Director)*

***Experience & Expertise***

Timothy Cotton has over two decades of experience in the phosphate mining and fertiliser sector, with a strong focus on business and project development, strategic transactions, M&A and finance. Mr. Cotton is Vice Chairman and a principal in the Agrifos Group of companies, which include Agrifos Partners LLC, Baobab Partners LLC and Vulcan Phosphates LLC. The Agrifos Group is a significant shareholder in Avenira and in JDCPhosphate, Inc. Mr. Cotton began his career in the merchant banking department of Kidder, Peabody & Co., later becoming a Vice President at Lepercq, de Neuflize & Co., a New York-based investment bank. Mr. Cotton formed the Agrifos Group with his partner, Mr. Farouk Chaouni, in 1993. In addition to his role in the Agrifos Group, Mr. Cotton is a Director of Zalagh Holding S.A., an integrated poultry company, andMedInstillLLC,amedicaldevicecompany.

***Other Current Listed Company Directorships***

None

***Former Listed Company Directorships in the last 3 years***

None

## DIRECTORS' REPORT (cont…)

***Special Responsibilities***

Member of the Audit Committee

Member of the Remuneration and Nomination Committee

**Farouk Chaouni**, MBA, *(Non-executive Director)*

***Experience & Expertise***

Farouk Chaouni was involved in numerous transactions in the U.S. phosphate fertiliser industry including acquisition of the fertiliser assets of W.R. Grace (Seminole Fertilizer), the acquisition of the Wingate Creek Mine, and the re-commissioning of Mississippi Chemical Pascagoula phosphate fertiliser plant. Mr. Chaouni served as the Chairman of Seminole Fertilizer until its sale to Tosco in 1989. In 1998, Mr. Chaouni was instrumental in Agrifos's acquisition of ExxonMobil's Pasadena phosphate fertiliser plant, which was converted to an ammonium sulphate plant in 2011 and sold to Rentech Nitrogen Partners in 2012. Prior to launching his entrepreneurial activities in the U.S., Mr. Chaouni was the commercial Director of Office Chérifien des Phosphates (OCP) the large Moroccan phosphate company, where he was responsible for worldwide phosphate rock and fertiliser sales and raw material purchases.

***Other Current Listed Company Directorships***

None

***Former Listed Company Directorships in the last 3 years***

None

***Special Responsibilities***

None

**David Mimran** *(Non-executive Director)*

***Experience & Expertise***

David Mimran has tremendous knowledge and experience in operation within West Africa. Mr. Mimran is head of Tablo Corporation, Miminvest SA, and Mimran Natural Resources, all established as investment vehicles into West Africa's natural resource sector by Mr. Mimran and the Mimran Group, a family conglomerate with a history of successful business operations in Africa and Europe. Mr. Mimran's previous roles included Vice Chairman and founding partner of Breeden Partners, L.P. from 2006 to 2012, an actively managed investment fund focused on value generation in U.S. public companies, and Vice Chairman of Milestone Merchant Partners, a Washington-based investment bank from 2003 to 2005. Prior to 2003, Mr. Mimran served as the President of several food processing, grain and shipping companies across Europe and West Africa. He has served as a director and principal to the Bank of West Africa (CBAO), one of the largest banking groups in the region, as well as Archer Daniels Midland Company.

***Other Current Listed Company Directorships***

Non-executive Director of Taranga Gold Corporation from October 2015.

***Former Listed Company Directorships in the last 3 years***

None

***Special Responsibilities***

None

## COMPANY SECRETARY

**John Ribbons**, B.Bus., CPA, ACIS

Mr John Ribbons is an accountant who has worked within the resources industry for over 20 years in the capacity of company accountant, Group Financial Controller, Chief Financial Officer or Company Secretary.

Mr John Ribbons has expensive knowledge and experience with ASX listed production and exploration companies. He has considerable site based experience with operating mines and has also been involved with the listing of several exploration companies on the ASX. Mr Ribbons has experience in capital raising, ASX and TSX compliance and regulatory requirements. Currently, Mr Ribbons is a director of Montezuma Mining Company Limited. Mr Ribbons has not held any Former Listed Company Directorships in the last 3 years.

**Rod Wheatley**, B.Bus., CPA

Rod Wheatley is a senior accountant who has worked within the oil and gas, and resource industry for in excess of 15 years in the capacity of company accountant, Group Financial Controller and Chief Financial Officer.

Mr Wheatley joined Avenira in 2009 as Group Financial Controller. He was appointed Chief Financial Officer in 2011 and Joint Company Secretary in July 2013. Prior to joining Avenira, Mr Wheatley held senior accounting positions in a number of ASX and AIM listed production and exploration companies. He has extensive experience in management and project accounting, financial reporting at national and international levels and mergers and acquisitions.

## DIRECTORS' REPORT (cont…)

**Interests in the shares and options of the Company and related bodies corporate**

As at the date of this report, the interests of the directors in the shares rights and options of Avenira Limited were:

| | ORDINARY SHARES | OPTIONS OVER ORDINARY SHARES |
|---|---|---|
| Christopher Pointon | - | - |
| Louis Calvarin | - | - |
| Ian McCubbing | 400,000 | - |
| Timothy Cotton(i) | 148,861,475 | 56,000,000 |
| Farouk Chaouni(i) | 148,861,475 | 56,000,000 |
| David Mimran(ii) | 104,750,000 | - |

(i)Mr Timothy Cotton and Mr Farouk Chaouni collectively hold shares and options through their related parties, Baobab Partners LLCand Vulcan Phosphates LLC.

(ii) Mr David Mimran holds shares through his related party, Tablo Corporation.

## PRINCIPAL ACTIVITIES

The principal activity of the Company during the course of the financial year was the development of the Baobab Phosphate Project in the Republic of Senegal ("Baobab Phosphate Project"). The Group's operations are discussed in the Review of Operations section of this report.

## CONSOLIDATED RESULTS

| | YEAR END 30 JUNE 2017 $ | YEAR END 30 JUNE 2016 $ |
|---|---|---|
| Consolidated (loss) before income tax expense | **(30,579,063)** | (9,464,695) |
| Income tax benefit | **308,265** | - |
| (LOSS) FOR THE YEAR | **(30,270,798)** | (9,464,695) |

## DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

## REVIEW OF OPERATIONS

A review of the operations of the Group during the financial year and likely developments and expected results is included in the Operating and Financial Review set out below.

### *BAOBAB PHOSPHATE PROJECT (80% OWNED)*

During the 2017 financial year the Group established a new strategic plan for the Baobab Phosphate Project; increased the Indicated and Inferred Mineral Resources to 31.7 million and 114 million tonnes, respectively, following completion of drill programs; and completed the first sale of rock phosphate to customers in early March 2017, with the second sale completed in June 2017.

In July 2017 a three year extension was granted for the Cherif Lo-Ngakham Exploration Permit. In May, 2017 an application was lodged for conversion of the SMP into a 20km2 "permit d'Exploitation" (referred to as the Large Mine Permit or LMP) with a minimum term of 20 years.

### STRATEGIC PLAN

The Company approved a new **Strategic Plan** in June 2017. The Strategic Plan initially focuses on the optimisation of the existing ore beneficiation unit to bring it to a fully sustainable operational level, and subsequently implementation of the next step investments towards the long-term objective of becoming a leading supplier to the fertiliser industry and a leading fertiliser producer for West African and international markets.

Subsequent optimisation of the existing ore beneficiation unit will deliver a capacity and performance expansion of the existing Baobab processing facility. It will include a flotation line to improve $P_2O_5$ recovery from around 50% currently to around 70%, and to reduce the silica assay of the Gadde Bissik phosphate rock concentrate product. It will also include a

## DIRECTORS' REPORT (cont…)

drying process unit to control product moisture at the commercially required level, including during the annual wet season.

Following completion of the optimisation of the existing ore beneficiation unit, the production capacity is planned to be 1 Mtpy.

The resulting nameplate capacity will provide sufficient product for Avenira to supply a dedicated Phosphoric Acid facility -this being the Company's long term strategic objective - while continuing to grow its relationships with its phosphate rock customers.

Engineering studies, conducted by Hatch, are under way to provide a detailed design as well as capital and operating cost estimates for optimisation of the existing ore beneficiation unit. The expanded plant is expected to be fully commissioned within 12 to 18 months of funding.

### GEOLOGY AND EXPLORATION

The project location is shown in Figure 1.

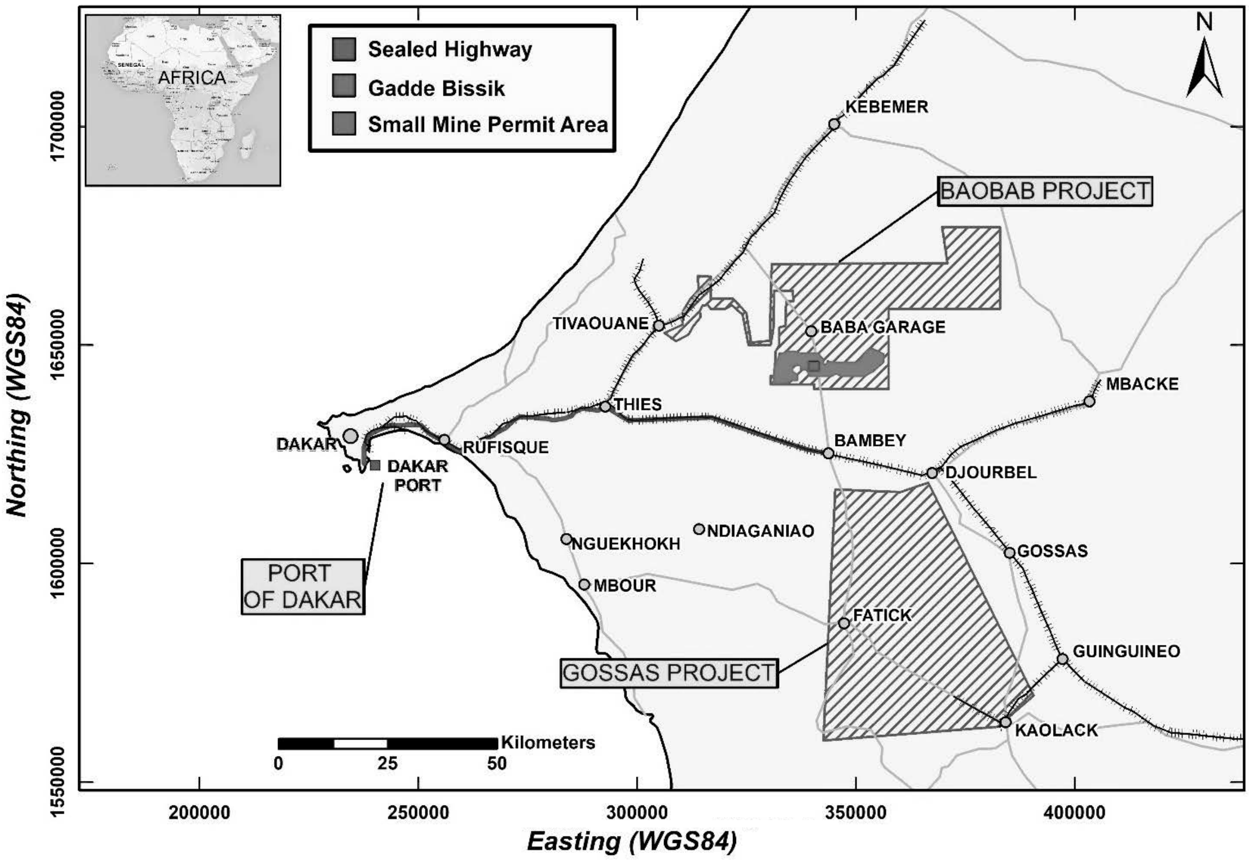


Figure 1: Project location plan

<u>Gadde Bissik</u>

Drilling activities for the year primarily focused on Gadde Bissik resource definition within and adjacent to the Small Mine Permit ("SMP") at 125 x 125 m spacing.

The results of the 125 x 125 m resource diamond drilling undertaken within and around the SMP in late 2016 became available during the first quarter of 2017. After validation of assay results from ALS and SGS laboratories, an update of the Mineral Resource estimate were completed during the March 2017 quarter by independent consultants MPR Geological. An upgraded Mineral Resource estimate was released to the market on 2 March 2017, with a significant increase to the Indicated Mineral Resource estimate to 31.7 million tonnes at 20.6% $P_2O_5$ at a 15% cut-off grade. Maiden Inferred Mineral Resource estimates were released for three new prospects, Dinguiraye, Gandal, and Gadde Escale, taking the global Inferred Resource Estimate at Baobab to 114 million tonnes at 19% $P_2O_5$ at a 15% $P_2O_5$ cut-off.

At Dinguiraye, an Inferred Mineral Resource of 19 million tonnes at 19% $P_2O_5$ has been estimated. The prospect is open to the north-east and further drilling in that area is planned as well as diamond-core infill drilling designed to identify the areas of thicker, higher grade mineralisation.

## DIRECTORS' REPORT (cont…)

At Gadde Escale, an Inferred Mineral Resource of 19 million tonnes at 20% $P_2O_5$ has been estimated. The prospect is open to the east, south and west. An additional 28 air core holes were drilled predominantly on the western and southern margin of the resource area. The results confirm that the significant phosphate mineralisation at Gadde Escale is extensive and remains open to the west. Figure 3 shows schematic cross-sections of the lithological sequences at Gadde Escale and Gadde Bissik East and indicates that sequences at Gadde Escale are similar to those at the SMP. Further drilling is planned at Gadde Escale, both to increase the area to the resource and to infill to determine the areas of higher phosphate concentration.

The Gandal area is adjacent to the western extension of the Gadde Bissik East Inferred Resource. An Inferred Mineral Resource of 14 million tonnes at 18% $P_2O_5$ is estimated for this area. Further infill drilling is warranted around the better intercepts. Relative to other Gadde Bissik zones, Gandal mineralisation is estimated to be significantly higher in iron, like Gadde Bissik West, and would likely require additional beneficiation for potential economic extraction.

An area of less densely-spaced drilling peripheral to the Inferred Mineral Resource areas is categorised as an Exploration Target with an estimated tonnage of around 100 million tonnes to 150 million tonnes at approximately 16 to 20% $P_2O_5$. The potential quantities and grades are conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain that future exploration will result in estimation of a Mineral Resource. Some 500 x 500 m spaced drilling has already been undertaken in the eastern part of the Exploration Target areas.

The Mineral Resource estimates are summarised in the annual mineral resource statement on page 19. A technical report prepared by MPR Geological Consultants is available to be viewed on the Company website.

In June 2017, initial results of the 250 x 250 m grid diamond drilling campaign conducted in the Gadde Bissik Inferred Mineral Resource area east of the SMP became available, and are being interpreted. Diamond drilling at 125 x 125 m grid-spacing near the SMP and 250 x 250 m further to the east continued in the same Gadde Bissik Inferred Mineral Resources area to better define the thickness of the mineralisation and for its potential upgrading to Indicated Mineral Resource status.

Limited diamond drilling at 250 x 250 m grid spacing, with the goal to reinforce the Indicated Mineral Resources, will continue during the September 2017 quarter around the SMP and in an area between the SMP and the Gadde Escale prospect.

In the latest drilling program announced, the new exploration results combined with previous drilling data indicate the Gadde Bissik phosphate mineralisation extends broadly east-west for more than 20 km in varying widths and thicknessesin September 2017. 500 x 500 m grid-spaced diamond drilling within and to the west of the Gadde Escale prospect has returned significant interceptions and demonstrated the extension of phosphate mineralisation in the direction of the SMP. Further infill drilling is currently planned.

Infill drilling over a 125 x 125 m and 500 x 500 m grid-spacing to the east of the SMP has better defined the distribution and nature of phosphate mineralisation from the eastern edge of the Gadde Bissik East Inferred Mineral Resource area. These results warrant additional drilling investigation.

## DIRECTORS' REPORT (cont…)

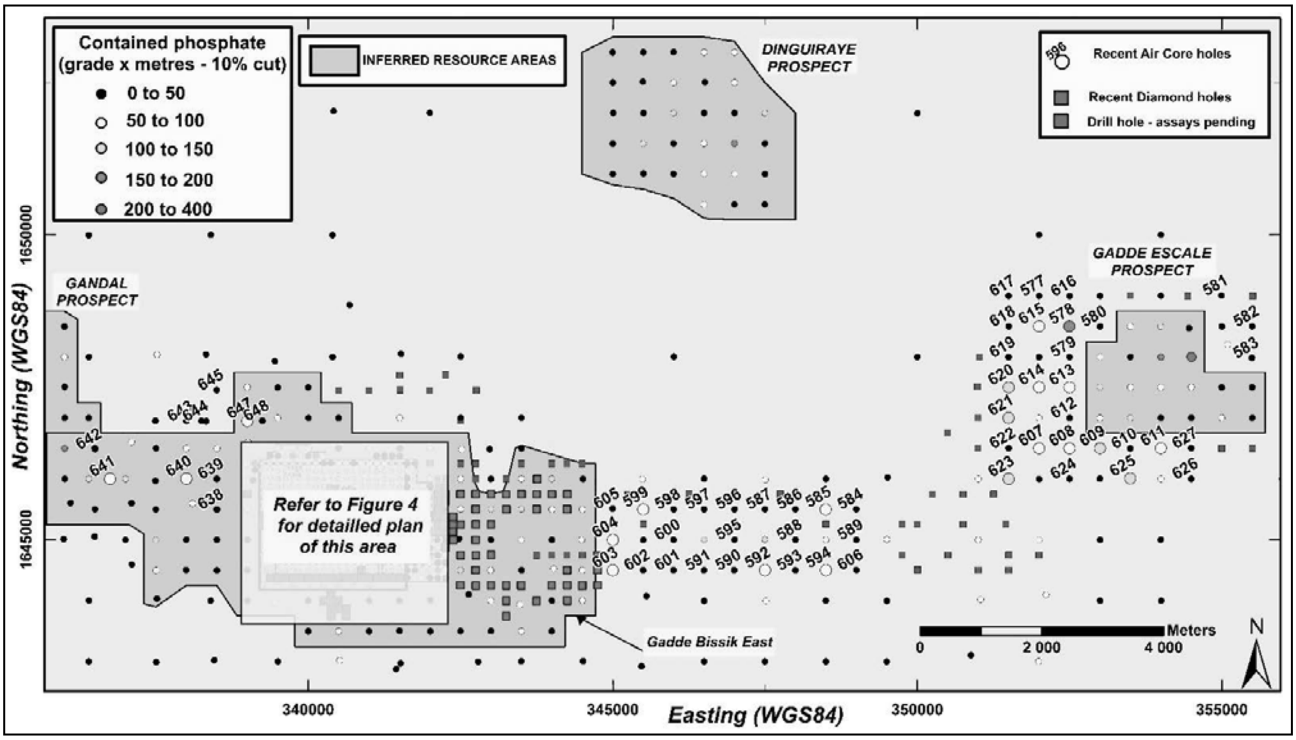


Figure 2: Recent drilling results within the broader Gadde Bissik area

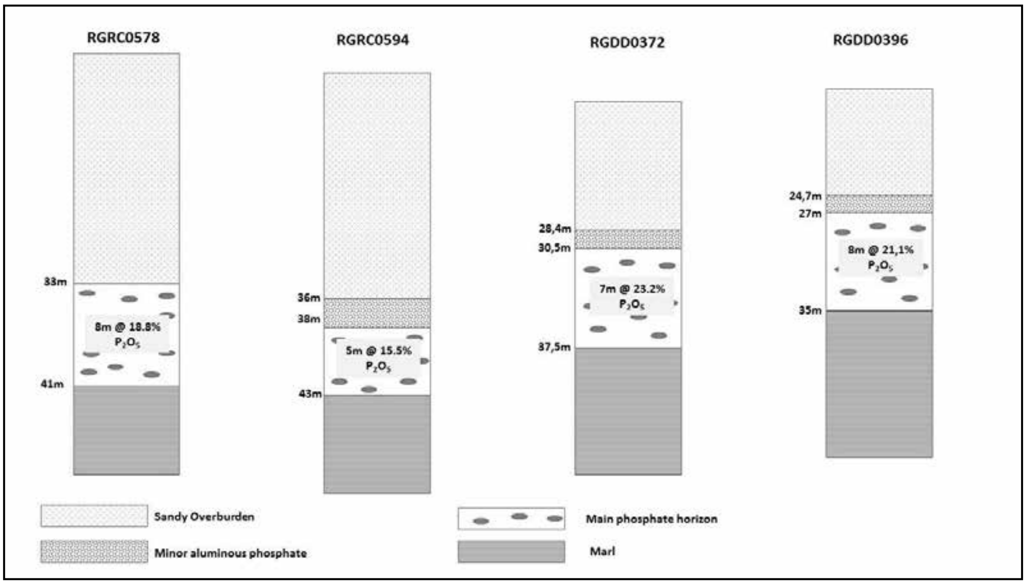


Figure 3: Schematic cross sections showing main lithological relationships in the Gadde Bissik area (refer to figure 2 and 4 for collar locations)

Mining Support

In May and June 2017, the Company carried out an air core 50 x 50 m grid-spaced Grade Control drilling program within the SMP perimeter. Drill holes were intended to better control the presence, thickness, grade and geometry of the phosphate sequence planned to be exploited during Stages 3 and 4 of the mine's operating plan.

Towards the end of June 2017, air core drilling for control and sterilisation began in the northern part of the SMP perimeter around mine infrastructure. Drilling will resume just outside the SMP perimeter after the rainy season with the objective to identify and confirm sterile areas where mining infrastructure and processing equipment can be installed, moved or relocated.

A total of 88 air core holes (3,231 m) were carried out within the SMP sector.

## DIRECTORS' REPORT (cont…)

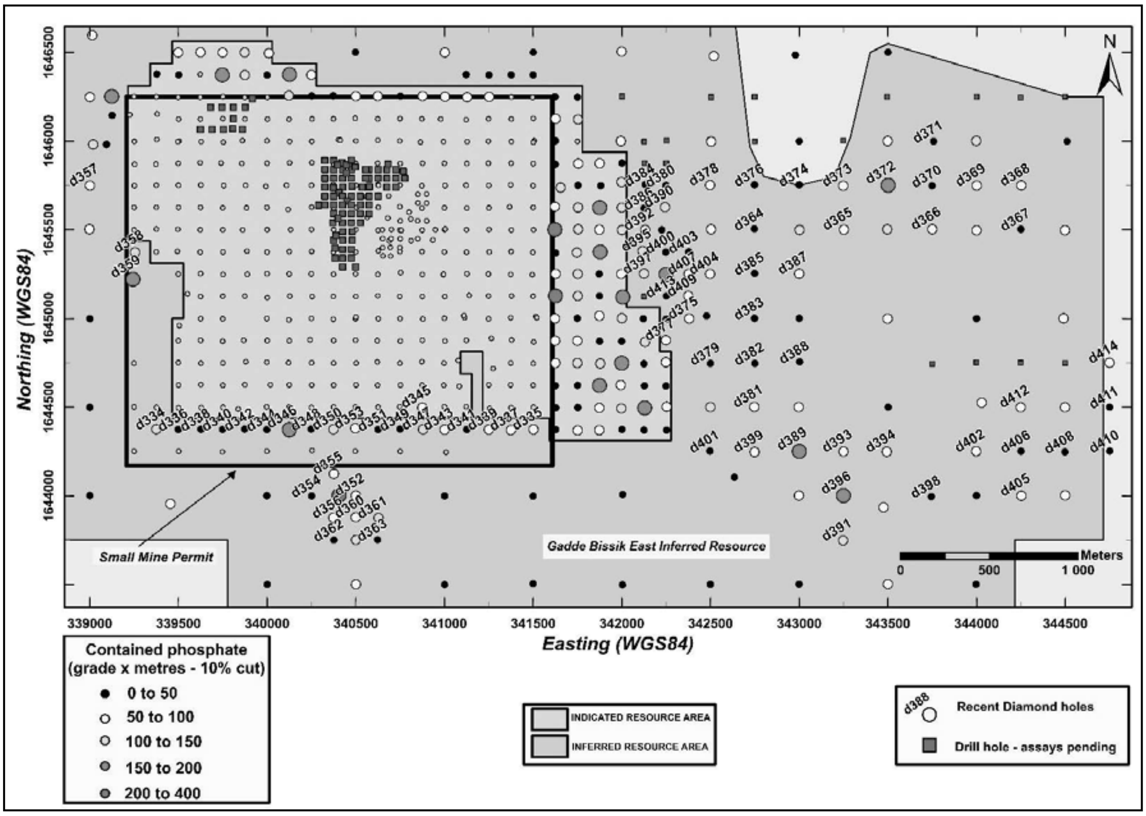


Figure 4: Recent drilling results within and around SMP area
(greyed circles are drill holes with results not shown here)

<u>Regional Exploration</u>

Results of broad-based 48-hole regional air core drilling were published in an ASX release on 23 February 2017. The 4,000 x 4,000 m grid-spaced program has demonstrated the presence of intervals of good phosphate mineralisation at locations across the tenement. More than half the holes drilled intersected phosphate mineralisation with at least one metre of >10% $P_2O_5$ material. Just under 20% intersected at least one metre with >20% $P_2O_5$.

In late March 2017, a 10-hole air core sterilisation drilling program for 241 metres was conducted in the western part of the Baobab tenement in preparation for a statutory 25% reduction in tenement size due in mid-2017 (Figure 5). As expected, results indicate that no significant mineralisation has been intercepted.

No additional drilling is planned in this sector.

## DIRECTORS' REPORT (cont…)

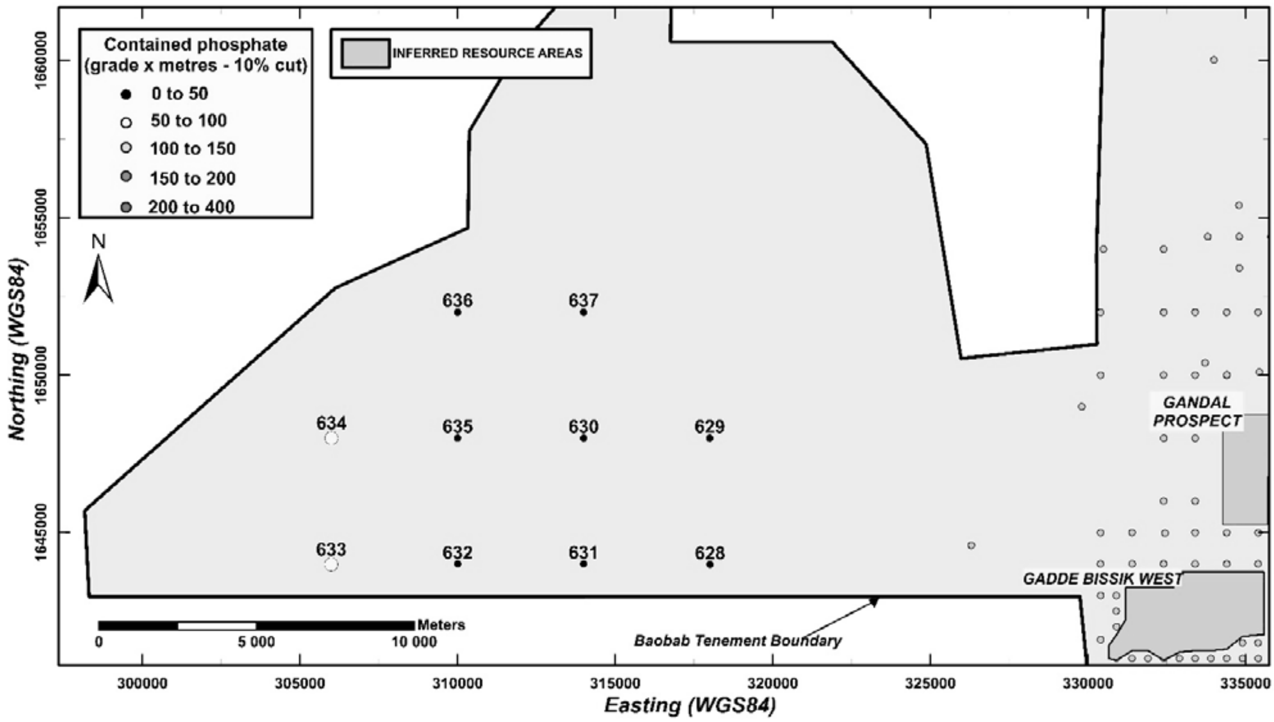


Figure 5: Baobab recent broad-based scout drilling results in the western part of tenement
(greyed circles are drill holes with results not shown here)

Drilling status for the period from 1 July 2016 to 30 June 2017 is as follows:

| Tenement | Purpose of drilling | Air-core | | Diamond drilling | |
|---|---|---|---|---|---|
| Baobab | | Holes | Metres | Holes | Metres |
| | Regional exploration | 187 | 7,054 | - | - |
| | Resource definition | - | - | - | - |
| | Grade control | 99 | 3,748 | - | - |
| | Inside SMP | - | - | 64 | 2,750 |
| | Outside SMP | - | - | 175 | 6,880 |
| Gossas | Regional exploration | 83 | 2,068 | - | - |
| **TOTAL** | | **369** | **12,870** | **239** | **9,630** |

Table 1: 2017 Drilling Statistics

## DIRECTORS' REPORT (cont…)

### PERMITTING

The company submitted its Cherif Lo-Ngakham exploration permit three-year renewal application to the Senegalese government during the month of May 2017. The renewal was granted by the Senagalese government on 27 July 2017 for a period to 27 July 2020.

During the month of May 2017, the Company also applied for an Exploitation Permit (referred to as a Large Mine Permit in past communications) in an expanded area around its current Gadde Bissik Small Mine Permit.

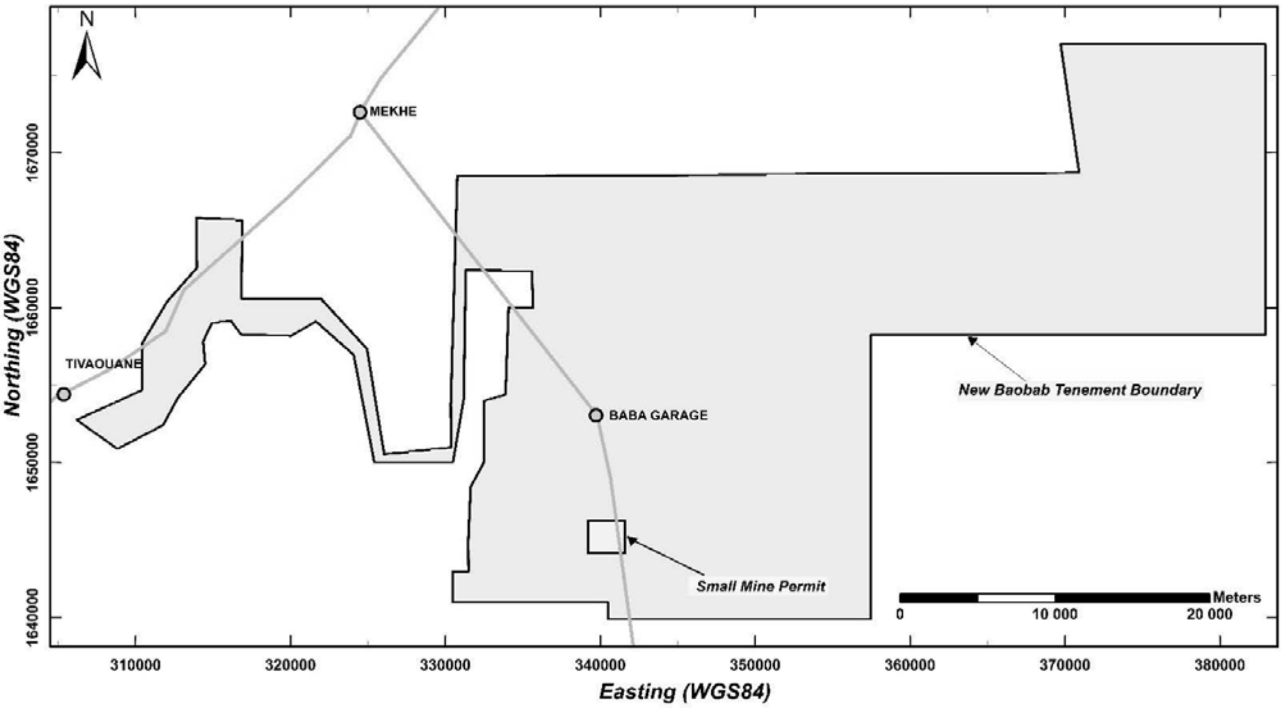


Figure 6: Cherif Lo-Ngakham permit new boundary after renewal

### MINING

Mining of the Stage 1 open pit progressed with phosphate mining during August and September 2016. Visual grade control of phosphate mining was confirmed, allowing the optimisation of phosphate mining methods with close geological control and efficient mining of 2 m high mining benches. Mining of the Stage 1 open pit was completed with phosphate mining in this pit finished during the third week in November 2016.

Overburden removal in Stage 2 was completed during the third week in December 2016. Phosphate mining commenced on the 100RL bench in the first week of December 2016 and was completed in April 2017.

Steady partial Stage 3 open pit overburden removal was ongoing at the end of June 2017.

### PORT AND LOGISTICS

During the year once the trucking cycle had been established and the number of trucks in the circuit had been optimised, the planned mean trucking rate of 1,500 tpd was maintained as required.

The product storage facility at the Port of Dakar has been established at 30,000 tonnes capacity with compacted lower grade phosphate product used to cover the stockpile area base.

A road transport weighbridge was installed and commissioned in September 2016.

### WATER SUPPLY

Process water bore pumps and associated equipment were installed and commissioned in the September 2016 quarter, with water flow rates achieved from the two bores exceeding expectations.

## DIRECTORS' REPORT (cont…)

### PROCESSING

Consulmet (Pty) Limited combined with the Company process team completed the wet screening plant construction on time at the start of August 2016.

Additional pumping capacity for the wet screening plant's hydrocyclone section was installed and commissioned as planned during the first week in March 2017. Operations since installation have demonstrated a significant improvement in plant performance.

A crushing plant productivity and availability review in the March 2017 quarter demonstrated that the existing contractor plant would require supplementary equipment to provide continuity of crushed product. The required equipment, including contracted crushing and screening lines, are planned to be commissioned during October 2017.

The second phase of product drying pads was constructed early in the December 2016 quarter with progressive improvements achieved in the open-air drying procedures and methodology, with product moisture levels below 3% achieved in late 2016.

### LOCAL COMMUNITY CONSULTATION AND RELOCATION

Avenira continued to collaborate closely with the local communities throughout the year.

One of the first programs in the project environmental and community plan was completed in September 2016. A large number of local residents in cooperation with the local Forestry Department were involved in planting trees immediately outside the project safety fence.

The employment rotation system for selection from potential local employees for short term and longer term operational functions that commenced in the 2016 financial year was on ongoing at the end of June 2017.

### MARKETING

During the September 2016 quarter, the Company signed further export rock phosphate agreements increasing aggregate commitments to between 360,000 and 480,000 tpa, with Baobab rock phosphate product destined for downstream phosphate fertiliser producers. Establishing long-term relationships with end users of Baobab product is an important priority that continues to be diligently worked on.

In March 2017 Baobab sold its maiden shipment of 21,400 tonnes of Gadde Bissik phosphate rock, which was successfully processed into phosphoric acid and finished fertilisers by the end customer in June 2017.

The company sold a second cargo of approximately 30,000 tonnes, with the vessel sailing from the port of Dakar during June 2017.

A trusted industry engineering company, Prayon Technologies, has completed a detailed pilot test assessment of the Gadde Bissik phosphate rock concentrate and concluded that Baobab's product was very suitable as a raw material for the production of Phosphoric Acid and DiAmmonium Phosphate (DAP) fertiliser. The test highlighted a number of very positive Gadde Bissik phosphate rock features, including very low sulfuric acid consumption when processing into Phosphoric Acid, as well as good processing yields and reaction productivity.

#### *GOSSAS PHOSPHATE PROJECT*

The Gossas exploration tenement lies to the south-east of Baobab (Figure 1) and the eastern part of the tenement covers an area of high prospectivity for phosphate with numerous historical records of phosphate occurrences, mainly in water wells. Exploration of the tenement has comprised a comprehensive study by the BRGM of all the relevant documentation held by them in France and the production of a prospectivity plan of the tenement.

Initial exploration of the Gossas tenement commenced in July 2016 with 5 scout air core holes drilled in the Diakhao area targeting historical anomalies defined by the French geological survey, the BRGM. Drilling investigation restarted in March 2017 and drilling progressed from the south to the north at a 2,000 x 2,000 m grid spacing in the south-eastern part, across more BRGM-defined anomalies, and 4,000 x 4,000 m grid spacing to the west and north. The program ended on 22 March 2017 with a total of 78 drilled aircore for 1,977 m.

The air core drilling campaign results indicate that phosphate mineralisation of economic thickness and continuity is unlikely to exist in this area. No further drilling is planned in the Gossas area at this time. Resources will be re-allocated to more prospective areas in the Baobab tenements.

## DIRECTORS' REPORT (cont…)

## *WONARAH PHOSPHATE PROJECT, NORTHERN TERRITORY (100% OWNED)*

### SUMMARY

The Wonarah Phosphate Project ("Wonarah") hosts one of the largest Mineral Resources of any known phosphate deposit in Australia. Current Mineral Resource estimates are unchanged from last year and are presented in the annual mineral resource statement in Table 2.

No new exploration work was undertaken during the reporting period.

The Company continued to take action to reduce the holding costs of the Wonarah project until the commercial validation of the IHP technology.

Following a comprehensive tenement review, the Company has been able to reduce the area size and holding costs of the tenements held by its wholly-owned subsidiary, Minemakers Australia Pty Ltd (MAPL), while maintaining secure tenure over the key areas of the Project with the addition of a new exploration license, EL31477. In the process, MAPL has surrendered ML27244 and intends to apply for two smaller mining leases over the best mineralisation at Arruwurra and the Main Zone. The surrender of ML27244 will not result in any change to the existing Wonarah Project Mineral Resource estimates.

During the transitional period between the surrender of ML27244 and the grant of new mining leases, MAPL anticipates substantial saving in annual statutory and other project-related costs.

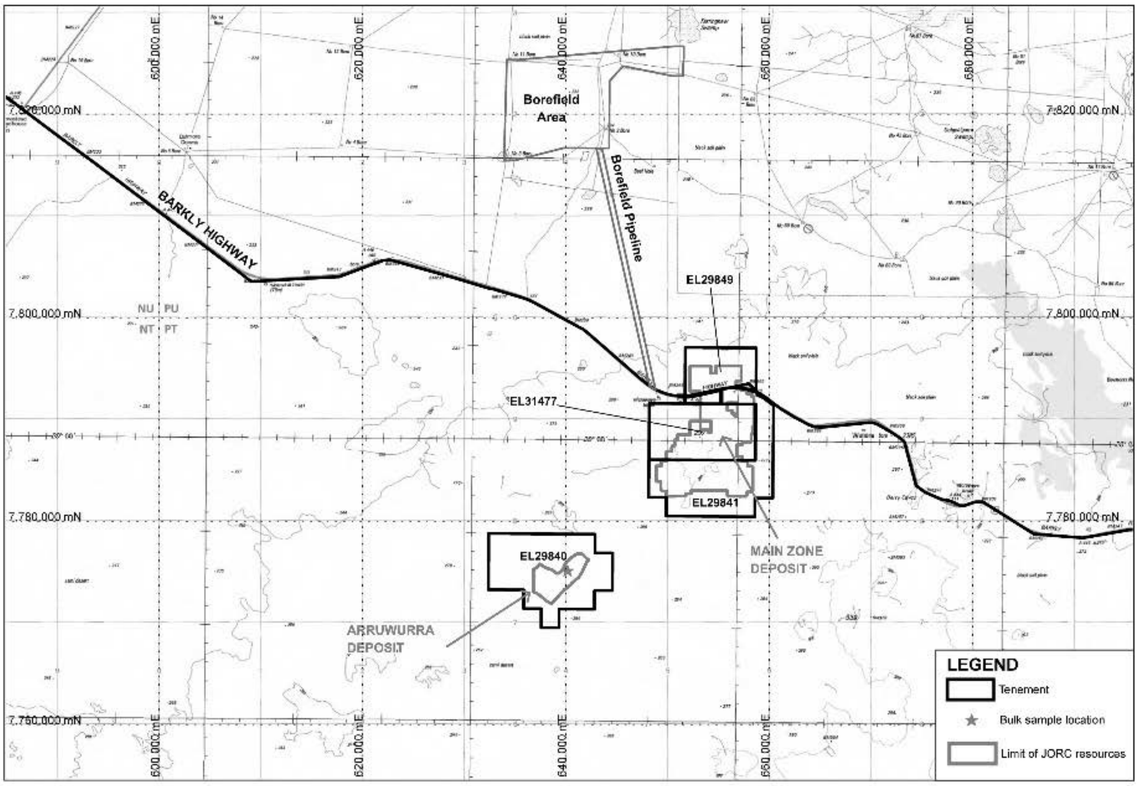


Figure 7: Wonarah tenement status as at 27 July 2017

## DIRECTORS' REPORT (cont…)

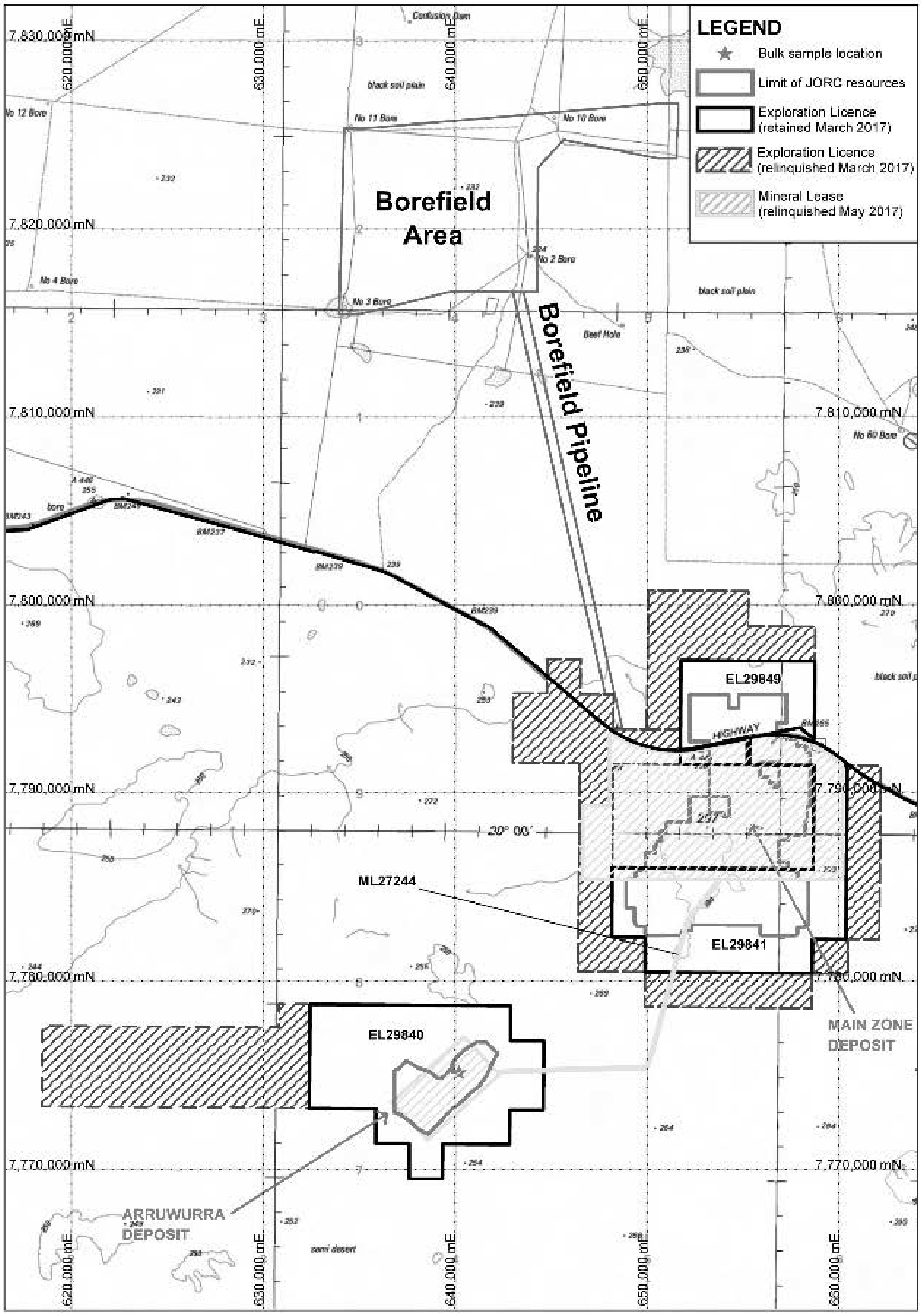


Figure 8: Wonarah tenement status as at 28 February 2017 (before exploration licence reductions and surrender of ML27244)

## DIRECTORS' REPORT (cont…)

### *ANNUAL MINERAL RESOURCE STATEMENT AS AT 30/06/17*

| WONARAH PROJECT, NORTHERN TERRITORY, AUSTRALIA | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cut off $P_2O_5$ % | Resource Category | Tonnes Mt | $P_2O_5$ % | $Al_2O_3$ % | CaO % | $Fe_2O_3$ % | $K_2O$ % | MgO % | MnO % | $Na_2O$ % | $SiO_2$ % | $TiO_2$ % |
| 10 | Measured | 78.3 | 20.8 | 4.85 | 28 | 1.11 | 0.43 | 0.25 | 0.04 | 0.1 | 39.7 | 0.21 |
| | Indicated | 222 | 17.5 | 4.75 | 23.2 | 1.49 | 0.47 | 0.2 | 0.04 | 0.09 | 48.3 | 0.22 |
| | M+I | 300 | 18.3 | 4.77 | 24.4 | 1.4 | 0.46 | 0.21 | 0.04 | 0.09 | 46.1 | 0.22 |
| | Inferred | 542 | 18 | 4.8 | 24 | 2.1 | 0.5 | 0.2 | 0.08 | 0.05 | 46 | 0.2 |
| 15 | Measured | 64.9 | 22.4 | 4.47 | 30 | 1.1 | 0.37 | 0.19 | 0.04 | 0.09 | 37 | 0.19 |
| | Indicated | 133 | 21.1 | 4.77 | 28 | 1.53 | 0.47 | 0.21 | 0.04 | 0.09 | 39.7 | 0.22 |
| | M+I | 198 | 21.5 | 4.67 | 28.7 | 1.39 | 0.44 | 0.2 | 0.04 | 0.09 | 38.8 | 0.21 |
| | Inferred | 352 | 21 | 4.6 | 28 | 2.1 | 0.5 | 0.2 | 0.1 | 0.06 | 39 | 0.2 |

| BAOBAB PROJECT, REPUBLIC OF SENEGAL | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Cut-off grade 15% $P_2O_5$ | | | | | | | | | |
| Area | | Resource Category | Mt | $P_2O_5$ % | CaO % | MgO % | $Al_2O_3$ % | $Fe_2O_3$ % | $SiO_2$ % |
| Gadde Bissik East | Within SMP | Indicated | 25.6 | 20.9 | 28.9 | 0.07 | 2.08 | 3.73 | 41.0 |
| | | Inferred | 3 | 20 | 27 | 0.14 | 2.8 | 3.2 | 43 |
| | Outside SMP | Indicated | 5.8 | 19.5 | 27.0 | 0.05 | 2.10 | 3.64 | 44.7 |
| | | Inferred | 53 | 19 | 26 | 0.13 | 2.9 | 4.0 | 45 |
| | Combined | Indicated | 31.4 | 20.6 | 28.5 | 0.07 | 2.08 | 3.71 | 41.7 |
| | | Inferred | 56 | 19 | 26 | 0.13 | 2.9 | 4.0 | 45 |
| Gadde Bissik West | | Inferred | 6 | 17 | 23 | 0.19 | 5.0 | 6.7 | 42 |
| Gandal | | Inferred | 14 | 18 | 25 | 0.10 | 3.2 | 8.9 | 41 |
| Dinguiraye | | Inferred | 19 | 19 | 27 | 0.14 | 3.0 | 3.2 | 44 |
| Gadde Escale | | Inferred | 19 | 20 | 28 | 0.16 | 2.3 | 2.5 | 44 |
| Total Resources | | Indicated | 31.4 | 20.6 | 28.5 | 0.07 | 2.08 | 3.71 | 41.7 |
| | | Inferred | 114 | 19 | 26 | 0.14 | 3.0 | 4.3 | 44 |

| ANNUAL CHANGE IN RESOURCE CATEGORY BAOBAB PROJECT | | | | |
|---|---|---|---|---|
| Category | Indicated | | Inferred | |
| | Tonnes (M) | % $P_2O_5$ | Tonnes (M) | % $P_2O_5$ |
| 2017 | 31.4 | 20.6 | 114 | 19 |
| 2016 | 12.6 | 21.0 | 87 | 19 |
| Change | +18.8 | -0.4 | +27 | - |

Table 2: Annual Mineral Resource Statement

## DIRECTORS' REPORT (cont…)

The Mineral Resource estimates for the Wonarah Project remained unchanged from 2016. Significant increases to both the Indicated and Inferred Mineral Resource estimates for the Baobab Phosphate Project are based on substantial drilling programs undertaken during the year and include three maiden Inferred Mineral Resource estimates at three prospects. The Annual Mineral Resource Statement also reflects minor depletion from mining when compared to the estimates released to the market on 2 March 2017. The mineral resource statement is based on, and fairly represents, information and supporting documentation prepared by a Competent Person.

The mineral resources statement as a whole is approved by Russell Fulton, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Fulton is employed by Russell Fulton Pty Ltd. Mr Fulton was the former Geological Manager and a full-time employee of the Company and now provides geological consulting services to the Company. Mr Fulton has sufficient experience deemed relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Fulton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

### *JDCPHOSPHATE, INC., FLORIDA (APPROX. 7% EQUITY)*

Avenira owns approximately 7% of JDCP and has an exclusive licence to utilise the IHP technology in Australia and Senegal for an extended period of time.

In July 2016 Avenira executed two agreements with JDCP that have:

- Updated and strengthened Avenira's exclusive IHP licence agreements in Australia and Senegal for a prepayment of certain licensing fees;
- Secured convertible loan funding to JDCP to allow further time for the Company to achieve its strategic objectives. The convertible loan is interest bearing and has rights to convert into additional JDC equity in certain circumstances. Avenira has an associated right to a seat on JDCP's board; and
- The total funding is limited to US$2 million and has been fully drawn down.

JDCP has recently announced that it has raised significant equity financing from Stonecutter Phosphate Investors LLC, which will accelerate commercialisation of the company's IHP technology for producing high-grade phosphoric acid using low-grade phosphate rock, a patented process that eliminates the large volume of phosphogypsum waste that is a necessary byproduct of the traditional phosphoric acid process. JDCP will modify its facility in Fort Meade, Florida to gather the processing data for the design of a full-scale commercial IHP plant. The facility will test various qualities of phosphate rock raw material in the IHP process, allowing potential licensors to validate the process for the phosphate ore sources that they have available. JDCP expects to complete the plant modifications by early 2018. Independent engineering studies will be conducted ahead of commercial deployment of IHP.

Due to the uncertainty regarding the timing and achievement of IHP commercialisation, the carrying value of the licence rights and secured convertible funding remains impaired as at 30 June 2017.

Shareholders are encouraged to view the JDCP website http://jdcphosphate.com

## *INVESTMENTS AND CORPORATE INFORMATION*

### BOARD CHANGES

Dr Christopher Pointon was appointed Non-executive Chairman of the Company on 7 December 2016 following the passing of Mr Dick Block.

Managing Director Cliff Lawrenson left the Company on 11 January 2017, with Mr Louis Calvarin appointed as Avenira's new Managing Director and Chief Executive Officer effective 29 March 2017. Mr Calvarin is a highly experienced executive with over 15 years' experience in the phosphate industry. Mr Calvarin brings an extensive understanding of the global phosphate industry and has outstanding experience in leading plant operations, phosphate procurement, supply chain management, strategy and business development. A native French speaker, Mr Calvarin is based in Senegal overseeing the ramp-up of the Baobab operations and seeking to expand production and product sales into new markets.

### FINANCING

In December 2016 Gadde Bissik Phosphate Operations Suarl ("GBO"), Avenira's 80%-owned subsidiary, successfully secured a A$8.8 million finance facility through CBAO Groupe Attijariwafa Bank. The facility consists of a A$4.4 million working capital facility and access to an additional A$4.4 million for the financing of export receivables, if required.

The facility has been secured to assist with the final stages of commissioning and ramp-up of the Baobab Phosphate Project. The key terms of the facility are:

- Working capital facility
    - Amount: XOF 2 billion (A$4.4 million);
    - Term: 5 years;
    - Repayment Terms: No principal or interest repayments for 12 months, followed by 48 equal principal plus interest payments; and
    - Standard security arrangements over all GBO assets.

- Trade facility
  - Access to an additional XOF 2billion (A$4.4 million) for the financing of export receivables, if required.

The working capital facility of XOF 2 billion was fully drawn down on 31 December 2016.

In April 2017, the Company announced the launch of a Share Purchase Plan ("SPP") to raise A$2,500,000 at an issue price of 8.4 cents. The SPP closed in June 2017 raising A$608,950. An additional A$1,891,050 was raised in July 2017 via the Shortfall Placement Agreement with Agrifields DMCC.

In June 2017, the Company entered into binding funding agreements with each of its two major shareholders, Agrifos Partners LLC ("Agrifos") and Tablo Corporation, an affiliate of Groupe Mimran ("Mimran"), whereby Agrifos will provide an unsecured bridge loan of US $1,440,000 to the Company and Mimran will provide an unsecured bridge loan of US $2,160,000 to the Company (together the "Bridge Loans"). The loans bear interest at 6%, are to be drawn progressively and are repayable on the earlier of the six months from draw down date or completion of the Entitlement Offer (described below). The bridge loans were fully drawn down as at the date of this report.

The Company will conduct a renounceable pro rata entitlement offer (the "Entitlement Offer") within the next month to raise a minimum of A$7,000,000 and a maximum of A$13,000,000.

The major shareholders have each agreed, if requested by the Company, to underwrite any shortfall to the Entitlement Offer up to a maximum of A$4,200,000, in the case of Mimran, and A$2,800,000 in the case of Agrifos (in each case the 'Underwritten Amount'). If the major shareholders are required by the Company to underwrite the Entitlement Offer, the Company will pay the major shareholders an underwriting fee of 5% on their respective Underwritten Amounts.

The proceeds from the Bridge Loans and the Entitlement Offer will be used to fund DFS engineering studies and upfront capital costs required for optimisation of the existing ore beneficiation unit, as well as ongoing working capital requirements. A portion of the proceeds from the Entitlement Offer will be used to repay the Bridge Loans in full.

Avenira will also be seeking additional financing to progress its Strategic Plan.

## FINANCIAL REVIEW

### FINANCIAL INFORMATION

At 30 June 2017, the total closing cash balance was $2,946,100 (2016: $24,473,574). The Group has recorded an operating loss after income tax for the year ended 30 June 2017 of $30,270,798 (2016: loss of $9,464,695).

### OPERATING RESULTS FOR THE YEAR

**Summarised operating results are as follows**

| | 2017 REVENUE $ | 2017 RESULTS $ |
|---|---|---|
| Consolidated entity activities before income tax | **393,303** | **(30,579,063)** |

**Shareholder Returns**

| | 2017 | 2016 |
|---|---|---|
| Basic profit/(loss) per share (cents) | **(5.09)** | (2.31) |

### IMPAIRMENT – WONARAH PHOSPHATE PROJECT

A valuation review conducted by Optiro in December 2016 revealed that the fair market value of the Wonarah Phosphate Project has decreased from the valuation prepared at June 2016. Optiro's valuation lies within a range $6,100,000 and $10,700,000, with a preferred value of $8,400,000. The Company considered the low value of $6,100,000 as an appropriate representation of the fair value of the project. As a result, during the reporting period an amount of $9,431,555 was impaired and recognised in the Statement of Profit and Loss and Other Comprehensive Income. A further review conducted by Optiro in June 2017 revealed the fair market value of the Wonarah Phosphate Project had not changed from the December 2016 valuation.

Refer to Note 15 for further details.

### IMPAIRMENT – BAOBAB PHOSPHATE PROJECT

A valuation review conducted by Optiro in June 2017 revealed that the fair market value of the Baobab Phosphate Project lies within a range of $32,800,000 and $62,800,000, with a preferred value of $47,900,000. The Company considered the preferred value of $47,900,000 as an appropriate representation of the fair value of the project. As a result, during the reporting period an amount of $5,954,404 was impaired and recognised in the Statement of Profit and

## DIRECTORS' REPORT (cont…)

Loss and Other Comprehensive Income. The impairment relates to goodwill in the amount of $4,721,345 and capitalised mine development expenditure in the amount of $1,233,059.

Refer to Note 16 for further details.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than detailed in the Review of Operations above there were no significant changes in the state of affairs of the Group.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The following events occurred subsequent to the end of the year:

- On 3 July 2017, the Company issued 22,512,506 ordinary shares to Agrifields DMCC pursuant to the Shortfall Placement Agreement, raising a total of $1,891,050. Following completion of the Share Purchase Plan and the Placement the Company raised a total of $2,500,000.
- During July and August 2017, the Company completed the draw down of the remaining balance of the bridge loan facilities provided by Agrifos Partners LLC and Tablo Corporation, being US$1,560,000 and US$1,040,000 respectively.

Other than as disclosed above, no event has occurred since 30 June 2017 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group will continue to focus on executing the Strategic Plan as announced in June 2017. This will involve Engineering studies, currently underway, to establish design parameters and associated capital costs for the upgrades with nameplate capacity of 1Mpta and seeking additional funding in the form of debt or equity to complete the expansion. The Group will continue to advance its application process for an Exploration Permit to pursue its strategy of expansion across the Baobab Phosphate Project.

The Company's long term strategic objective is to develop a dedicated Phosphoric Acid Plant that could be supplied with Gadde Bissik phosphate rock concentrate.

## RISK MANAGEMENT

The Board is responsible for ensuring that risks, and opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs andmanagebusinessrisk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

## SAFETY AND HEALTH

Avenira aspires to a goal of causing zero harm to people. In this regard, the Company is committed to undertake our activities so as to protect the safety and health of employees, contractors, visitors and the communities in which we operate.

There were no lost time injuries during the year.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation with respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, as far as it is aware is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

## DIRECTORS' MEETINGS

During the year the Company held 15 meetings of directors. The attendance of directors at meetings of the Board were:

| | DIRECTORS MEETINGS | | AUDIT COMMITTEE MEETINGS | | REMUNERATION AND NOMINATION COMMITTEE MEETINGS | |
|---|---|---|---|---|---|---|
| | A | B | A | B | A | B |
| Christopher Pointon | 14 | 15 | 2 | 2 | 6 | 6 |
| Louis Calvarin | 3 | 3 | * | * | * | * |
| Ian McCubbing | 15 | 15 | 2 | 2 | 6 | 6 |
| Timothy Cotton | 14 | 15 | 2 | 2 | 6 | 6 |
| Farouk Chaouni | 9 | 15 | * | * | * | * |
| David Mimran | 8 | 15 | * | * | * | * |
| Dick Block | 2 | 8 | * | * | * | * |
| Cliff Lawrenson | 7 | 8 | * | * | * | * |

**Notes**

**A** – Number of meetings attended.

**B** – Number of meetings held during the time the director held office or was a member of the Committee during the year.

***** – Not a member of the Committee.

## SHARES UNDER OPTION

At the date of this report there are 88,075,000 unissued ordinary shares in respect of which options are outstanding.

| | NUMBER OF OPTIONS |
|---|---|
| Balance at the beginning of the year | 127,050,000 |
| **Movements of share options during the year** | |
| Expired on 29 July 2016 ($0.18) | (1,550,000) |
| Expired on 20 November 2016 ($0.225) | (5,500,000) |
| Expired on 8 April 2017 ($0.30) | (14,000,000) |
| Expired on 18 June 2017 ($0.23) | (5,000,000) |
| Expired on 18 June 2017 ($0.27) | (5,000,000) |
| Expired on 18 June 2017 ($0.31) | (5,000,000) |
| Exercised on 2 August 2016 ($0.18) | (2,000,000) |
| Exercised on 13 September 2016 ($0.10) | (925,000) |
| **Total number of options outstanding as at 30 June 2017 and the date of this report** | **88,075,000** |

The balance is comprised of the following:

| EXPIRY DATE | GRANT DATE | EXERCISE PRICE (CENTS) | NUMBER OF OPTIONS |
|---|---|---|---|
| 30 June 2018 | 28 July 2015 | 10 | 2,075,000 |
| 30 June 2018 | 28 July 2015 | 15 | 3,000,000 |
| 30 June 2018 | 28 July 2015 | 25 | 3,000,000 |
| 24 September 2019 | 24 September 2015 | 25 | 80,000,000 |
| **Total number of options outstanding at the date of this report** | | | **88,075,000** |

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

## INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company has paid premiums insuring all the directors of Avenira Limited against costs incurred in defending proceedings for conduct involving:

a. willful breach of duty; or
b. a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is $59,361 (2016: $49,271).

## NON-AUDIT SERVICES AND INDEMNIFICATION OF AUDITORS

Details of amounts paid or payable to the auditor for audit and non-audit services provided during the period, and an assessment by the Board of whether non-audit service provided during the period are compatible with general standards of independence for auditors imposed by the *Corporations Act 2001* are set out in Note 26 - Remuneration of Auditors, to the Consolidated Financial Statements on page 79.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

## CORPORATE GOVERNANCE

In recognising the need for the highest standard of corporate behaviour and accountability, the Directors of Avenira Limited support and adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australia Securities Exchange Corporate Governance Council, and considers that Avenira Limited is in compliance, to the extent with those guidelines, which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company.

The Company has established a set of corporate governance policies and procedures and these can be found within the Company's Corporate Governance section on the Company's website: http://www.avenira.com/about-us/governance.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36.

## REMUNERATION REPORT - AUDITED

The remuneration report is set out under the following main headings:

A. Introduction
B. Remuneration governance
C. Overview of executive remuneration
D. Details of remuneration of Key Management Personnel
E. Executive KMP employment agreements
F. Overview of Non-executive Director remuneration
G. Share-based compensation
H. Equity holdings

## A. INTRODUCTION

The remuneration report for the year ended 30 June 2017 outlines the director and executive remuneration arrangements of the Company and Group.

The information in this remuneration report has been provided in accordance with section 300A of the *Corporations Act 2001*. The information has been audited as required by section 308(3C) of the *Corporations Act 2001*.

For the purpose of this report, Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

The table below outlines the KMP of the Group during the financial year ended 30 June 2017. Unless otherwise indicated, the individuals were KMP for the entire financial year.

## DIRECTORS' REPORT (cont…)

| NAME | POSITION |
|---|---|
| **i) Non-executive Directors** | |
| Christopher Pointon | Independent Non-executive Chairman (Appointed Chairman 7 December 2016) |
| Dick Block | Independent Non-executive Chairman (Deceased 4 December 2016) |
| Ian McCubbing | Independent Non-executive Director |
| Timothy Cotton | Non-executive Director |
| Farouk Chaouni | Non-executive Director |
| David Mimran | Non-executive Director |
| **ii) Executive Directors** | |
| Louis Calvarin | Managing Director (Appointed 29 March 2017) |
| Cliff Lawrenson | Managing Director (Resigned 11 January 2017) |
| **iii) Other executive key management personnel** | |
| Rod Wheatley | Chief Financial Officer and Company Secretary |

## B. REMUNERATION GOVERNANCE

***Remuneration and Nomination Committee***

The Board retains overall responsibility for remuneration policies and practices within the Group.

The Board has established a Remuneration and Nomination Committee ("RNC") which operates in accordance with its charter as approved by the Board. A copy of the charter is available under the corporate governance section of the Group's website.

For the year ended 30 June 2017 the RNC comprises Non-executive Directors with a majority being independent directors.

The RNC is primarily responsible for making recommendations to the Board on remuneration arrangements for Executive Directors, Non-executive Directors and other Senior Executives. The Corporate Governance Statement provides further information on the role of this committee.

The RNC meets as required throughout the year. Refer to page 23 for the number of Committee meetings held during the year. The Managing Director attends certain RNC meetings by invitation, where management input is required. The Managing Director is not present during any discussions relating to his own remuneration arrangements.

***Use of remuneration consultants***

The RNC seeks external remuneration advice where necessary to ensure it is fully informed when making remuneration decisions. Remuneration advisors are engaged by, and report directly to, the RNC.

An independent remuneration consultant, Gerard Daniels, was appointed:

- in August 2016 to undertake an independent review of remuneration for the 2017 financial year; and
- In August 2017 to assist with the development of a standard executive incentive plan.

No other remuneration consultants were engaged during the financial year.

Both Gerard Daniels and the RNC are satisfied that the advice provided by Gerard Daniels is free from undue influence from the KMP to whom the remuneration recommendations apply. Gerard Daniels was instructed by the RNC Chairman, and the RNC Chairman received the remuneration recommendations directly from Gerard Daniels.

The remuneration recommendations were provided to the RNC as an input for decision making purposes only. The RNC considered the recommendations, along with other factors, in making their remuneration decisions.

The fees paid to Gerard Daniels for the remuneration consultancy services were $18,000 for the 2017 financial year remuneration review and $10,000 for the development of the standard executive incentive plan. No other services were provided by Gerard Daniels during the 2017 financial year.

***Securities trading policy***

The Group securities trading policy applies to all Non-executive Directors and executives. The policy prohibits employees from dealing in Avenira Limited securities while in possession of material non-public information relevant to the Group.

The policy is available to be viewed within the corporate governance section of the Company's website.

***Voting and comments – 2016 Annual General Meeting (AGM)***

The Company received 97% "Yes" votes cast on its Remuneration Report for the 2016 financial year. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

## C. OVERVIEW OF EXECUTIVE REMUNERATION

The remuneration policy of Avenira Limited has been designed to align executives' objectives with shareholders and business objectives. The Board of Avenira believes the policy to be appropriate and effective in its ability to:

- attract and retain high quality directors and executives to run and manage the Company.
- create goal congruence between directors, executives and shareholders.

The executive KMP receive an appropriate level and mix of remuneration consisting of fixed remuneration and variable remuneration in the form of incentive opportunities. The RNC reviews executive KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

**Elements of Executive Remuneration**

The executive remuneration framework is comprised of:

a. Fixed Remuneration - Base Salary, including superannuation (if applicable)

b. Variable Remuneration - Incentives and Cash Bonuses

*1. FIXED REMUNERATION - BASE SALARY, INCLUDING SUPERANNUATION*

All executive KMPs receive a base cash salary (which is based on factors such as scope of the role, skills, experience, location and length of service) and superannuation contributions, where applicable. The executive KMPs, where applicable, receive a superannuation guarantee contribution required by the government, which is currently 9.50%, and do not receive any other retirement benefits.

*2. VARIABLE REMUNERATION –INCENTIVES AND CASH BONUSES*

Incentives in the form of equities and cash bonuses are provided to certain executive KMP at the Board's discretion. The policy is designed to provide a variable "at risk" component within the executive KMP's total remuneration packages to attract, retain and motivate the highest calibre of executive KMP and reward them for performance that results in long term growth in shareholder wealth through achievement of the Company's financial and strategic objectives.

Receipt of variable remuneration in any form is not guaranteed under any executive KMP's employment contract.

*2.1 PERFORMANCE RIGHTS*

The Company has adopted an incentive plan comprising the Avenira Performance Rights Plan ("the Plan") to reward executive KMP and key employees and consultants ("Participants") for long term performance. Shareholders approved the Plan at the Annual General Meeting ("AGM") in November 2015. The Plan replaced the Company's Employee Share Option Plan.

The objective of the Plan is to:

- enable the Company to recruit, incentivise and retain talented people needed to achieve the Company's business objectives.
- link the reward of Participants with the achievements of strategic goals and the long-term performance of the Company.
- align the financial interest of Participants with those of shareholders.
- provide incentives to Participants to focus on superior performance that creates shareholder value.

The Plan provides for the issuance of performance rights ("Performance Rights") which, upon satisfaction of the relevant performance conditions attached to the Performance Rights, will result in the issue of a fully paid ordinary share in the Company for each Performance Right. Performance Rights are issued for nil consideration and no amount is payable upon conversion thereof.

Performance Rights granted under the Plan to eligible Participants are linked to the achievement by the Company of certain performance conditions as determined by the Board from time to time. These performance conditions must be satisfied in order for the Performance Rights to vest. The Performance Rights also vest where there is a change of control of the Company. Upon vesting of the Performance Rights, ordinary shares are automatically issued for no consideration. If a performance condition of a Performance Right is not achieved by the earlier of the milestone date (if applicable) or expiry date, then the Performance Right will lapse. The Performance Rights will also lapse if the Participant ceases employment with the Group. Executive Directors who are not eligible under the Plan were issued Performance Rights outside of the Plan on the same terms and conditions as those that are eligible.

The Board has adopted the Plan to combine elements of a traditional short-term incentive reward together with a long-term incentive reward. This is considered a cost effective and efficient reward to appropriately incentivise continued performance.

There were no performance rights granted during the 2017 financial year.

## DIRECTORS' REPORT (cont…)

During the last quarter of 2015, Performance Rights were granted to certain KMP and other participants. The Performance Rights expire two years after grant date and vest over the two-year period on the achievement of the following performance conditions in relation to the Baobab Phosphate Project:

1. 50% on commencement of commercial production being the date the first truck of sold or contracted product departs the Baobab Phosphate Project site, provided that at that date the actual capital expenditure for the Baobab Phosphate Project is within the capital expenditure budget for the Baobab Phosphate Project as approved by the Board from time to time.(1)
2. 25% on the Baobab Phosphate Project achieving steady state commercial production which will occur when over two consecutive months 75% of the annual production rate approved by the Board from time to time is sold or contracted production, provided that the cost of production and product specification for the two months' period is within the range approved by the Board from time to time.(1)
3. 25% on accumulation of 100Mt of Inferred Resource of $P_2O_5$ at 20% or greater, capable of being converted into saleable product. (1)

(1) In order for a Performance Right to vest following the satisfaction of the performance condition applying to that Performance Right, the Board must, acting in good faith and in its sole discretion determine that:

a. the Company has implemented a procedure to ensure compliance with the occupational health and safety policies and guidelines as approved by the Board from time to time for the Company and its associated bodies corporate; and
b. in circumstances where the Satisfaction VWAP is lower than the Benchmark VWAP as at the date which is the last trading day for the purposes of calculating the Satisfaction VWAP, the decrease is not a consequence of the manner in which the executive management have performed their duties (i.e. if a minimum 20% increase in Share price has not been achieved over the 2 year's life of the Performance Rights, or a pro rata increase over a period less than 2 years, the Board must consider if this is due to the executive management's performance).

In paragraph (b) above:

**Satisfaction VWAP** means the VWAP of Shares for the 10 trading days immediately after the day the Company announces the satisfaction of the applicable performance condition; and
**Benchmark VWAP** means 11 cents multiplied by a factor of 1.2, for the period ending on the expiry date of the Performance Rights or pro rata for any partthereof.
If the Board decides that the Company has not implemented health and safety procedures or, if applicable, that the Share price not increasing by the target amount is related to the executive management performance of their duties, then it has the discretion to determine what percentage (if any) of the Performance Rights linked to the performance condition which has been satisfied will vest.

Each performance condition has a milestone date that the performance condition is required to be achieved by otherwise the Performance Right will lapse. This date can be extended at the discretion of the Board. The Board has determined the milestone dates as follows:

- Tranche 1: 30 September 2016
- Tranche 2: 31 May 2017
- Tranche 3: 3 December 2017

Following the passing of Tranche 1 and Tranche 2 Performance Rights milestone dates in the 2017 financial year, the RNC reviewed the achievements of the Company against the terms and conditions of the respective Performance Rights. Having received and considered the RNC's analysis and recommendation, the Board made the following decisions in respect of the vesting of Tranche 1 and Tranche 2 Performance Rights:

- Tranche 1 milestones were deemed to be met, resulting in the vesting of 100% of the Tranche 1 Performance Rights on the milestone date and conversion to shares on 23 March 2017; and
- Tranche 2 milestones were deemed not met, resulting in 100% of the Tranche 2 Performance Rights expiring unvested on the milestone date.

The Company has recently received independent expert advice on its executive incentive scheme and will present a new incentive scheme to sharehlders for approval at the AGM in November 2017.

Further information on Performance Rights on issue can be found on pages 32-33 under the Share-based Compensation heading within the Remuneration Report.

### *2.2 <u>CASH BONUSES</u>*

There were no bonuses paid to any director or other KMP during the 2017 financial year.

The Managing Director, Mr Louis Calvarin, is entitled to receive a cash bonus of up to $112,500 subject to the achievement of certain KPI's within the first 6 months of his employment. Mr Calvarin was employed by the Company on 29 March 2017; therefore, KPI achievement and eligibility for a bonus payment is due to be determined by the Board after 29 September 2017. The Board in its absolute discretion will determine whether Mr Calvarin has achieved the KPI's and if so what proportion of the bonus amount is payable.

Any bonus ceases to be payable in the event Mr Calvarin is not employed by the Company and/or is under a notice of termination as at the last day of the financial year or lesser period to which the bonus relates. If Mr Calvarin is under a notice of termination and has worked during the notice period for a period exceeding 3 months, Mr Calvarin will remain entitled to receive any bonus on a pro rata basis.

The bonus KPIs were chosen as they reflect the core drivers of the short-term performance and also provide a framework for delivering sustainable value to the Group and its shareholders. A summary of the measures and weightings are set out in the table below:

## DIRECTORS' REPORT (cont…)

| ELEMENT | KPI | FULLY ACHIEVED | 50% ACHIEVED | % OF TOTAL BONUS AMOUNT |
|---|---|---|---|---|
| Safety | LTI | Zero | 1 | 10% |
| Production | 20-day average | 1,300 tpd | 1,000 tpd | 30% |
| Funding | $ received | A$30M | A$20M | 20% |
| Growth 1 | Dryer: PFS complete & approved | Sep-2017 | Nov-2017 | 20% |
| Growth 2 | Floatation: Scoping Study, approval to proceed to PFS | Sep-2017 | Nov-2017 | 20% |

The Company has estimated the following bonus probabilities at 30 June 2017; these are subject to review and adjustment following the conclusion of the bonus period after 29 September 2017.

| ELEMENT | ESTIMATED PROBABILITY OF ACHIEVEMENT | ESTIMATED % EARNED IN 2017 | ESTIMATED % TO BE EARNED IN 2018 |
|---|---|---|---|
| Safety | 100% | 51% | 49% |
| Production | 0% | - | - |
| Funding | 0% | - | - |
| Growth 1 | 100% | 51% | 49% |
| Growth 2 | 50% | 25.5% | 24.5% |

The Company has accrued $22,745 in relation to the estimated cash bonus earned by Mr Calvarin as at 30 June 2017. The final bonus amount to be paid to Mr Calvarin will be decided by the Board following the conclusion of the bonus period on 29 September 2017.

*2.3 <u>SIGN ON PAYMENTS</u>*

In addition to the fixed remuneration, the Board may determine, from time to time, to award sign on payments to new executives.

There were no sign on payments paid to any director or other KMP during the 2017 financial year.

The Managing Director, Mr Louis Calvarin, is entitled to receive ordinary fully paid shares to the value of $20,000 as a sign on bonus of shares, subject to shareholders' approval. It is anticipated the Company will seek shareholder approval for this issue of shares at its November 2017 Annual General Meeting.

The shares will be issued at the volume weighted average market price of the fully paid ordinary shares of the Company over the thirty trading days immediately preceding the date of the meeting to approve the issue.

***Relationship between remuneration policy and company performance***

The remuneration policy has been tailored to increase the direct goal congruence between shareholders, directors and executives. Currently, this is facilitated through the issue of Performance Rights to executive KMP and executive directors to encourage the alignment of personal and shareholder interest. The Company believes this policy will be effective in increasing shareholder wealth. For details of directors' and executives' interests in Performance Rights and options at year end, refer to pages 33 and 34 of the remuneration report.

The table below shows the performance of the Company over the last 5 years:

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| EPS (cents) | (5.09) | (2.31) | (17.5) | (1.4) | 6.2 |
| Share Price | $0.07 | $0.19 | $0.071 | $0.081 | $0.120 |

As the Company is in the development phase the performance of the Company is not related to the profit or earnings of the Company.

## D. DETAILS OF REMUNERATION OF KEY MANAGEMENT PERSONNEL (KMP)

The table below shows details of each component of total remuneration for KMP.

| | SHORT-TERM | | | POST EMPLOYMENT | LONG-TERM | | | SHARE-BASED PAYMENTS | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | SALARY & FEES $ | CASH BONUS $ | NON-MONETARY[8] $ | SUPERANNUATION $ | LONG SERVICE LEAVE $ | TERMINATION PAYMENTS $ | TOTAL CASH RELATED $ | PERFORMANCE RIGHTS[9] $ | SHARES[10] $ | TOTAL REMUNERATION $ | PERFORMANCE RELATED % |
| **Directors** | | | | | | | | | | | |
| Christopher Pointon[1] | | | | | | | | | | | |
| **2017** | **97,519** | **-** | **-** | **-** | **-** | **-** | **97,519** | **-** | **-** | **97,519** | **-** |
| 2016 | - | - | - | - | - | - | - | - | - | - | - |
| Louis Calvarin[2] | | | | | | | | | | | |
| **2017** | **117,692** | **22,745** | **14,492** | **-** | **-** | **-** | **154,929** | **-** | **20,000** | **174,929** | **13%** |
| 2016 | - | - | - | - | - | - | - | - | - | - | - |
| Cliff Lawrenson[3] | | | | | | | | | | | |
| **2017** | **291,923** | **-** | **-** | **27,733** | **-** | **550,000** | **869,656** | **48,298[11]** | **-** | **917,954** | **5%** |
| 2016 | 550,000 | - | - | 52,250 | 24,978 | - | 627,228 | 124,202 | - | 751,430 | 17% |
| Richard O'Shannassy[4] | | | | | | | | | | | |
| **2017** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2016 | 42,258 | - | - | - | - | - | 42,258 | - | - | 42,258 | - |
| Dick Block[5] | | | | | | | | | | | |
| **2017** | **45,281** | **-** | **-** | **-** | **-** | **-** | **45,281** | **-** | **-** | **45,281** | **-** |
| 2016 | 191,047 | - | - | - | - | - | 191,047 | - | - | 191,047 | - |
| Ian McCubbing[6] | | | | | | | | | | | |
| **2017** | **108,991** | **-** | **-** | **5,918** | **-** | **-** | **114,909** | **-** | **-** | **114,909** | **-** |
| 2016 | 60,000 | - | - | 5,700 | - | - | 65,700 | - | - | 65,700 | - |
| Timothy Cotton | | | | | | | | | | | |
| **2017** | **55,833** | **-** | **-** | **-** | **-** | **-** | **55,833** | **-** | **-** | **55,833** | **-** |
| 2016 | 38,596 | - | - | - | - | - | 38,596 | - | - | 38,596 | - |
| Farouk Chaouni | | | | | | | | | | | |
| **2017** | **55,833** | **-** | **-** | **-** | **-** | **-** | **55,833** | **-** | **-** | **55,833** | **-** |
| 2016 | 30,811 | - | - | - | - | - | 30,811 | - | - | 30,811 | |
| David Mimran[7] | | | | | | | | | | | |
| **2017** | **60,000** | **-** | **-** | **-** | **-** | **-** | **60,000** | **-** | **-** | **60,000** | **-** |
| 2016 | - | - | - | - | - | - | - | - | - | - | - |
| **Subtotal Directors** | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2017** | **833,072** | **22,745** | **14,492** | **33,651** | **-** | **550,000** | **1,453,960** | **48,298** | **20,000** | **1,522,258** | |
| 2016 | 912,712 | - | - | 57,950 | 24,978 | - | 995,640 | 124,202 | - | 1,119,842 | |
| **Other executive KPM** | | | | | | | | | | | |
| Rod Wheatley | | | | | | | | | | | |
| **2017** | **262,555** | **-** | **-** | **24,943** | **32,445** | **-** | **319,943** | **38,376** | **-** | **358,319** | **11%** |
| 2016 | 242,000 | - | - | 22,990 | 19,712 | - | 284,702 | 38,638 | - | 323,340 | 12% |
| **Total KMP compensation** | | | | | | | | | | | |
| **2017** | **1,095,627** | **22,745** | **14,492** | **58,594** | **32,445** | **550,000** | **1,773,903** | **86,674** | **20,000** | **1,880,577** | |
| 2016 | 1,154,712 | - | - | 80,940 | 44,690 | - | 1,280,342 | 162,840 | - | 1,443,182 | |

(1) Mr Christopher Pointon was appointed on 30 June 2016. No remuneration was paid to Mr Pointon up to 30 June 2016.

(2) Mr Louis Calvarin was appointed on 29 March 2017.

(3) Mr Cliff Lawrenson resigned on 11 January 2017.

(4) The amount represents the total remuneration paid to Mr Richard O'Shannassy last financial year up to his resignation on 14 March 2016.

(5) The amount represents the total director's fees paid to Mr Dick Block during the financial year. No consulting services fees were paid to Mr Block during the 2017 year (2016: $81,593).

(6) The amount represents the total remuneration paid to Mr Ian McCubbing and includes $46,700 (2016: nil) of fees paid for advisory services provided during the year. Refer to Other Transactions and Balances with KMPs and Their Related Parties on page 32 for further details.

(7) Mr David Mimran was appointed on 2 March 2016. No remuneration was paid to Mr Mimran up to 30 June 2016.

(8) Non-monetary benefits include housing, car and medical insurance.

(9) Share based payments in the 2017 and 2016 financial years represent Performance Rights granted to executive KMPs in accordance with the Company's Performance Rights Plan and approval at the Annual General Meeting held on 18 November 2015. The fair value of the Performance Rights was estimated at the grant date taking into the account both market and non-market based vesting conditions. The Monte-Carlo simulation methodology was used to calculate the fair value of each performance right. Refer to Note 35 for further details

(10) Mr Louis Calvarin is entitled to receive ordinary fully paid shares to the value of $20,000 as a sign on bonus of shares, subject to shareholders' approval. It is anticipated the Company will seek shareholder approval for this issue of shares at its November 2017 Annual General Meeting. The shares will be issued at the volume weighted average market price of the fully paid ordinary shares of the Company over the thirty trading days immediately preceding the date of the meeting to approve the issue.

(11) A total of 3,750,000 Performance Rights held by Mr Lawrenson were forfeited upon his resignation. While 1,875,000 of these Performance Rights were Tranche 1 Performance Rights that vested during the 2017 financial year, Mr Lawrenson resigned prior to the conversion of these Performance Rights to shares. His entitlement to receive the shares due on vesting of Tranche 1 Performance Rights was forfeited upon his resignation, however because the Tranche 1 Performance Rights vested during the year the corresponding pro-rata expense of $80,672 has been recorded by the Group during the year. The net amount of $48,298 relates to the $80,672 pro-rata expense of vested Tranche 1 Performance Rights less $32,374 in relation to forfeited Tranche 2 and Tranche 3 Performance Rights.

## E. EXECUTIVE KMP EMPLOYMENT AGREEMENTS

The Group has entered into formal employment contracts with Executive KMP. The employment contracts for executive KMP have no fixed term and do not prescribe how remuneration levels are to be modified from year to year. A summary of the main provisions of these contracts for the year ended 30 June 2017 are set out below:

| NAME | TERMS |
|---|---|
| Louis Calvarin (Managing Director – appointed 29 March 2017) | Base salary of $450,000, reviewed annually on 31 December (or such other time as agreed).<br>3 months' notice by Mr Calvarin. 6 months by Company and upon change of control.<br>Termination payments to reflect appropriate notice, except in cases of termination for cause.<br>Cash bonus for first 6 months, calculated at 50% of Mr Calvarin's salary for the 6-month period (maximum benefit being $112,500), subject to achieving certain Key Performance Indicators (KPI's).<br>Subject to shareholders' approval, a sign on bonus of shares in the Company to the value of $20,000.<br>Whilst residing in Dakar, Mr Calvarin will be provided customary expatriate benefits which include housing, car and medical insurance.<br>Reimbursement of the actual amount of Self Employment Tax payable in the United States. |
| Cliff Lawrenson (Managing Director – resigned 11 January 2017) | Base salary inclusive of superannuation of $602,250 reviewed annually on 31 December (or such other time as agreed).<br>3 months notice by Mr Lawrenson. 12 months by Company and upon change of control.<br>Termination payments to reflect appropriate notice, except in cases of termination for cause. |
| Rod Wheatley (Chief Financial Officer and Company Secretary) | Base salary inclusive of superannuation of $295,000 reviewed annually on 31 December (or such other time as agreed).<br>3 months notice by Mr Wheatley, 6 months notice by Company and upon change of control.<br>Termination payments to reflect appropriate notice, except in cases of termination for cause. |

## F. OVERVIEW OF NON-EXECUTIVE DIRECTOR REMUNERATION

The Board policy is designed to attract and retain high calibre directors and to remunerate Non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The Chairman's fee will be determined independently to the fees of the Non-executive Directors based on comparative roles in the external market. External advice from independent remuneration consultants is sought when required.

The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting. The most recent determination was at the November 2016 Annual General Meeting, where shareholders approved the maximum aggregate amount of fees that can be paid to Non-executive Directors to be $600,000.

The Company makes superannuation contributions on behalf of the Non-executive Directors in accordance with its Australian statutory superannuation obligations, and each director may sacrifice part of their fee for further superannuation contribution by the Company.

Any equity components of Non-executive Directors' remuneration, including the issue of options or Performance Rights, are required to be approvedbyshareholderspriortoaward.

The table below summaries the Non-executive fees for the 2017 financial year:

## DIRECTORS' REPORT (cont…)

| | 2017 FEES |
|---|---|
| ***Board*** | |
| Chair | A$110,000 |
| Non-executive Directors | A$60,000 |
| ***Committee*** | |
| Audit Chair | A$10,000 |
| Remuneration and Nomination Chair | A$10,000 |

In May 2017, the Board resolved to continue to accrue but defer the payment of all Non-executive Director fees until further notice.

***Termination payments***

The Board must approve all termination payments provided to all employees at the level of director, executive or senior management to ensure such payments reflect the Company's remuneration policy and are in accordance with the *Corporations Act 2001*.

Mr Lawrenson resigned from his position on 11 January 2017. Mr Lawrenson received a total payout of $652,342, comprised of accrued annual leave entitlements of $102,342 and a termination payment of $550,000 calculated based on average remuneration over the past three years. Upon his resignation Mr Lawrenson forfeited 1,875,000 vested Performance Rights and 1,875,000 unvested Performance Rights.

***Loans to or from key management personnel***

In 2017 and 2016 there were no loans to KMP.

The Group received the following loans from KMP or their related parties during the 2017 financial year (2016: nil):

| LENDER | BALANCE AT START OF THE YEAR | LOAN PROCEEDS RECEIVED | INTEREST CHARGED | INTEREST NOT CHARGED | FORGIVEN DURING THE YEAR | BALANCE AT END OF THE YEAR | HIGHEST BALANCE DURING THE YEAR |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Agrifos Partners LLC(1) | - | 520,461 | 1,369 | - | - | 521,830 | 521,830 |
| Tablo Corporation(2) | - | 780,691 | 2,182 | - | - | 782,873 | 782,873 |
| Mimran Natural Resources(2) | - | 2,464,315 | 50,130 | - | - | 2,514,445 | 2,514,445 |

(1) Agrifos Partners LLC is a company related through the common control of directors Mr Timothy Cotton and Mr Frank Chaouni.
(2) Tablo Corporation and Mimran Natural Resources are companies related through the common control of director Mr David Mimran.

Key terms and conditions of the loans are as follows:

| LENDER | INTEREST RATE(1) | SECURITY | REPAYMENT DATE |
|---|---|---|---|
| Agrifos Partners LLC | 6.00% | unsecured | (2) |
| Tablo Corporation | 6.00% | unsecured | (2) |
| Mimran Natural Resources | 6.75% | unsecured | no set date |

(1) Interest rates on the Group's borrowings range from 6.00 – 6.75%; as such loans received from KMP are considered to be at commercial rates.
(2) Repayable on the earlier of a) six months from the first drawn down date and b) completion of the Entitlement Offer as further described at Note 21.

Full terms and conditions of the loans can be found at Note 21.

***Other transactions and balances with KMPs and their related parties***

**Mr Ian McCubbing**

In addition to his Non-executive Director fee, Mr McCubbing was engaged to provide the Company financial and commercial advisory services on a consulting basis during the period. The services related to the transition period of the position of Managing Director of the Company. Total consultancy fees of $46,700 (2016: nil) were charged by Mr McCubbing during the year. The total amount of fees is included in his Salary & Fees amount in the Details of Remuneration of KMP table on page 25. The agreement had no fixed term and no termination notice period. At 30 June 2017, advisory fees paid to Mr McCubbing impacted the Statement of Profit and Loss and Other Comprehensive Income with $46,700 recognised in Administrative and Other Expenses. There was no impact on the 30 June 2017 Statement of Financial Position.

## G. SHARE-BASED COMPENSATION

The Managing Director, Mr Louis Calvarin, is entitled to receive ordinary fully paid shares to the value of $20,000 as a sign on bonus of shares, subject to a shareholders' approval. It is anticipated the Company will seek shareholder approval for this issue of shares at its November 2017 Annual General Meeting.

## DIRECTORS' REPORT (cont…)

There were no other share based payments issued to directors or other KMP during the 2017 financial year.

Share based payments were issued in prior financial years that impact current or future reporting periods; the details of these are set out below.

***Share based compensation – Performance Rights***

Performance Rights affecting remuneration in the current or a future reporting period are as follows:

***Key terms of Performance Rights held by KMP***

| | GRANT DATE | NUMBER GRANTED | VESTING DATE | EXPIRY DATE | FAIR VALUE GRANT DATE, $ | EXERCISE PRICE, $ | NUMBER LAPSED | NUMBER VESTED | NUMBER 3) | VESTED % |
|---|---|---|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | | | | |
| ***Directors*** | | | | | | | | | | |
| Cliff Lawrenson | 18-Nov-15 | 1,875,000 | 30-Sep-16 | 18-Nov-17 | $0.092 | nil | - | 1,875,000 | 1,875,000 | 100 |
| | 18-Nov-15 | 937,500 | 31-May-17 | 18-Nov-17 | $0.092 | nil | - | - | 937,500 | - |
| | 18-Nov-15 | 937,500 | 18-Nov-17 | 18-Nov-17 | $0.092 | nil | - | - | 937,500 | - |
| ***Other Executive KMP*** | | | | | | | | | | |
| Rod Wheatley | 03-Dec-15 | 825,000 | 30-Sep-16 | 03-Dec-17 | $0.067 | nil | - | 825,000 | - | 100 |
| | 03-Dec-15 | 412,500 | 31-May-17 | 03-Dec-17 | $0.067 | nil | 412,500 | - | - | - |
| | 03-Dec-15 | 412,500 | 18-Nov-17 | 03-Dec-17 | $0.067 | nil | - | - | - | - |

(1) 412,500 Performance Rights lapsed on 31 May 2017, when the performance condition of Tranche 2 was not achieved by the milestone date.

(2) 825,000 ordinary shares were issued on 23 March 2017 for nil consideration following the vesting of Tranche 1 Performance Rights on 30 September 2016.

(3) A total of 3,750,000 Performance Rights held by Mr Lawrenson were forfeited upon his resignation. While 1,875,000 of these Performance Rights were Tranche 1 Performance Rights that vested during the 2017 financial year, Mr Lawrenson resigned prior to the conversion of these Performance Rights to shares. His entitlement to receive the shares due on vesting of Tranche 1 Performance Rights was forfeited upon his resignation.

Performance rights granted carry no dividend or voting rights. When exercisable, Performance Rights are convertible into one ordinary share per right. Further information is set out in Note 35 of the financial statements.

***Value of Performance Rights held by KMP***

| | FAIR VALUE OF PR GRANTED DURING THE YEAR, $ | VALUE OF PR VESTED DURING THE YEAR, $ | VALUE OF PR LAPSED DURING THE YEAR, $(3) | VALUE OF PR FORFEITED DURING THE YEAR, $(4) | VALUE OF PR INCLUDED IN REMUNERATION REPORT FOR THE YEAR, $ | REMUNERATION CONSISTING OF PR FOR THE YEAR, % |
|---|---|---|---|---|---|---|
| ***2017*** | | | | | | |
| ***Directors*** | | | | | | |
| **Cliff Lawrenson** | - | 172,500(1) | - | 345,000 | 48,298(5) | 5% |
| ***Other Executive KMP*** | | | | | | |
| Rod Wheatley | - | 55,275(2) | 27,638 | - | 38,376(6) | 11% |

(1) A total of 3,750,000 Performance Rights held by Mr Lawrenson were forfeited upon his resignation. While 1,875,000 of these Performance Rights were Tranche 1 Performance Rights that vested during the 2017 financial year, Mr Lawrenson resigned prior to the conversion of these Performance Rights to shares. His entitlement to receive the shares due on vesting of Tranche 1 Performance Rights was forfeited upon his resignation. The $172,500 represents the total value of Tranche 1 Performance Rights vested on 30 September 2016 and forfeited upon resignation.

(2) Tranche 1 Performance Rights vested on 30 September 2016 and were converted to fully paid ordinary shares for nil consideration on 23 March 2017.

(3) Tranche 2 Performance Rights lapsed unvested on 31 May 2017, when the performance condition was not achieved by the milestone date.

(4) The $345,000 represents the total value of the 3,750,000 Performance Rights held by Mr Lawrenson and forfeited upon resignation.

(5) Because the Tranche 1 Performance Rights vested during the year the corresponding pro-rata expense of $80,672 has been recorded by the Group during the year. The net amount of $48,298 relates to the $80,672 pro-rata expense of vested Tranche 1 Performance Rights less $32,374 in relation to forfeited Tranche 2 and Tranche 3 Performance Rights.

(6) The assessed total fair value of Performance Rights granted is allocated equally over the period from grant date to vesting date, being the relevant performance milestone and is factored by the probability of achievement of vesting performance conditions. The 30 June 2017 value relates to Tranche 1 vested Performance Rights and Tranche 3 unvested Performance Rights. Tranche 3 Performance Rights remain unvested at 30 June 2017; the Board estimates a 100% likelihood of achieving the Tranche 3 performance milestone. The above amount is recognised as an expense in the statement of profit and loss for the period ended 30 June 2017. Refer to Note 35 for further details.

## H. EQUITY HOLDINGS

### Performance Rights and Share Rights

The number of Performance Rights and contingent share rights in the Company held during the financial year by each director of Avenira Limited and other KMP of the Group, including their personally related parties, are set out below:

| | BALANCE AT START OF THE YEAR | GRANTED AS COMPENSATION | VESTED | LAPSED | FORFEITED UPON RESIGNATION | BALANCE AT END OF THE YEAR | VESTED AND EXERCISABLE | UNVESTED |
|---|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | | |
| ***Directors*** | | | | | | | | |
| Louis Calvarin | - | - | - | - | - | - | - | - |
| Cliff Lawrenson | 3,750,000 | - | - | - | (3,750,000)[1] | - | - | - |
| Ian McCubbing | - | - | - | - | - | - | - | - |
| Dick Block | - | - | - | - | - | - | - | - |
| Timothy Cotton[2] | 40,000,000 | - | (40,000,000)[2] | - | - | - | - | - |
| Farouk Chaouni[2] | 40,000,000 | - | (40,000,000)[2] | - | - | - | - | - |
| David Mimran | - | - | - | - | - | - | - | - |
| Christopher Pointon | - | - | - | - | - | - | - | - |
| ***Other Executive KMP*** | | | | | | | | |
| Rod Wheatley | 1,650,000 | - | (825,000)[3] | (412,500)[4] | - | 412,500 | - | 412,500 |

(1) Mr Lawrenson's 1,875,000 vested and 1,875,000 unvested Performance Rights were forfeited upon his resignation.

(2) At the beginning of the year Mr Timothy Cotton and Mr Farouk Chaouni collectively held 40,000,000 share rights through their related party Baobab Partners LLC. These share rights vested on 20 March 2017 and were converted to fully paid ordinary shares for nil consideration.

(3) Tranche 1 Performance Rights vested on 30 September 2016 and were converted to fully paid ordinary shares for nil consideration on 23 March 2017.

(4) Tranche 2 Performance Rights lapsed unvested on 31 May 2017, when the performance condition was not achieved by the milestone date.

### Option Holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Avenira Limited and other KMP of the Group, including their personally related parties, are set out below:

| | BALANCE AT START OF THE YEAR | GRANTED AS COMPENSATION | OTHER CHANGES | EXERCISED | EXPIRED | BALANCE AT END OF THE YEAR | VESTED AND EXERCISABLE | UNVESTED |
|---|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | | |
| ***Directors*** | | | | | | | | |
| Louis Calvarin | - | - | - | - | - | - | - | - |
| Cliff Lawrenson | 15,000,000 | - | (15,000,000)[1] | - | - | - | - | - |
| Ian McCubbing | 1,500,000 | - | - | - | (1,500,000)[2] | - | - | - |
| Dick Block | 2,500,000 | - | - | - | (2,500,000)[2] | - | - | - |
| Timothy Cotton | 94,000,000 | - | - | - | (14,000,000)[3] | 80,000,000[4] | 80,000,000 | - |
| Farouk Chaouni | 94,000,000 | - | - | - | (14,000,000)[3] | 80,000,000[4] | 80,000,000 | - |
| David Mimran | - | - | - | - | - | - | - | - |
| Christopher Pointon | - | - | - | - | - | - | - | - |
| ***Other Executive KMP*** | | | | | | | | |
| Rod Wheatley | 500,000 | - | - | - | (500,000)[5] | - | - | - |

(1) Mr Cliff Lawrenson resigned as a Managing Director on 11 January 2017 and is not considered a KMP from that date.

(2) Options were granted 20 November 2013 and expired 20 November 2016.

(3) Options were granted 8 April 2013.

(4) Mr Timothy Cotton and Mr Farouk Chaouni collectively held 80,000,000 options through their related party, Baobab Partners LLC.

(5) Options were granted 30 July 2013 and expired 29 July 2016.

All vested options were exercisable at the end of the year.

# DIRECTORS' REPORT (cont…)

### Shareholdings

The number of shares in the Company held during the financial year by each director of Avenira Limited and other KMP of the Group, including their personally related partied, are set out below:

| | BALANCE AT START OF THE YEAR | RECEIVED DURING THE YEAR FOR RIGHTS CONVERTED | OTHER CHANGES DURING THE YEAR | BALANCE AT END OF THE YEAR |
|---|---|---|---|---|
| ***2017*** | | | | |
| ***Directors*** | | | | |
| **Louis Calvarin** | - | - | - | - |
| Cliff Lawrenson | 2,351,868 | - | (2,351,868)(3) | - |
| Ian McCubbing | 400,000 | - | - | 400,000 |
| Dick Block | 500,000 | - | (500,000)(4) | - |
| Timothy Cotton | 154,000,000 | 40,000,000(1) | - | 194,000,000(5) |
| Farouk Chaouni | 154,000,000 | 40,000,000(1) | - | 194,000,000(5) |
| David Mimran | 104,750,000 | - | - | 104,750,000(6) |
| Christopher Pointon | - | - | - | - |
| ***Other Executive KMP*** | | | | |
| Rod Wheatley | - | 825,000(2) | - | 825,000 |

(1) Mr Timothy Cotton and Mr Frank Chaouni were collectively issued 40,000,000 ordinary shares for nil consideration on the conversion of contingent share rights.

(2) Mr Rod Wheatley was issued 825,000 ordinary shares for nil consideration on the vesting of Tranche 1 Performance Rights.

(3) Mr Cliff Lawrenson resigned as a Managing Director on 11 January 2017 and is not considered a KMP from that date.

(4) Mr Dick Block passed away on 4 December 2016 and is not considered a KMP from that date.

(5) Mr Timothy Cotton and Mr Farouk Chaouni collectively held 194,000,000 shares through their related party, Baobab Partners LLC.

(6) Mr David Mimran holds shares through his related party, Tablo Corporation, which is an affiliate of the Mimran Group.

None of the shares above are held nominally by the directors or any of the KMP.

There were no other transactions and balances with KMP and their related parties other than as disclosed.

***End of Remuneration Report***

Signed in accordance with a resolution of the directors.

**LOUIS CALVARIN**
*Managing Director*
Perth, 1 October 2017

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# Auditor's Independence Declaration to the Directors of Avenira Limited

As lead auditor for the audit of Avenira Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit*;* and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Avenira Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
1 October 2017

# QUALIFYING STATEMENTS

## STATEMENT OF GOVERNANCE ARRANGEMENTS AND INTERNAL CONTROLS

Governance of Avenira Limited's Mineral Resources estimation process is a key responsibility of the Executive Management of the Company.

The Geological Manager of the Company oversees technical reviews of the estimates and the evaluation process is augmented by utilising Avenira's in-house knowledge in operational and project management, ore processing and commercial/financial areas. The Company also utilises external consultants for these purposes.

The Geological Manager is responsible for managing all Avenira's drilling programs, including resource definition drilling. The estimation of Mineral Resources is done by an independent contractor, MPR Geological Consultants Pty Ltd.

The Company has adopted quality assurance and quality control protocols based on current and best practice regarding all field aspects including drill hole surveying, drill sample collection, sample preparation, sample security, provision of duplicates, blanks and matrix-matched certified reference materials. All geochemical data generated by laboratory analysis is examined and analysed by the Geological Manager before accession to the Company database.

Data is subject to additional vetting by the independent contractor who carries out the resource estimates. Resource estimates are based on well-founded, industry-accepted assumptions and compliance with standards set out in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mineral resource estimates are subject to peer review by the independent contractor and a final review by Avenira's Executive Management before market release.

Avenira Limited reports its mineral resources and ore reserves on an annual basis, in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code) 2012 Edition.

## 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

## BAOBAB PHOSPHATE 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 Phosphate Project update |
| 7 December 2015: | Maiden Indicated Mineral Resource at Baobab Phosphate Project |
| 7 January 2016: | Technical Report Mineral Resource Estimated 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 |
| 11 September 2017: | Baobab Exploration Results Update |

## 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's 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.

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

| YEAR ENDED 30 JUNE 2017 | NOTES | CONSOLIDATED 2017 $ | 2016 $ |
|---|---|---|---|
| **REVENUE** | 5 | **393,303** | 680,401 |
| Other income | 6 | **-** | 108 |
| **EXPENDITURE** | | | |
| Depreciation and amortisation expense | | **(263,189)** | (120,490) |
| Salaries and employee benefits expense | | **(2,504,417)** | (1,607,741) |
| Exploration expenditure | | **(323,391)** | (643,900) |
| Net loss on disposal of subsidiary | 7 | **-** | (1,354,707) |
| Net foreign currency loss | 7 | **(255,529)** | (192,683) |
| Doubtful debts | 25(b) | **(6,610,202)** | (93,588) |
| Write off of exploration and evaluation expenditure | 15 | **-** | (635,125) |
| Impairment of exploration and evaluation expenditure | 15 | **(9,431,555)** | (574,962) |
| Impairment of mine development expenditure | 16 | **(1,233,059)** | - |
| Impairment of intangible assets | 17 | **(641,826)** | - |
| Impairment of goodwill | 18 | **(4,721,345)** | - |
| Net loss on disposal of fixed assets | | **(23,556)** | - |
| Interest expense | | **(189,288)** | - |
| Share based payment expense | 35 | **(244,075)** | (489,742) |
| Administrative and other expenses | | **(4,530,934)** | (4,432,266) |
| **LOSS BEFORE INCOME TAX** | | **(30,579,063)** | (9,464,695) |
| **INCOME TAX BENEFIT/(EXPENSE)** | 8 | **308,265** | - |
| **LOSS FOR THE YEAR** | | **(30,270,798)** | (9,464,695) |
| | | | |
| **OTHER COMPREHENSIVE INCOME** | | | |
| ***Items that may be reclassified subsequently to Profit or Loss*** | | | |
| *Exchange differences on translation of foreign operations* | | | |
| Reclassification of foreign operations on disposal | | **-** | 2,420,842 |
| Exchange differences arising during the year | | **(8,454)** | (1,369,418) |
| | | **(8,454)** | 1,051,424 |
| *Available-for-Sale financial assets* | | | |
| Net fair value gain on available-for-sale financial assets | | **15,610** | - |
| Other comprehensive income/(loss) for the year, net of tax | | **7,156** | 1,051,424 |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(30,263,642)** | (8,413,271) |
| | | | |
| Loss for the year is attributable to: | | | |
| Owners of Avenira Limited | 24(b) | **(27,467,045)** | (9,324,324) |
| Non-controlling interest | | **(2,803,753)** | (140,371) |
| | | **(30,270,798)** | (9,464,695) |
| Total comprehensive loss for the year is attributable to: | | | |
| Owners of Avenira Limited | | **(27,472,923)** | (7,957,769) |
| Non-controlling interest | | **(2,790,719)** | (455,502) |
| | | **(30,263,642)** | (8,413,271) |
| **LOSS PER SHARE** | | | |
| *From continuing operations* | | | |
| Basic loss per share (cents) | 34 | **(5.09)** | (2.31) |
| Diluted loss per share (cents) | 34 | **(5.09)** | (2.31) |

The above Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| AS AT 30 JUNE 2017 | NOTES | CONSOLIDATED 2017 $ | 2016 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 9 | **2,946,100** | 24,473,574 |
| Trade and other receivables | 10 | **1,205,601** | 1,657,986 |
| Inventories | 11 | **3,456,258** | - |
| **TOTAL CURRENT ASSETS** | | **7,607,959** | 26,131,560 |
| **NON-CURRENT ASSETS** | | | |
| Trade and other receivables | 10 | **1,481,600** | 1,491,217 |
| Available-for-sale financial assets | 12 | **31,239** | 15,629 |
| Plant and equipment | 14 | **1,339,077** | 800,789 |
| Capitalised exploration and evaluation expenditure | 15 | **8,722,989** | 15,418,499 |
| Capitalised mine development expenditure | 16 | **47,579,578** | 35,526,331 |
| Intangibles | 17 | **84,152** | 192,619 |
| Goodwill | 18 | **-** | 4,746,961 |
| **TOTAL NON-CURRENT ASSETS** | | **59,238,635** | 58,192,045 |
| **TOTAL ASSETS** | | **66,846,594** | 84,323,605 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 19 | **4,726,426** | 3,154,788 |
| Provisions | 20 | **186,404** | 181,814 |
| Loans and borrowings | 21 | **1,987,997** | - |
| **TOTAL CURRENT LIABILITIES** | | **6,900,827** | 3,336,602 |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | 20 | **2,430,202** | 4,018,459 |
| Loans and borrowings | 21 | **6,516,600** | - |
| Deferred tax liabilities | 22 | **4,413,080** | 4,746,961 |
| **TOTAL NON-CURRENT LIABILITIES** | | **13,359,882** | 8,765,420 |
| **TOTAL LIABILITIES** | | **20,260,709** | 12,102,022 |
| **NET ASSETS** | | **46,585,885** | 72,221,583 |
| **EQUITY** | | | |
| Issued capital | 23 | **125,037,889** | 119,817,389 |
| Reserves | 24(a) | **25,147,663** | 26,036,371 |
| Accumulated losses | 24(b) | **(108,657,005)** | (81,189,960) |
| Capital and reserves attributable to members of Avenira Limited | | **41,528,547** | 64,663,800 |
| Non-controlling interest | 31 | **5,057,338** | 7,557,783 |
| **TOTAL EQUITY** | | **46,585,885** | 72,221,583 |

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| CONSOLIDATED | NOTES | ATTRIBUTABLE TO OWNERS OF AVENIRA LIMITED | | | | | |
|---|---|---|---|---|---|---|---|
| | | ISSUED CAPITAL | RESERVES | ACCUMULATED LOSSES | TOTAL | NON-CONTROLLING INTEREST | TOTAL |
| | | $ | $ | $ | $ | $ | $ |
| **BALANCE AT 30 JUNE 2015** | | 89,901,304 | 11,814,610 | (71,865,636) | 29,850,278 | (118,607) | 29,731,671 |
| Loss for the year | | - | - | (9,324,324) | (9,324,324) | (140,371) | (9,464,695) |
| Other comprehensive income/(loss) for the year | | - | 1,366,555 | - | 1,366,555 | (315,131) | 1,051,424 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | - | 1,366,555 | (9,324,324) | (7,957,769) | (455,502) | (8,413,271) |
| *TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS* | | | | | | | |
| Shares issued during the year | | 30,070,918 | - | - | 30,070,918 | - | 30,070,918 |
| Share issue transaction costs | | (154,833) | - | - | (154,833) | - | (154,833) |
| Share based payment | 35 | - | 489,742 | - | 489,742 | - | 489,742 |
| Share based payments on acquisition of subsidiary | | - | 4,900,000 | - | 4,900,000 | - | 4,900,000 |
| De-recognition of non-controlling interest | | - | - | - | - | 118,607 | 118,607 |
| Non-controlling interest | | - | - | - | - | 8,013,285 | 8,013,285 |
| Sale of 20% interest in BMCC to Mimran | 31 | - | 7,465,464 | - | 7,465,464 | - | 7,465,464 |
| **BALANCE AT 30 JUNE 2016** | | 119,817,389 | 26,036,371 | (81,189,960) | 64,663,800 | 7,557,783 | 72,221,583 |
| Loss for the year | | **-** | **-** | **(27,467,045)** | **(27,467,045)** | **(2,803,753)** | **(30,270,798)** |
| Other comprehensive income/(loss) for the year | | **-** | **(5,878)** | **-** | **(5,878)** | **13,034** | **7,156** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **-** | **(5,878)** | **(27,467,045)** | **(27,472,923)** | **(2,790,719)** | **(30,263,642)** |
| *TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS* | | | | | | | |
| Shares issued during the year | | **1,061,450** | **-** | **-** | **1,061,450** | **-** | **1,061,450** |
| Conversion of contingent share rights | 23 | **2,268,000** | **(2,268,000)** | **-** | **-** | **-** | **-** |
| Unissued shares | 23 | **1,891,050** | **-** | | **1,891,050** | | **1,891,050** |
| Share based payment | 35 | **-** | **1,385,170** | **-** | **1,385,170** | **290,274** | **1,675,444** |
| **BALANCE AT 30 JUNE 2017** | | **125,037,889** | **25,147,663** | **(108,657,005)** | **41,528,547** | **5,057,338** | **46,585,885** |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

| YEAR ENDED 30 JUNE 2017 | NOTES | CONSOLIDATED 2017 $ | 2016 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | **(6,934,244)** | (6,918,066) |
| Payments for exploration expenditure | | **(323,391)** | (643,900) |
| Receipts for other income | | **17,490** | 100,781 |
| Interest received | | **208,736** | 384,349 |
| NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES | 33 | **(7,031,409)** | (7,076,836) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Research and development tax receipt | | **234,567** | 286,612 |
| Expenditure on mining interests | | **(2,970,612)** | (2,582,464) |
| Payments for mine development | | **(22,350,486)** | (12,694,681) |
| Receipts for phosphate sales capitalised to development | | **2,540,694** | - |
| Payments for plant and equipment | | **(674,426)** | (222,758) |
| Proceeds on sale of plant and equipment | | **1,744** | 908 |
| Payments for security deposits | | **-** | (103,013) |
| Refund of security deposits | | **30,000** | 94,500 |
| Proceeds on sale of subsidiary | | **-** | 1,170,965 |
| Cash balance from subsidiary acquired | | **-** | 117,255 |
| Proceeds from disposal of interest in subsidiary | | **-** | 15,478,749 |
| Payments for intangibles | | **(551,891)** | - |
| Loans to other entities | 10 | **(2,146,900)** | - |
| NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES | | **(25,887,310)** | 1,546,073 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares | | **2,952,500** | 15,373,376 |
| Transaction costs on issue of shares | | **-** | (154,833) |
| Proceeds from loans and borrowings | | **8,315,310** | - |
| NET CASH INFLOW FROM FINANCING ACTIVITIES | | **11,267,810** | 15,218,543 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | **(21,650,909)** | 9,687,780 |
| Cash and cash equivalents at the beginning of the financial year | | **24,473,574** | 15,388,406 |
| Effects of exchange rate changes on cash and cash equivalents | | **123,435** | (602,612) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR** | 9 | **2,946,100** | 24,473,574 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

## 1. BASIS OF PREPARATION

The financial statements are for the consolidated entity consisting of Avenira Limited and its subsidiaries (the "Company" or the "Group). The financial statements are presented in the Australian currency. Avenira Limited is a for profit company limited by shares, domiciled and incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange. The Company's registered office and principal place of business is Suite 19, 100 Hay Street, Subiaco WA 6008. The financial statements were authorised for issue in accordance with a resolution of the directors on 1 October 2017. The directors have the power to amend and reissue the financial statements.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The accounting policies outlined throughout the financial statements have been consistently applied to all the years presented, unless otherwise stated.

***Compliance with IFRS***

The financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

***Historical cost convention***

The financial statements have been prepared under the historical cost convention, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

***Functional and presentation currency***

The financial statements are presented in Australian dollars, which is the Group's reporting currency and the functional currency of the parent company and its Australian subsidiaries. The functional currencies of the material subsidiaries are United States dollars and Central African francs (XOF).

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

***Going concern***

At 30 June 2017, the Group had cash on hand of A$2,946,100. The Group's cashflow forecast to 30 September 2018 has been prepared based on cost estimates which are currently available to the Group and is sensitive to the assumed cash flows from the Group's Baobab Phosphate Project in Senegal.

The Group's cashflow forecast, even allowing for certain assumptions relating specifically to the production and sale of phosphate product needing to be achieved, indicates the Group will need to raise additional working capital in the form of debt and/or equity to fund Project development and continue as a going concern.

The Directors are satisfied that additional working capital can be secured as required for the following reasons:

- The Group has the support of its two major shareholders, Agrifos Partners LLC and Tablo Corporation, an affiliate of Groupe Mimran ("Major Shareholders"). Both Major Shareholders have provided unsecured bridge loans totaling US$3,600,000 ("Bridge Loans"). Of the US$3,600,000 Bridge Loan funding available to the Group, US$1,000,000 (A$1,300,000) was drawn down at 30 June 2017 with a further US$2,600,000 (A$3,330,000) received subsequently to year end.

## 1. BASIS OF PREPARATION (cont...)

- The Group will conduct a renounceable pro rata entitlement offer (the 'Entitlement Offer') to raise A$13,000,000 within the next month and;
    - The Major Shareholders have each agreed, if requested by the Group, to underwrite any shortfall to the Entitlement Offer up to a maximum of A$7,000,000 ("Underwritten Amount"). A portion of the proceeds from the Entitlement Offer will be used to repay the Bridge Loans infull
    - The group is in advanced discussions with a shareholder to take up their shares in the Entitlement Offer and to agree to terms to subscribe for additional shares up to approximately A$4,500,000 should there be a shortfall in the Entitlement Offer.
- The Group has a track record of being able to secure additional working capital as and when required. Sources could include additional sales, reduced expenditure, VAT refunds in Senegal and if required further debt or minor equity raising.

The financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business. In the event the Group is unable to raise additional working capital as required, there is a significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of the recorded asset amounts, nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

***Critical accounting estimates***

The preparation of financial statements requires a management to use estimates, judgments and assumptions. Application of different assumptions and estimates may have a significant impact on Avenira's net assets and financial results. Estimates and assumptions are reviewed on an ongoing basis and are based on the latest available information at each reporting date. Actual results may differ from the estimates.

The areas involving a higher degree of judgment and complexity, or areas where assumptions are significant to the financial statements are:

| | |
|---|---|
| Note 10 Trade and Other Receivables | Page 54 |
| Note 11 Inventories | Page 54 |
| Note 15 Capitalised exploration and evaluation expenditure | Page 56 |
| Note 16 Capitalised mine development expenditure | Page 57 |
| Note 18 Goodwill | Page 60 |
| Note 20 Provision for mine rehabilitation and restoration | Page 61 |
| Note 35 Share based payments | Page 86 |

***Comparative Figures***

When required by the accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

No reclassification of the presentation of financial information has occurred during the year and as such, the comparability of years has been sustained.

***Goods and Services Tax (GST)***

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

## 2. PRINCIPLES OF CONSOLIDATION

***(a) Subsidiaries***

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Avenira Limited ("Company" or "Parent Entity") as at 30 June 2017 and the results of all subsidiaries for the year then ended. Avenira Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer Note 37).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

***(b) Changes in ownership interests***

The Group treats transactions with non-controlling interests in subsidiaries that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in retained earnings within equity attributable to owners of Avenira Limited.

When the Group ceases to have control of subsidiary, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a subsidiary is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are re-classified to profit or loss where appropriate.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *(a) Fair Value of Assets and Liabilities*

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

#### VALUATION TECHNIQUES

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

*Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

*Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

*Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

#### FAIR VALUE HIERARCHY

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

*Level 1*

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

*Level 2*

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 3*

Measurements based on unobservable inputs for the asset or liability.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

I. If a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

II. If significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

### *(b) Foreign exchange transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non- monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

### *(c) New and revised AASB's affecting amounts reported and/or disclosures in the financial statements*

The Group has adopted all new and amended Australian Accounting Standards and Interpretations effective from 1 July 2016 including:

- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interest in Joint Operations;
- AASB 2014-4 Clarification on acceptable methods of depreciation and amortisation (amendments to AASB 116 and AASB 138);
- AASB 2015-1 Annual Improvements to IFRSs 2012 – 2014 Cycle (clarification amendments to AASB 5, AASB 7, AASB 119, and AASB 134); and
- AASB 2015-2 (amendments to AASB 101).

The adoption of these new and amended standards and interpretations did not result in any significant changes to the Group's accounting policies.

The Group has not elected to early adopt any other new or amended standards or interpretations that are issued but not yet effective.

### *(d) New, revised or amended Accounting Standards and Interpretations issued but not yet effective*

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2017 are outlined in the table below. The potential effect of these Standards is yet to be fully determined.

| TITLE | SUMMARY | IMPACT ON GROUP FINANCIAL REPORT | APPLICATION DATE OF STANDARD | EXPECTED APPLICATION DATE FOR GROUP |
|---|---|---|---|---|
| AASB 9 *Financial Instruments* | A finalised version of AASB 9 which contains accounting requirements for financial instruments, replacing AASB 139 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the areas of classification and measurement, impairment, hedge accounting and derecognition. | Gains of losses on an investment in equity instruments will be recognised in profit or loss, or in other comprehensive income if the Group makes such election on a case by case basis. | 1 Jan 2018 | 1 Jul 2018 |

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

| TITLE | SUMMARY | IMPACT ON GROUP FINANCIAL REPORT | APPLICATION DATE OF STANDARD | EXPECTED APPLICATION DATE FOR GROUP |
|---|---|---|---|---|
| AASB 15 *Revenue from Contracts with Customers* | AASB 15 provides a single, principles based five-step model to be applied to all contracts with customers.<br>Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. | The Group is currently in the process of determining what impact, if any, the adoption of AASB 15 will have. | 1 Jan 2018 | 1 Jul 2018 |
| AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor or its Associate or Joint Venture.* | This standard addresses an inconsistency between the requirements in AASB 10 and AASB 128 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. | A full gain or loss to be recognised when such transaction involves a business and partial gain or loss to be recognised when such transaction involves assets that do not constitute a business. | 1 Jan 2018 | 1 Jul 2018 |
| 2016-2 *Amendments to AASB 107* | This standard requires entities preparing financial statements with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities from financing activities, arising from both cash flows and non-cash charges. | The adoption of AASB 2016-2 is not expected to significantly impact the information of financial disclosure in the Group's financial statements. | 1 Jan 2017 | 1 Jul 2017 |
| AASB 16 *Leases* | This standard will require to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. | The Group is currently in the process of determining what impact, if any, the adoption of AASB will have. | 1 Jan 2019 | 1 Jul 2019 |
| AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions* | This standard amends AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide the requirements on the accounting for:<br>• The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;<br>• Share-based payment transactions with a net settlement feature for withholding tax obligations; and<br>• A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. | The adoption of these amendments is not expected to significantly affect the Group's accounting for share-based payments. | 1 Jan 2018 | 1 Jul 2018 |

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

| TITLE | SUMMARY | IMPACT ON GROUP FINANCIAL REPORT | APPLICATION DATE OF STANDARD | EXPECTED APPLICATION DATE FOR GROUP |
|---|---|---|---|---|
| AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments* | The amendments clarify certain requirements in:<br>• AASB 1 *First-time Adoption of Australian Accounting Standards*;<br>• AASB 12 *Disclosure of Interests in Other Entities*;<br>• AASB 128 *Disclosure of Investments in Associates and Joint Ventures*; and<br>• AASB 140 *Investment Property*. | The adoption of these amendments is not expected to impact the information of financial disclosure in the Group's financial statements. | 1 Jan 2018 | 1 Jul 2018 |
| AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration* | The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non- monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. | The adoption of this interpretation is not expected to impact the information of financial disclosure in the Group's financial statements. | 1 Jan 2018 | 1 Jul 2018 |
| IFRIC 23 *Uncertainty over Income Tax Treatments* | The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:<br>• Whether an entity considers uncertain tax treatments separately;<br>• The assumptions an entity makes about the examination of tax treatments by taxation authorities;<br>• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax creditors, and tax rates; and<br>• How an entity considers changes in facts and circumstances. | The adoption of this interpretation is not expected to impact the information of financial disclosure in the Group's financial statements. | 1 Jan 2019 | 1 Jul 2019 |

## 4. SEGMENT INFORMATION

**Accounting Policy**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

**(a) Description of segments**

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board considers the business from both functional and geographic perspectives and has identified that there are two reportable segments being:

- exploration and development of the Wonarah Phosphate Project in the Northern Territory (Wonarah) located in Australia;
- exploration and development of the Baobab Phosphate Project in the Republic of Senegal (Baobab) located in Africa; and
- unallocated items comprise corporate administrative costs, interest revenue, finance costs, investments, corporate plant and equipment and income tax assets and liabilities.

**(b) Segment information provided to the Board**

The following table presents revenue and profit for the Group's operating segments for the reporting period.

| | WONARAH (AUSTRALIA) | BAOBAB (SENEGAL) | UNALLOCATED – OTHER SEGMENTS | TOTAL CONSOLIDATED |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2017** | | | | |
| **Revenue** | | | | |
| Interest revenue | 39,861 | 15,222 | 320,729 | 375,812 |
| Other revenue | - | 6,441 | 11,049 | 17,491 |
| **Total segment revenue** | 39,861 | (21,664) | 331,778 | 393,303 |
| Total revenue as per statement of comprehensive income | | | | 393,303 |
| Impairment of non-current assets | 10,073,381 | 5,954,404 | - | 16,027,785 |
| Doubtful debts | 2,357,854 | 4,252,348 | - | 6,610,202 |
| Depreciation and amortisation | 3,737 | 249,706 | 9,746 | 263,189 |
| Net loss on disposal of fixed assets | - | 23,361 | 195 | 23,556 |
| **Segment net loss** | (12,438,304) | (14,018,772) | (3,813,723) | (30,270,798) |
| Total net loss as per statement of comprehensive income | | | | (30,270,798) |
| **Segment assets** | | | | |
| Capitalised exploration and evaluation expenditure | 5,978,000 | 2,744,989 | - | 8,722,989 |
| Capitalised mine development expenditure | - | 47,579,578 | - | 47,579,578 |
| Other assets at balance date | 1,515,847 | 6,001,005 | 3,027,175 | 10,544,027 |
| **Total segment assets** | 7,493,847 | 56,325,573 | 3,027,175 | 66,846,594 |
| **Segment liabilities** | | | | |
| Deferred tax liability | - | 4,413,080 | - | 4,413,080 |
| Other liabilities at balance date | 1,289,847 | 12,284,949 | 2,272,833 | 15,847,629 |
| **Total segment liabilities** | 1,289,847 | 16,698,029 | 2,272,833 | 20,260,709 |

## 4. SEGMENT INFORMATION (cont…)

| | WONARAH (AUSTRALIA) $ | BAOBAB (SENEGAL) $ | UNALLOCATED – OTHER SEGMENTS $ | TOTAL CONSOLIDATED $ |
|---|---|---|---|---|
| **2016** | | | | |
| **Revenue** | | | | |
| Interest revenue | 44,599 | 21,116 | 376,520 | 442,235 |
| Other revenue | - | 238,166 | - | 238,166 |
| Other income | - | - | 108 | 108 |
| **Total segment revenue** | 44,599 | 259,282 | 376,628 | 680,509 |
| Total revenue as per statement of comprehensive income | | | | 680,509 |
| Impairment of non-current assets | 574,962 | - | - | 574,962 |
| Write off of non-current assets | 635,125 | - | - | 635,125 |
| Net loss on disposal of subsidiary | - | - | 1,354,707 | 1,354,707 |
| Depreciation and amortisation | 4,339 | 82,963 | 33,188 | 120,490 |
| **Segment net loss** | (1,203,131) | (855,850) | (7,405,714) | (9,464,695) |
| Total net loss as per statement of comprehensive income | | | | (9,464,695) |
| **Segment assets** | | | | |
| Capitalised exploration and evaluation expenditure | 15,364,874 | 53,625 | - | 15,418,499 |
| Capitalised mine development expenditure | - | 35,526,331 | - | 35,526,331 |
| Other assets at balance date | 1,580,104 | 9,351,727 | 22,446,944 | 33,378,775 |
| **Total segment assets** | 16,944,978 | 44,931,683 | 22,446,944 | 84,323,605 |
| **Segment liabilities** | | | | |
| Deferred tax liability | - | 4,746,961 | - | 4,746,961 |
| Other liabilities at balance date | 1,293,836 | 3,846,765 | 2,214,460 | 7,355,061 |
| **Total segment liabilities** | 1,293,836 | 8,593,726 | 2,214,460 | 12,102,022 |

## 5. REVENUE

### Accounting policies

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

Sales revenue is recognised and measured at the fair value of consideration received or receivable when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Service revenue is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Proceeds from sales made prior to the commencement of commercial production are capitalised against the relevant mine development asset, to the extent that such sales are considered an integral part of the testing and commissioning phase of the mine. Refer to Note 16.

## 5. REVENUE (cont…)

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Revenue** | | |
| Provision of services | - | 14,154 |
| **Other revenue** | | |
| Interest from financial institutions | **218,481** | 410,937 |
| Interest other | **157,331** | 31,298 |
| Other sundry revenue | **17,491** | 224,012 |
| | **393,303** | 680,401 |

## 6. OTHER INCOME

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Net gain on disposal of property, plant and equipment | - | 108 |
| | - | 108 |

## 7. EXPENSES

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Loss before income tax includes the following specific expenses** | | |
| Defined contribution superannuation expense | **114,453** | 135,997 |
| Minimum lease payments relating to operating leases | **132,464** | 137,058 |
| Net loss on disposal of property, plant and equipment | **23,556** | 9,148 |
| Net loss on disposal of subsidiary | - | 1,354,707 |
| Foreign exchange losses (net) | **255,529** | 192,683 |

## 8. INCOME TAX

### Accounting Policies

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

## 8. INCOME TAX (cont...)

| | 2017 $ | 2016 $ |
|---|---|---|
| **(a) Income tax expense/(benefit)** | | |
| Current tax | - | - |
| Deferred tax | (308,265) | - |
| | (308,265) | - |
| **(b) Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Loss from continuing operations before income tax expense | (30,579,063) | (9,464,695) |
| Prima facie tax benefit at the Australian tax rate of 30% (2016: 30%) | (9,173,719) | (2,839,408) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Share based payments | 73,222 | 39,060 |
| Other | 292,834 | (381,170) |
| Loss on sale of subsidiary | - | 406,412 |
| Movements in unrecognised temporary differences | 2,708,431 | (66,819) |
| Tax effect of current year tax losses for which no deferred tax asset has been recognised | 5,790,967 | 2,841,925 |
| Income tax expense/(benefit) | (308,265) | - |
| **Attributed to:** | | |
| Continuing operations | (308,265) | - |
| Discontinuing operations | - | - |
| | (308,265) | - |
| **(c) Tax affect relating to each component of other comprehensive income** | | |
| Available-for-sale financial assets | - | - |
| | - | - |
| **(d) Deferred tax assets** | | |
| Capital raising costs | 80,792 | 118,478 |
| Rehabilitation provision | 388,266 | 1,055,970 |
| Other provisions and accruals | 82,820 | 77,788 |
| Available-for-sale financial assets | 878,080 | 882,763 |
| Unrealised foreign exchange losses | - | - |
| Tax losses in Australia | 29,461,092 | 29,141,139 |
| | 30,891,050 | 31,276,138 |
| Deferred tax assets not recognised | (28,994,007) | (25,932,939) |
| | 1,897,043 | 5,343,199 |
| Offset against deferred tax liabilities | (1,897,043) | (5,343,199) |
| Net deferred tax assets | - | - |
| **(e) Deferred tax liabilities** | | |
| Capitalised exploration and evaluation costs and development costs | (6,206,480) | (10,025,543) |
| Unrealised foreign exchange gain | (103,643) | (53,634) |
| Other accruals | - | (10,983) |
| | (6,310,123) | (10,090,160) |
| Offset against deferred tax assets | 1,897,043 | 5,343,199 |
| Net deferred tax liabilities | (4,413,080) | (4,746,961) |

## 8. INCOME TAX (cont...)

### DEFFERED TAX

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2017 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

(i) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;

(ii) The Company continues to comply with conditions for deductibility imposed by law; and

(iii) No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the loss and exploration expenditure.

### TAX CONSOLIDATION

Avenira Limited and its 100% owned Australian resident subsidiaries are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. Avenira Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

## 9. CASH AND CASH EQUIVALENTS

### Accounting Policies

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Cash at bank and in hand | **2,946,100** | 7,916,851 |
| Short-term deposits | **-** | 16,556,723 |
| Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows | **2,946,100** | 24,473,574 |

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Refer to Note 25 for additional details on the impact of interest rates on cash and cash equivalents for the period.

## 10. TRADE AND OTHER RECEIVABLES

### Accounting Policies

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. An estimate for doubtful debts is made when there is objective evidence of impairment. Bad debts are written off as incurred.

**Current**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Trade and other receivables(i) | **1,016,743** | 57,731 |
| Government taxes receivable(ii) | **4,282,642** | 404,425 |
| Provision for impairment(ii) | **(4,252,348)** | - |
| Prepayments(iii) | **80,648** | 1,022,760 |
| Sundry receivables | **13,650** | 21,903 |
| Security deposits | **64,266** | 151,167 |
| | **1,205,601** | 1,657,986 |

## 10. TRADE AND OTHER RECEIVABLES (cont…)

(i) Trade and other receivables are generally due for settlement within 30 days and therefore classified as current.

(ii) Government taxes receivable relates to VAT receivable in Senegal of $4,252,348 and GST receivable in Australia of $30,294 (30 June 2016: VAT receivable in Senegal of $404,425). At 30 June 2017, as a result of the current stage of the Group's operations in Senegal, the Group has provided for the full amount of VAT receivable.

(iii) Prepayments include advances prepaid to contractors engaged to perform exploration and development activities at the Baobab Phosphate Project in Senegal.

The carrying amounts disclosed above represent their fair value.

**Non-Current**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Convertible promissory notes(i) | **86,270** | 815,807 |
| Provision for impairment(ii) | **(86,270)** | (815,807) |
| Convertible promissory notes(iii) | **2,227,707** | - |
| Provision for impairment(ii) | **(2,227,707)** | - |
| Security deposits | **1,481,600** | 1,487,767 |
| Sundry receivables | **-** | 3,450 |
| | **1,481,600** | 1,491,217 |

(i) In February 2015, the Group (the "holder") entered into convertible secured promissory notes with JDCP, (the "recipient"). The notes accrued interest at 8% per annum compounded monthly and payable on maturity. In February 2017 the notes were converted into Series A Preferred Shares in JDCP.

(ii) Refer Note 25 for further details on impairment.

(iii) In July 2016, the Group (the "holder") entered into convertible secured promissory notes with JDCP, (the "recipient"). The notes accrue interest at 12% per annum compounded annually and payable on maturity. The notes mature on the earlier to occur of (a) any liquidation, dissolution or winding up of the Company; or (b) either (i) 15 February 2020 or (ii) JDCP's receipt of an aggregate amount of US$6,000,000 from Stonecutter Phosphates LLC.

## 11. INVENTORIES

**Accounting Policies**

Inventories are physically surveyed or estimated and valued at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the mining process as well as suitable portions of related production overheads, including depreciation and amortisation. Costs are assigned using the weighted average cost method. Net realisable value is the estimated future selling price of the product the Group expects to realise when the product is sold in the ordinary course of business less estimated costs to complete production and bring the product to sale including any applicable selling expenses.

| Current | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Inventories valued at net realisable value(i) | **3,456,258** | - |
| | **3,456,258** | - |

(i) At 30 June 2017 inventory cost was $10,048,877 while inventory net realisable value was $3,456,258. The difference of $6,592,619 has been transferred to capitalised mine development expenditure pending the commencement of commercial production.

**Key estimates and assumptions**

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the Group expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

**Accounting Policies**

Refer to Note 25.

| | 2017 $ | 2016 $ |
|---|---|---|
| Available-for-sale financial assets include the following classes of financial assets: | | |
| Listed investments, at fair value - Australian listed equity securities(i) | **31,239** | 15,629 |
| Unlisted investments at fair value - international equity securities(ii) | **-** | - |
| | **31,239** | 15,629 |

(i) These equity securities represent 15,619,524 ordinary fully paid shares of Niuminco Group Limited valued at 0.20 (2016: 0.10) cents per share.

(ii) These equity securities are comprised of available-for-sale investments in JDCP that were impaired during the 2015 financial year. Their fair value was assessed as nil at 30 June 2017 (30 June 2016: nil). Refer to Note 25 for further details.

## 13. DERIVATIVE FINANCIAL INSTRUMENTS

**Accounting Policies**

Refer to Note 25.

| | 2017 $ | 2016 $ |
|---|---|---|
| Unlisted warrants at fair value through profit or loss(i) (ii) | **-** | - |
| | **-** | - |

(i) The Group held unlisted warrants in JDCP. The warrants had an exercise price of USD0.01 and expire on 17 February 2024. The fair value of the warrants is considered to equate to the fair value of the underlying ordinary shares. Accordingly, unlisted warrants were fully impaired to nil as at 30 June 2015. As at 30 June 2016 the fair value of the underlying shares was zero, therefore, the carrying amount remained zero. The warrants were cancelled in July 2016.

(ii) In February 2017 the Group was issued unlisted warrants in JDCP. The warrants have an exercise price of USD0.01 and expire on 7 March 2020. The fair value of the warrants is considered to equate to the fair value of the underlying ordinary shares. As at 30 June 2017 the fair value of the underlying shares was zero, therefore the carrying amount of the warrants was zero.

These derivative financial instruments are classified as level 3 hierarchy. Refer to Note 25 for further details.

## 14. PLANT AND EQUIPMENT

**Accounting Policies**

All plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the Statement of Profit and Loss and Other Comprehensive Income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method or straight-line method, depending on a type of an asset, and it allocates their cost or re-valued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 10% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Profit and Loss and Other Comprehensive Income. When re-valued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

## 14. PLANT AND EQUIPMENT (cont…)

| | 2017 $ | 2016 $ |
|---|---|---|
| Cost | **1,805,663** | 1,079,408 |
| Accumulated depreciation | **(466,586)** | (278,619) |
| Net carrying amount | **1,339,077** | 800,789 |

**Movements in carrying amounts**

| | | |
|---|---|---|
| Opening net carrying amount | **800,789** | 32,471 |
| Additions | **825,952** | 721,919 |
| Additions through business combination | **-** | 227,617 |
| Disposals | **(25,300)** | (9,548) |
| Depreciation charge | **(256,458)** | (91,699) |
| Foreign currency exchange differences | **(5,906)** | (79,971) |
| Closing net carrying amount | **1,339,077** | 800,789 |

## 15. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

**Accounting Policies – Capitalised Exploration and Evaluation Expenditure**

Exploration and evaluation costs for each area of interest in the early stages of project life are expensed as they are incurred up until pre-feasibility.

Exploration and evaluation costs for each area of interest that has progressed to pre-feasibility are accumulated and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and activates and significant operations in, or in relation to, the area of interest are continuing.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect to that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

**Accounting Policies – Government Grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The research and development grant received by the Group relates to capitalised exploration expenditure, as such it is recognised in the statement of financial position offset against capitalised exploration expenditure.

| | 2017 $ | 2016 $ |
|---|---|---|
| *Reconciliation of movements of exploration and evaluation costs in respect of mining areas of interest* | | |
| Opening net carrying amount | **15,418,499** | 16,000,000 |
| Capitalised exploration and evaluation costs(i) | **2,970,612** | 1,657,576 |
| Impairment of exploration and evaluation expenditure(ii) | **(9,431,555)** | (574,962) |
| Write off of exploration and evaluation expenditure(ii) | **-** | (635,125) |
| Research and development tax refund(iii) | **(234,567)** | (286,612) |
| Capitalised exploration and evaluation costs on acquisition(iv) | **-** | 19,908,486 |
| Transfer to capitalised mine development expenditure(v) | **-** | (20,650,864) |
| Closing net carrying amount(vi) | **8,722,989** | 15,418,499 |

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

## 15. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE (cont…)

(i) Capitalised exploration and evaluation expenditure includes costs incurred in relation to both Wonarah and Baobab Phosphate Projects.

(ii) Impairment recognised in respect of the Wonarah Project. Refer to the key estimates and assumptions section below for details regarding the Group's assessment of the carrying value of capitalised exploration and evaluation expenditure.

(iii) The research and development (R&D) tax incentive provides a tax offset in the form of a refund, calculated with reference to expenditure on eligible R&D activities.

(iv) Refer to Note 37 Business Combination for further details.

(v) On 11 November 2015, the capitalised exploration and evaluation expenditure in relation to the Baobab Phosphate Project was reclassified to capitalised mine development following the decision of Avenira's Board of Directors to commence mining activities at the Baobab Phosphate Project. The exploration and evaluation expenditure attributable to this area of interest was first tested for impairment and then reclassified to capitalised mine development expenditure.

(vi) The closing balance comprises the net carrying amount of exploration and evaluation expenditure attributable to both the Wonarah and Baobab Phosphate Projects being $5,978,000 and $2,744,989 respectively.

### Key estimates and assumptions

The application of the Group's accounting policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves will be found. Any such estimates and assumptions may change as new information becomes available, which may require adjustments to the carrying value of assets.

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

A valuation review conducted by Optiro in December 2016 revealed that the fair market value of the Wonarah Project has decreased from the valuation prepared at June 2016. Optiro's valuation lies within a range of $6,100,000 and $10,700,000, based on a range of resource multiples derived from recent transactions and enterprise values of market participants with defined phosphate mineral resources (level 3 in the fair value hierarchy).

Considering that no exploration expenditure, other than rental and incidental land costs, has been budgeted for the financial year ending 30 June 2018 and that there has been a delay in the commercialisation of the IHP technology, the directors consider that the low end of the independent expert's range is most representative of the fair value less costs of disposal of the Wonarah Project, consistent with the position taken by the Group at 30 June 2016. As a result, during the reporting period an amount of $9,431,555 was impaired and recognised in the Statement of Profit or Loss and Other Comprehensive Income. The recoverable amount is calculated as $5,978,000, after allowing for estimated costs of disposal. A further review conducted by Optiro in June 2017 revealed the fair market value of the Wonarah Project had not changed from the December 2016 valuation.

Impairment of Baobab Phosphate Project capitalised exploration expenditure has been assessed as part of the impairment assessment of the Baobab CGU, refer to Note 16 for further details. There was no impairment of Baobab Phosphate Project capitalised exploration expenditure at 30 June 2017.

## 16. CAPITALISED MINE DEVELOPMENT EXPENDITURE

### Accounting Policies

Once technical feasibility and commercial viability of extraction of mineral resources in a particular area of interest become demonstrable, the exploration and evaluation assets attributable to that area of interest are reclassified as mine development.

Mine development represents the direct and indirect costs incurred in preparing mines for production and includes plant and equipment under construction, stripping and waste removal costs incurred before production commences. These costs are capitalised to the extent that they are expected to be recouped through the successful exploitation of the related mining leases. Once production commences, these costs are transferred to Mine Properties or Plant and Equipment, as relevant, and will be amortised using the units of production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

### Pre-Strip Costs

In open pit mining operations, it is necessary to remove overburden and waste materials to access the ore. This process is referred to as stripping and the Group capitalises stripping costs incurred during the development of a mine (or pit) as part of the investment in constructing the mine (pre-strip). These costs are subsequently amortised over the life of a mine (or pit) on a unit of production basis.

Pre-strip costs are included in capitalised mine development expenditure with no amortisation recorded until production levels are achieved.

## 16. CAPITALISED MINE DEVELOPMENT EXPENDITURE (cont…)

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| *Reconciliation of movements during the year* | | |
| Opening net carrying amount | **35,526,331** | - |
| Transfer from exploration and evaluation expenditure | **-** | 20,650,864 |
| Capitalised mine development | **6,828,127** | 13,119,591 |
| Capitalised provision for rehabilitation | **(1,563,914)** | 2,676,481 |
| Net loss on product sold | **2,530,984** | - |
| Inventory write down to net realisable value | **6,592,619** | - |
| Impairment of mine development expenditure | **(1,233,059)** | - |
| Foreign currency translation movement | **(1,101,510)** | (920,605) |
| Closing net carrying amount | **47,579,578** | 35,526,331 |

**Key estimates and assumptions**

The capitalised mine development represents the costs incurred in preparing the mine for production and includes plant and equipment under construction, stripping and waste removal costs incurred before commercial production commences at the Baobab Phosphate Project. These costs are capitalised to the extent that they are expected to be recouped through the successful exploitation of the related mining leases. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of commercial production.

Development expenditure assets are assessed for impairment if an impairment trigger is identified. For the purposes of impairment testing capitalised mine development assets are allocated to the cash generating unit ("CGU") to which the development activity relates.

In considering the asset for impairment, the Group needs to determine the recoverable amount of each cash generating unit. Prior to any impairment losses, the Baobab CGU for impairment testing purposes totals $52,896,404 at 30 June 2017.

The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and value in use.

The Group conducted an impairment test in relation to the Baobab CGU at 30 June 2017, on the basis of fair value less costs of disposal (level 3 in the fair value hierarchy). The recoverable amount of the CGU was determined by an independent valuer, Optiro.

The valuation review conducted by Optiro in June 2017, which excluded working capital including inventory and rehabilitation obligations, revealed that the fair market value of the Baobab Phosphate Project lies within a range of $32,800,000 and $62,800,000, with a preferred value of $47,900,000. The Optiro valuation was based on a range of resource multiples derived from recent transactions and enterprise values of market participants with defined phosphate mineral resources.

The directors consider that the independent expert's preferred value of $47,900,000 is most representative of the fair value less costs of disposal of the Baobab Phosphate Project, therefore the recoverable amount is calculated as $46,940,000 after allowing for estimated costs of disposal.

As a result, during the period an amount of $5,954,404 was impaired and recognised in the Statement of Profit or Loss and Other Comprehensive Income. The impairment loss was allocated firstly to goodwill in the amount of $4,721,345, with the balance of $1,233,059 allocated to capitalised mine development expenditure.

**Key Judgements**

**Production Start Date**

The Group assesses the stage of each mine under development/construction to determine when a mine moves into the production phase, this being when the mine is substaintially complete and ready for its intended use. The criteria used to asses the start date are determined based on the unique nature of each mine development/construction project. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified to from "Capitalised Mine Development Expenditure" to "Mine Properties" and/or "Property, Plant and Equipment". Some of the critera used to identify the production start date include, but not limted to:

- Level of capital expenditure incurred compared with the original construction cost estimate
- Completion of a reasonable period of testing of the mine plant and equipment
- The mine is producing at a pre-determined level of design capacity

## 16. CAPITALISED MINE DEVELOPMENT EXPENDITURE (cont…)

- Ability to produce ore in saleable form (within specifications) and receive validation from customers
- Ability to sustain ongoing production of ore

When the mine development project moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements or mineable reserve development. It is also the point that depreciation and amortization commences.

Based on the above criteria the Group has determined at 30 June 2017 the Baobab Project remains in the development/construction phase.

## 17. INTANGIBLES

**Accounting Policies**

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Intangibles** | | |
| Cost | **93,458** | 275,463 |
| Accumulated amortisation | **(9,306)** | (82,844) |
| Net carrying amount | **84,152** | 192,619 |
| **Movements in carrying amounts** | | |
| Opening net carrying amount(i) | **192,619** | 202,095 |
| Additions(ii) | **551,890** | 9,025 |
| Additions through business combination | **-** | 10,290 |
| Impairment(iii) | **(641,826)** | - |
| Amortisation | **(6,731)** | (28,791) |
| Foreign currency translation movement | **(11,800)** | - |
| Closing net carrying amount at year end | **84,152** | 192,619 |

(i) The 2016 licence rights include US$250,000 paid by the Company to JDCP, to extend and improve the terms of Avenira's exclusive Australian licence to construct a commercial scale IHP facility at Wonarah for a period up to 10 years after the commercial validation of the IHP technology. The licence was amortised over the deemed useful life of 10 years during the 2016 financial year.

(ii) Licence rights additions include USD$350,000 (A$447,748) paid by the Company to JDCP, to extend and improve the terms of Avenira's exclusive Australian and Senegal licence to construct a commercial scale IHP facility at Wonarah or Baobab for a period up to 10 years after the commercial validation of the IHP technology.

(iii) At 31 December 2016 the Group assessed the carrying value of intangible assets capitalised in respect of the licence rights paid by the Company to JDCP for impairment and determined that there is currently uncertainty as to whether the Group will recover the value due to insufficient evidence of recoverability based on JDCP's prolonged inability to raise funds, therefore delaying the ability to progress the IHP process towards commercial validation. The Company assessed the carrying value at 31 December 2016 as nil. The Company reassessed the carrying value of licence rights at 30 June 2017 and determined that it remain as nil resulting in impairment charge for the year of A$641,826.

## 18. GOODWILL

**Accounting Policies**

**Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Goodwill** | | |
| Goodwill acquired in business combination(i) | **-** | 4,746,961 |
| Net carrying amount | **-** | 4,746,961 |
| **Movements in carrying amounts** | | |
| Opening net carrying amount | **4,746,961** | - |
| Goodwill acquired in business combination at cost | **-** | 4,977,122 |
| Provision for impairment(ii) | **(4,721,345)** | - |
| Foreign currency translation movement | **(25,616)** | (230,161) |
| Closing net carrying amount at year end | **-** | 4,746,961 |

(i) The goodwill arose on acquisition of Baobab Mining and Chemicals Corporation SA (BMCC) on 23 September 2015. Refer to Note 37 for further details.

(ii) Goodwill was impaired in full following the Group's 30 June 2017 annual impairment test. Refer to Note 16 for further details.

**Key estimates and assumptions**

The Group assesses at each reporting date whether goodwill is impaired. Refer to Note 16 for details of the 30 June 2017 impairment assessment.

## 19. TRADE AND OTHER PAYABLES

**Accounting Policies**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Trade payables(i) | **4,336,705** | 959,388 |
| Other payables and accruals | **389,721** | 2,195,400 |
| | **4,726,426** | 3,154,788 |

(i) Trade creditors are non-interest bearing and generally on 30-day terms.

The carrying amounts disclosed above represent their fair value.

## 20. PROVISIONS

### Accounting Policies

*(i) Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*(ii) Long service leave*

The Group does not expect its long service leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible the estimated future cash outflows.

*(iii) Mine rehabilitation and restoration*

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the dismantling and removing of structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

Typically, the obligation arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining asset. Over time, the liability is increased for the change in the present value based on a discount rate appropriate to the market assessments and the risks inherent in the liability. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred. The unwinding of the effect of discounting the provision is recorded as a finance cost in the statement of comprehensive income. The capitalised carrying amount is depreciated over the useful life of the related asset.

Costs incurred that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed as incurred.

**Current**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Employment benefits | **186,404** | 181,814 |
| | **186,404** | 181,814 |

| **Non-Current** | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Mine rehabilitation and restoration(i) | **2,387,606** | 3,965,981 |
| Employment benefits | **42,596** | 52,478 |
| | **2,430,202** | 4,018,459 |
| **Movements in mine rehabilitation and restoration provision** | | |
| Opening net carrying amount | **3,965,981** | 1,289,500 |
| (Decrease)/increase in provision | **(1,563,914)** | 2,676,481 |
| Foreign currency translation movement | **(14,461)** | - |
| Closing net carrying amount | **2,387,606** | 3,965,981 |
| **Movements in employee benefits provision** | | |
| Opening net carrying amount | **52,478** | 43,639 |
| Increase in provision | **37,878** | 8,839 |
| Paid during the year | **(47,760)** | - |
| Closing net carrying amount | **42,596** | 52,478 |

## 20. PROVISIONS (cont…)

(i) Provision for future removal and restoration costs are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision includes the restoration costs based on the latest estimated future costs as assessed independently by the Northern Territory Government Department of Regional Development, Primary Industry, Fisheries and Resources and is determined on a discounted basis. The estimated future obligations include the costs of removing plant, abandoning mine site and restoring the affected areas. The rehabilitation provision also includes costs of the future rehabilitation works relating to the Baobab Phosphate Project in Senegal and is measured on a discounted basis. The costs have been preapproved by the Ministry of Environment and Substantial Development of Senegal as part of the progressive rehabilitation plan and include the costs of backfilling, levelling the ground and creating a macroclimate.

### Key estimates and assumptions

The Group assesses its mine rehabilitation provision half yearly in accordance with the above accounting policy. Significant judgment is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine sites. Factors that will affect this liability include future disturbances caused by further development, changes in technology, changes in regulations, price increases and changes in discount rates. When these factors change, or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known. As at 30 June 2017 rehabilitation obligation has a carrying value of $1,289,500 for the Wonarah Phosphate Project and $1,098,106 for the Baobab Phosphate Project.

## 21. LOANS AND BORROWINGS

### Accounting Policies

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

| **Current** | INTEREST RATE % | 2017 $ | 2016 $ |
|---|---|---|---|
| Bridge loans – *unsecured* | 6.00 | **1,304,703** | - |
| Finance facility – *secured* | 6.75 | **683,294** | - |
| **Total current loans and borrowings** | | **1,987,997** | - |

| **Non-current** | INTEREST RATE % | 2017 $ | 2016 $ |
|---|---|---|---|
| Finance facility – *secured* | 6.75 | **4,002,155** | - |
| Other loan – *unsecured* | 6.75 | **2,514,445** | - |
| **Total non-current loans and borrowings** | | **6,516,600** | - |

### Bridge loans

In June 2017 the Company entered into funding agreements with each of its two major shareholders, Agrifos Partners LLC (“Agrifos”) and Tablo Corporation, an affiliate of Groupe Mimran (“Mimran”) (“Major Shareholders”), whereby Agrifos will provide an unsecured bridge loan of US $1,440,000 (A$1,879,000) to the Company and Mimran will provide an unsecured bridge loan of US $2,160,000 (A$2,818,000) to the Company (together the “Bridge Loans”) to be drawn progressively and repayable on the earlier of a) six months from the first drawn down date and b) completion of the Entitlement Offer.

The Company will conduct a renounceable pro rata entitlement offer (the 'Entitlement Offer') within the next five months to raise a minimum of A$7,000,000 and a maximum of A$13,000,000.

The Major Shareholders have each agreed, if requested by the Company, to underwrite any shortfall to the Entitlement

## 21. LOANS AND BORROWINGS (cont…)

Offer up to a maximum of A$4,200,000, in the case of Mimran, and A$2,800,000 in the case of Agrifos (in each case the 'Underwritten Amount'). A portion of proceeds from the Entitlement Offer will be used to repay the Bridge Loans.

As at 30 June 2017 the Company had drawn down a total of US$400,000 from Agrifos and US$600,000 from Tablo. Refer to Note 32 for further details on drawdowns after the reporting date.

**Finance facility**

Gadde Bissik Phosphate Operations Suarl ("GBO"), Avenira's 80% owned subsidiary, successfully secured a A$8,800,000 finance facility through CBAO Groupe Attijariwafa Bank. The facility consists of a A$4,400,000 working capital facility and access to an additional A$4,400,000 for the financing of export receivables, if required.

The facility has been secured to assist with the final stages of commissioning and ramp-up of the Baobab Phosphate Project. The key terms of the facility are:

- Working capital facility
    - Amount: XOF 2 billion (A$4,400,000);
    - Term: 5 years;
    - Repayment Terms: No principal or interest repayments for 12 months, followed by 48 equal principal plus interest payments; and
    - Standard security arrangements over all GBO assets.
- Trade facility
    - Access to an additional XOF 2billion (A$4,400,000) for the financing of export receivables, if required.

The working capital facility of XOF 2 billion was fully drawn down on 31 December 2016.

**Other loan**

In March 2017 Mimran Group, the 20% shareholder in BMCC, contributed its pro rata share of loan funds of XOF 1.1 billion (A$2,300,000) to BMCC through a loan from its related party Mimran Natural Resources.

The loan has no set date of repayment. BMCC shall only be required to repay the loan to Mimran Group with the approval of all BMCC shareholders and BMCC, with repayment terms agreed by all BMCC shareholders and BMCC. As neither BMCC or Avenira can demand repayment, the repayment of the loan can be deferred. Repayment is dependent on BMCC generating sufficient free cash flows to repay the loan.

Loan repayments from BMCC will be paid on a pro rata basis against the outstanding balances, i.e. 80% to Avenira and 20% to Mimran.

The loan is limited in recourse to the assets of BMCC.

## 22. DEFERRED TAX LIABILITIES

### Accounting Policies

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Deferred tax liability** | | |
| Deferred tax liability on acquisition[i] | **4,413,080** | 4,746,961 |
| Net carrying amount | **4,413,080** | 4,746,961 |
| **Movements in carrying amounts** | | |
| Opening net carrying amount | **4,746,961** | - |
| Deferred tax liability on acquisition | **-** | 4,977,122 |
| Income tax benefit realised | **(308,265)** | - |
| Foreign currency translation movement | **(25,616)** | (230,161) |
| Closing net carrying amount | **4,413,080** | 4,746,961 |

(i) The deferred tax liability arose on acquisition of Baobab Mining and Chemicals Corporation on 23 September 2015. Refer to Note 37 for further details.

## 23. ISSUED CAPITAL

### Accounting Policies

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

| | NOTES | 2017 NUMBER OF SHARES | 2017 $ | 2016 NUMBER OF SHARES | 2016 $ |
|---|---|---|---|---|---|
| **(a) Share capital** | | | | | |
| Ordinary shares fully paid | 23(b), 23(e) | **579,100,867** | **123,146,839** | 523,901,468 | 119,817,389 |
| Unissued shares[(i)] | | **-** | **1,891,050** | - | - |
| Total share capital | | **579,100,867** | **125,037,889** | 523,901,468 | 119,817,389 |
| **(b) Movements in ordinary share capital** | | | | | |
| Beginning of the financial year | | **523,901,468** | **119,817,389** | 247,204,006 | 89,901,304 |
| Transactions during the year: | | | | | |
| - Issue of shares[(ii)] | | **-** | **-** | 28,151,676 | 3,096,682 |
| - Issue of shares[(iii)] | | **-** | **-** | 3,795,786 | 417,536 |
| - Issue of shares[(iv)] | | **-** | **-** | 140,000,000 | 14,280,000 |
| - Issue of shares[(v)] | | **-** | **-** | 104,750,000 | 12,276,700 |
| - Issue of shares[(vi)] | | **2,000,000** | **360,000** | - | - |
| - Issue of shares[(vii)] | | **925,000** | **92,500** | - | - |
| - Issue of shares[(viii)] | | **40,000,000** | **2,268,000** | - | - |
| - Issue of shares[(ix)] | | **5,025,000** | **-** | - | - |
| - Issue of shares[(x)] | | **7,249,399** | **608,950** | - | - |
| - Unissued shares[(i)] | | **-** | **1,891,050** | - | - |
| - Less: transaction costs | | **-** | **-** | - | (154,833) |
| End of the financial year | | **579,100,867** | **125,037,889** | 523,901,468 | 119,817,389 |

(i) In June 2017, the Company received $1,891,050 from Agrifields DMCC pursuant to the Shortfall Placement Agreement. The corresponding 22,512,506 ordinary shares were issued subsequent to year end on 3 July 2017.

(ii) Issued at 11 cents per share to JP Morgan Asset Management. Share issue costs of $154,833 were incurred.

(iii) Issued at 11 cents per share under the Stock Option Repurchase Agreement with Baobab Mining and Chemicals Corporation SA.

(iv) Issued to Baobab Partners LLC in consideration for acquisition of Baobab Fertilizer Africa, the parent company of Baobab Mining and Chemicals Corporation SA: 100 million shares were issued on 24 September 2015 at 10.5 cents and 40 million shares were issued on 11 November 2015 at 9.5 cents.

(v) Issued for cash at 11.72 cents per share to Tablo Corporation.

(vi) Issued on the exercise of $0.18 options expiring on or before 29 July 2016.

(vii) Issued on the exercise of $0.10 options expiring on or before 30 June 2018.

(viii) Issued to Baobab Partners LLC on 20 March 2017 on the vesting and conversion of share rights.

(ix) Issued for nil consideration on the vesting and conversion of Tranche 1 Performance Rights granted in 2015 under the Company's Performance Rights Plan.

(x) Issue of shares at $0.084 pursuant to the Company's Share Purchase Plan.

## 23. ISSUED CAPITAL (cont…)

| | NUMBER OF OPTIONS | |
|---|---|---|
| | 2017 | 2016 |
| **(c) Movements in unlisted options on issue** | | |
| Beginning of the financial year | **127,050,000** | 40,050,000 |
| Issued during the year: | | |
| - exercisable at 10 cents on or before 30 June 2018[(i)] | **-** | 3,000,000 |
| - exercisable at 15 cents on or before 30 June 2018[(i)] | **-** | 3,000,000 |
| - exercisable at 25 cents on or before 30 June 2018[(i)] | **-** | 3,000,000 |
| - exercisable at 25 cents on or before 24 September 2019[(ii)] | **-** | 80,000,000 |
| Expired/cancelled during the year | | |
| - 47 cents, 3 January 2016 | **-** | (500,000) |
| - 22 cents, 15 June 2016 | **-** | (1,500,000) |
| - 18 cents, 29 July 2016 | **(1,550,000)** | - |
| - 22.5 cents, 20 November 2016 | **(5,500,000)** | - |
| - 30 cents, 8 April 2017 | **(14,000,000)** | - |
| - 23 cents, 18 June 2017 | **(5,000,000)** | - |
| - 27 cents, 18 June 2017 | **(5,000,000)** | - |
| - 31 cents, 18 June 2017 | **(5,000,000)** | - |
| Exercised during the year: | | |
| - 18 cents, 29 July 2016 | **(2,000,000)** | - |
| - 10 cents, 30 June 2018 | **(925,000)** | - |
| End of the financial year | **88,075,000** | 127,050,000 |

(i) On 28 July 2015, the total of 9 million unlisted options were issued to third parties as an incentive remuneration for services.

(ii) On 24 September 2015 80 million unlisted options were issued to Baobab Partners LLP in accordance with the terms and conditions of the Merger Implementation Agreement in consideration for the acquisition by the Group of Baobab Fertilizer Africa, the parent company of Baobab Mining and Chemicals Corporation SA, a company which owns the Baobab Phosphate Project in the Republic of Senegal.

| | NUMBER OF SHARE RIGHTS | |
|---|---|---|
| | 2017 | 2016 |
| **(d) Movements in share rights** | | |
| Beginning of the financial year | **53,800,000** | - |
| Issued during the year: | | |
| Issued contingent share rights, expiring on 20 September 2020[(i)] | **-** | 80,000,000 |
| Issued for performance rights, expiring on 10 December 2017[(ii)] | **-** | 10,050,000 |
| Issued for performance rights, expiring on 10 December 2017[(iii)] | **-** | 3,750,000 |
| Exercised during the year: | | |
| Contingent share rights exercised on 11 November 2015[(iv)] | **-** | (40,000,000) |
| Contingent share rights exercised on 20 March 2017[(iv)] | **(40,000,000)** | - |
| Tranche 1 performance rights vested on 30 September 2016 | **(5,025,000)** | - |
| Lapsed during the year: | | |
| Performance rights forfeited on 11 January 2017[(v)] | **(3,750,000)** | - |
| Tranche 2 performance rights lapsed on 31 May 2017[(vi)] | **(2,512,500)** | - |
| End of the financial year | **2,512,500** | 53,800,000 |

(i) On 24 September 2015 80 million contingent share rights were issued to Baobab Partners LLP in accordance with the terms and conditions of the Merger Implementation Agreement in consideration for the acquisition of Baobab Fertilizer Africa, the parent company of Baobab Mining and Chemicals Corporation SA, a company which owns the Baobab Phosphate Project in the Republic of Senegal. These share rights will convert to ordinary shares upon the first commercial production of the phosphate rock at the Baobab Phosphate Project.

(ii) Subsequent to the approval of the Performance Rights Plan (Plan) at the Annual General Meeting held on 18 November 2015 performance share rights were issued during the period to senior management personnel of the Group. The share rights were issued in three tranches in accordance with the terms and conditions of the Plan. Each tranche is subject to vesting performance conditions, a vesting milestone date and has an expiry date 2 years from the date of issue.

## 23. ISSUED CAPITAL (cont…)

(iii) Subsequent to the approval at the Annual General Meeting held on 18 November 2015 Director performance share rights were issued to Mr. Lawrenson. The share rights were issued in three tranches in accordance with the terms and conditions approved at the Annual General Meeting. Each tranche is subject to vesting performance conditions, a vesting milestone date and has an expiry date 2 years from the date of issue. Refer to Note 35 for further details.

(iv) 40 million contingent share rights issued to Baobab Partners LLP (as per note (i)) were exercised and converted to 40 million ordinary shares.

(v) Mr Lawrenson's 1,875,000 vested and 1,875,000 unvested performance rights were forfeited upon resignation.

(vi) 2,512,500 performance rights granted under the Company's Performance Rights Plan lapsed on 31 May 2017, when the performance milestone was not achieved by the milestone date.

### (e) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

### (f) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders. There has been no change in the strategy adopted by management to control the capital of the Group since the prior year.

Due to the nature of the Group's activities, being mineral exploration and development, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to support exploration programmes, development and production start-up phases of the Baobab Phosphate Project and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate funding as required.

The working capital position of the Group at the end of the year is as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Cash and cash equivalents | **2,946,100** | 24,473,574 |
| Trade and other receivables | **1,205,601** | 1,657,986 |
| Inventory | **3,456,258** | - |
| Trade and other payables | **(4,726,426)** | (3,154,788) |
| Current provisions | **(186,404)** | (181,814) |
| Current loans and borrowings | **(1,987,997)** | - |
| Working capital position | **707,132** | 22,794,958 |

## 24. RESERVES AND ACCUMULATED LOSSES

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **(a) Reserves** | | |
| Foreign currency translation | **(697,800)** | (676,313) |
| Share-based payments | **18,364,389** | 19,247,220 |
| Available-for-sale financial assets reserve | **15,610** | - |
| Non-controlling interest reserve | **7,465,464** | 7,465,464 |
| **Total reserves** | **25,147,663** | 26,036,371 |
| ***Movements:*** | | |
| *Available-for-sale financial assets reserve* | | |
| Balance at beginning of year | **-** | - |
| Revaluation | **15,610** | - |
| Balance at end of year | **15,610** | - |
| *Foreign currency translation reserve* | | |
| Balance at beginning of year | **(676,313)** | 121 |
| Currency translation differences arising during the year | **(21,487)** | 1,366,555 |
| Reserves of assets held for sale[(i)] | **-** | (2,042,989) |
| Balance at end of year | **(697,800)** | (676,313) |
| *Share-based payments reserve* | | |
| Balance at beginning of year | **19,247,220** | 13,857,478 |
| Employee and third-party share options | **-** | 2,762,200 |
| Performance rights and share rights | **224,075** | 2,627,542 |
| Other share based payments[(ii)] | **1,161,094** | - |
| Share rights converted to ordinary shares | **(2,268,000)** | - |
| Balance at end of year | **18,364,389** | 19,247,220 |
| *Non-controlling interest reserve* | | |
| Balance at beginning of year | **7,465,464** | - |
| Parent equity adjustment for NCI consideration | **-** | 7,465,464 |
| Balance at end of year | **7,465,464** | 7,465,464 |

(i) On 16 July 2015 Avenira completed the sale of South African companies Samber Trading No 115 (Pty) Ltd and Matayo Trading 7 (Pty) Ltd to Spearhead Capital Limited. The foreign currency reserve related to these two entities was transferred from equity to profit or loss at the time the sale was completed and is included in the net loss on disposal of subsidiary amount of $1,354,707 at 30 June 2016.

(ii) Refer to Note 35 Share Based Payments for further details.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **(b) Accumulated losses** | | |
| Balance at beginning of year | **(81,189,960)** | (71,865,636) |
| Net loss for the year attributable to owners of Avenira Limited | **(27,467,045)** | (9,324,324) |
| Balance at end of year | **(108,657,005)** | (81,189,960) |

### (c) Nature and purpose of reserves

*(i) Available-for-sale financial assets reserve*

Changes in the fair value of investments, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

## 24. RESERVES AND ACCUMULATED LOSSES (cont…)

*(ii) Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of foreign operations where their functional currency is different to the presentation currency of the reporting entity. The reserve is recognised in profit and loss when the net assets of foreign controlled entities are disposed of.

*(iii) Share-based payments reserve*

The share-based payments reserve is used to recognise the fair value of options, contingent share rights and performance rights granted.

*(iv) Non-controlling interest reserve*

The non-controlling interest's reserve records the difference between the fair value of the amount by which the non-controlling interest was adjusted to record their initial relative interest and the consideration paid.

## 25. FINANCIAL RISK MANAGEMENT

**Accounting Policies**

**CLASSIFICATION**

**Financial Assets**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

*(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

**Financial Liabilities**

The Group classifies its financial liabilities in the following categories: payables and loans and borrowings.

## 25. FINANCIAL RISK MANAGEMENT (cont…)

*(i) Payables*

This category generally applies to trade and other payables. For more information refer to Note 19.

*(ii) Loans and borrowings*

This category generally applies to interest-bearing loans and borrowings. For more information refer to Note 21.

### RECOGNITION AND DERECOGNITION

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

All financial liabilities are recognised at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. A financial liability is derecognised when the obligation under the liability is discharged.

### SUBSEQUENT MEASUREMENT

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Gains or losses arising from changes in the fair value of the available-for-sale financial assets are recognised in other comprehensive income.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss.

### IMPAIRMENT

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

If there is evidence of impairment for any of the Group’s financial assets carried at amortised cost, the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset’s original effective interest rate. The loss is recognised in the statement of comprehensive income.

## 25. FINANCIAL RISK MANAGEMENT (cont…)

**FINANCIAL RISK MANAGEMENT POLICIES**

The financial risks that arise during the normal course of Avenira operations comprise market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all Board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

These disclosures are not, nor are they intended to be an exhaustive list of risks which the Group is exposed to.

**Financial instruments**

The Group holds the following financial instruments:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | **2,946,100** | 24,473,574 |
| Trade and other receivables | **1,205,601** | 1,657,986 |
| Other non-current receivables | **1,481,600** | 1,491,217 |
| Available-for-sale financial assets | | |
| - Listed investments | **31,239** | 15,629 |
| - Unlisted investments | **-** | - |
| Derivative financial instruments | **-** | - |
| | **5,664,540** | 27,638,406 |
| **Financial liabilities** | | |
| Trade and other payables | **4,726,426** | 3,154,788 |
| Loans and borrowings | **8,504,597** | - |
| | **13,231,023** | 3,154,788 |

**(a) Market risk**

Market risk arises from Avenira's exposure to interest bearing financial assets and foreign currency financial instruments. It is a risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates (currency risk), interest rates (interest rate risk) and share prices (price risk).

*(i) Foreign exchange risk*

The functional currency of the Group is Australian dollars, however the Group and the parent entity operate internationally and are exposed to various currencies, primarily with respect to Central African Franc (XOF). The Group is exposed to foreign exchange risk arising from fluctuations of the Australian dollar against US Dollar, Euro, and South African Rand at parent level and fluctuations of the Australian dollar against the Central African Franc at subsidiary level.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The exposure to risks is measured using sensitivity analysis and cash flow forecasting.

The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements. The Group does not have any further material foreign currency dealings other than the noted currencies.

## 25. FINANCIAL RISK MANAGEMENT (cont…)

The Group's exposure to foreign currency risk at the reporting date, expressed in Australian Dollars, was as follows:

| | ZAR AUD | USD AUD | EUR AUD |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 147,853 | 87,555 | 15,931 |
| Trade and other receivables | 13,946 | 1,039,735 | - |
| Total financial assets | 161,799 | 1,127,590 | 15,931 |
| **Financial liabilities** | | | |
| Trade and other payables | - | 128,910 | 200,064 |
| Loans and borrowings | - | 1,304,703 | - |
| Total financial liabilities | - | 1,433,613 | 200,064 |

The following conversion rates were used at the end of the financial year:

ZAR/AUD: 10.025 (2016: 10.993)
XOF/AUD: 441.32 (2016: 438.69)
USD/AUD: 0.7686 (2016: 0.7441)
EUR/AUD: 0.6728 (2016: 0.6701)

***Sensitivity analysis – change in foreign currency rates***

The following table demonstrates the estimated sensitivity to a 10% increase/decrease in the ZAR/AUD, XOF/AUD, USD/AUD and EUR/AUD exchange rates, with all variables held consistent, on a post-tax profit or loss and equity. These sensitivities should not be used to forecast the future effect of movement in the Australian dollar exchange rate on future cash flows.

| | 2017 $ | 2016 $ |
|---|---|---|
| **Impact on post tax profits** | | |
| XOF/AUD +10% | **-** | (426,671) |
| XOF/AUD -10% | **-** | 521,487 |
| USD/AUD +10% | **27,820** | (51,206) |
| USD/AUD -10% | **(34,003)** | 62,585 |
| ZAR/AUD +10% | **(14,709)** | (23,714) |
| ZAR/AUD -10% | **17,978** | 28,983 |
| EUR/AUD +10% | **34,927** | (8,219) |
| EUR/AUD -10% | **1,770** | 10,045 |
| **Impact on equity** | | |
| XOF/AUD +10% | **-** | (426,671) |
| XOF/AUD -10% | **-** | 521,487 |
| USD/AUD +10% | **27,820** | (51,206) |
| USD/AUD -10% | **(34,003)** | 62,585 |
| ZAR/AUD +10% | **(14,709)** | (23,714) |
| ZAR/AUD -10% | **17,978** | 28,983 |
| EUR/AUD +10% | **34,927** | (8,219) |
| EUR/AUD -10% | **1,770** | 10,045 |

A hypothetical change of 10% in exchange rates were used to calculate the Group's sensitivity to foreign exchange rate movements as this is management's estimate of possible rate movements over the coming year taking into account currency market conditions and past volatility (30 June 2016: 10%).

## 25. FINANCIAL RISK MANAGEMENT (cont…)

*(ii) Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at and during the year ended 30 June 2017, the Group had interest-bearing assets in the form of cash and cash equivalents and interest-bearing liabilities in the form of loans and borrowings. As such the Group's income and operating cash flows are somewhat exposed to movements in market interest rates due to the movements in variable interest rates on cash and cash equivalents. The Group's loans and borrowings have fixed rates of interest. As a result, the Group's does not have exposure to interest rate risk arising from its financial liabilities.

The Group's policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. At 30 June 2017, the entire balance of cash and cash equivalents for the Group of $2,946,100 (2016: $24,473,574) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates, to a maximum of six months, fluctuate during the year depending on current working capital requirements.

***Sensitivity analysis – change in interest rates***

Based on the financial assets held at reporting date, with all other variables assumed to be held constant, the table below sets out the notional effect on consolidated profit or loss after tax for the year and on equity at reporting date under varying hypothetical changes in prevailing interest rates:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Impact on post tax profits** | | |
| Hypothetical 80 basis points increase in interest | **79,534** | 130,852 |
| Hypothetical 80 basis points decrease in interest | **(79,534)** | (130,852) |
| **Impact on equity** | | |
| Hypothetical 80 basis points increase in interest | **79,534** | 130,852 |
| Hypothetical 80 basis points decrease in interest | **(79,534)** | (130,852) |

The hypothetical movement in basis points for the interest rate sensitivity analysis is based on the currently observed market environment (30 June 2016: 0.80%).

The weighted average interest rate received on cash and cash equivalents of the Group is 2.68% (2016: 2.51%).

*(iii) Price risk*

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At 30 June 2017, the exposure to unlisted equity securities at fair value is nil (2016: nil). Refer to Note 12 for further details of impairment recognised in respect of unlisted available-for-sale financial assets.

At 30 June 2017, the exposure to listed equity securities at fair value was $31,239 (2016: $15,629). A decrease of 40% on the market price could have an impact of approximately $12,500 (2016: $6,000) on the income or equity attributable to the Group, depending on whether the decline is significant or prolonged. An increase of 40% in the value of the listed security would only impact equity, but would not have an effect on profit or loss.

**(b) Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. Credit risk arises from cash and cash equivalents and deposits with financial institutions, derivative financial instruments, trade receivables and security deposits receivable.

Credit risk related to balances with banks and other financial institutions is managed by investing surplus funds in financial institutions that maintain a high credit rating.

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets as summarised below, none of which are impaired or past due.

## 25. FINANCIAL RISK MANAGEMENT (cont…)

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | **2,946,100** | 24,473,574 |
| Trade and other receivables | **1,205,601** | 1,657,986 |
| Other non-current receivables | **1,481,600** | 1,491,217 |
| Derivative financial instruments | **-** | - |
| | **5,633,301** | 27,622,777 |

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Cash at bank and short-term bank deposits** | | |
| *Held with Australian banks and financial institutions* | | |
| AA- rated | **-** | 17,098,854 |
| AA3 rated | **2,633,368** | - |
| *Held with South African banks and financial institutions* | | |
| BBB rated | **147,853** | 169,883 |
| *Held with Mauritius banks and financial institutions* | | |
| BBB rated | **41,984** | 68,897 |
| *Held with Senegalese banks and financial institutions* | | |
| BBB rated | **122,895** | 7,135,940 |
| Total | **2,946,100** | 24,473,574 |
| | | |
| **Trade and other receivables** | | |
| *Held with Australian banks and financial institutions* | | |
| AA- rated | **-** | 60,000 |
| AA3 rated | **30,000** | - |
| *Counterparties with external credit ratings* | **-** | - |
| *Counterparties without external credit ratings* (1) | | |
| Group 1 | **1,063,285** | 1,449,709 |
| Group 2 | **112,316** | 148,280 |
| Group 3 | **-** | - |
| Total | **1,205,601** | 1,657,986 |
| | | |
| **Other non-current receivables** | | |
| *Held with Australian banks and financial institutions* | | |
| AA- rated | **1,481,600** | 1,481,600 |
| A rated | **-** | - |
| *Counterparties with external credit ratings* | **-** | - |
| *Counterparties without external credit ratings* | | |
| Group 1 | **-** | 9,617 |
| Group 2 | **-** | - |
| Group 3 | **-** | - |
| Total | **1,481,600** | 1,491,217 |

## 25. FINANCIAL RISK MANAGEMENT (cont…)

**Derivative financial instruments**(1)

| | 2017 $ | 2016 $ |
|---|---|---|
| *Counterparties with external credit ratings* | - | - |
| *Counterparties without external credit ratings* (2) | | |
| Group 1 | - | - |
| Group 2 | - | - |
| Group 3 | - | - |
| Total | - | - |

(1) Derivative financial instruments were impaired to nil during the 2015 financial year. Refer to Note 13 for further details .

(2) Group 1 – new Advances from suppliers (less than 6 months).
Group 2 – existing Advances from suppliers (more than 6 months) with no defaults in the past.
Group 3 – existing Advances from suppliers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

### IMPAIRED RECEIVABLES

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables, the estimated impairment losses are recognised in a separate provision for impairment.

The Group considers that there is evidence of impairment if any of the following indicators are present:

- Significant financial difficulties of the debtor.
- Probability that the debtor will enter bankruptcy or financial reorganisation.
- Default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within doubtful debts. Subsequent recoveries of amounts previously written off are credited against other expenses. Refer to Note 10 for information about how impairment losses are calculated.

At 30 June 2017, the Group has receivables from JDCP totaling $3,129,784.

Due to the uncertainty regarding the timing and achievement of IHP commercialisation, the carrying value was impaired to nil at 31 December 2016.

JDCP has recently announced that it has raised significant equity from Stonecutter Phosphate Investors LLC, which will accelerate commercialisation of the company's IHP technology. The Company assessed the outcome of the investment and determined the carrying value of the receivables remains fully impaired at 30 June 2017.

Furthermore at 30 June 2017, the Group considered the recoverablilty of the VAT receivable in Senegal totalling $4,252,348. Due to the uncertainty regarding the timing and the current stage of the operations in Senegal the Group has provided for the full amount of VAT receivable.

Movements in the provision for impairment of current receivables that are assessed for impairment collectively are as follows:

| | 2017 $ | 2016 $ |
|---|---|---|
| Opening balance | **815,807** | 727,762 |
| Provision for impairment recognised during the year | **6,566,325** | 88,045 |
| Closing balance | **7,382,132** | 815,807 |

During the year, the following gains / (losses) were recognised in profit or loss in relation to impaired receivables:

| | 2017 $ | 2016 $ |
|---|---|---|
| Impairment losses | | |
| Movement in provision for impairment | **(6,610,202)** | (88,045) |

## 25. FINANCIAL RISK MANAGEMENT (cont…)

**(c) Liquidity risk**

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and/or funding facilities are available to meet the current and future commitments of the Group. The Board of Directors constantly monitors the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating capital raisings as required.

The financial liabilities of the Group consist of trade and other payables and loans and borrowings as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date. Loans and borrowings included interest and non-interest-bearing facilities and mature in accordance with the table below.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods.

| | LESS THAN 1 MONTH | 1-3 MONTHS | 3 MONTHS - 1 YEAR | 1-5 YEARS | 5+ YEARS | NO SET REPAYMENT DATE | TOTAL |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Contractual maturities of financial liabilities** | | | | | | | |
| **2017** | | | | | | | |
| Interest bearing loans and borrowings at 6.00% | - | - | 1,304,703 | | - | | 1,304,703 |
| Interest bearing loans and borrowings at 6.75% | - | - | 683,295 | 4,002,154 | - | 2,514,445 | 7,199,894 |
| Trade and other payables | 4,336,706 | 389,720 | - | - | - | - | 4,726,426 |
| | 4,336,706 | 389,720 | 1,987,998 | 4,002,154 | - | 2,514,445 | 13,231,023 |
| **2016** | | | | | | | |
| Trade and other payables | 1,072,832 | 2,081,956 | - | - | - | - | 3,154,788 |
| | 1,072,832 | 2,081,956 | - | - | - | - | 3,154,788 |

**(d) Net fair value**

***Fair value estimation***

The fair value of financial assets and financial liabilities held by the Group must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

The totals for each category of financial instruments, other than those with carrying amounts which are reasonable approximations of fair value, are set out below:

| | CARRYING AMOUNT | | FAIR VALUE | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $ | $ | $ | $ |
| **Financial assets** | | | | |
| Available-for-sale financial assets | **31,239** | 15,629 | **31,239** | 15,629 |
| Derivative financial instruments | **-** | - | **-** | - |
| Total financial assets | **31,239** | 15,629 | **31,239** | 15,629 |

## 25. FINANCIAL RISK MANAGEMENT (cont…)

***Financial instruments measured at fair value***

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in the making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1).
- inputs other than quoted process included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2).
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

| | LEVEL 1 $ | LEVEL 2 $ | LEVEL 3 $ | TOTAL $ |
|---|---|---|---|---|
| **2017** | | | | |
| **Financial assets** | | | | |
| Available-for-sale financial assets | | | | |
| - Listed investments | **31,239** | **-** | **-** | **31,239** |
| - Unlisted investments | **-** | **-** | **-** | **-** |
| Derivative financial instruments | | | | |
| - Warrants | **-** | **-** | **-** | **-** |
| - Conversion rights on promissory note | **-** | **-** | **-** | **-** |
| | **31,239** | **-** | **-** | **31,239** |
| **2016** | | | | |
| **Financial assets** | | | | |
| Available-for-sale financial assets | | | | |
| - Listed investments | 15,629 | - | - | 15,629 |
| - Unlisted investments | - | - | - | - |
| Derivative financial instruments | | | | |
| - Warrants | - | - | - | - |
| - Conversion rights on promissory note | - | - | - | - |
| | 15,629 | - | - | 15,629 |

The fair value of the financial assets not quoted in an active market has been determined with reference to the amount at which the instrument could be exchanged in a current active market between willing parties, other than in a forced or liquidation sale. The following methods were used to estimate the fair value:

- The Group holds an unlisted investment in JDCP. The fair value of this investment has been estimated based on the net asset value of JDCP as at 30 June 2017. At each reporting date, the Group considers whether net asset value is representative of fair value. Where observable market transactions indicate that the net asset value exceeds fair value, an adjustment to the fair value is made. At 30 June 2017, the fair value of the Group's investment in JDCP was considered fully impaired and assessed as nil. Refer to Note 12 for further details of impairment recognised in respect of unlisted available-for-sale financial assets.
- Derivative financial instruments are measured under level 3 disclosure requirements. The Group acquired unlisted warrants in JDCP during 2014. The warrants have an exercise price of USD0.01 and expire on 17 February 2024. The warrants were cancelled in July 2016. The Group acquired further unlisted warrants in JDCP during 2017. The warrants have an exercise price of USD0.01 and an expire on 20 March 2020. Accordingly, the fair value of warrants is considered to equate to the fair value of the underlying ordinary shares. The fair value of the underlying ordinary shares at 30 June 2017 was considered to be nil. Refer to Note 13 for further details of impairment recognised in respect of unlisted warrants.
- On 2 February 2015, the Group (the "holder") entered into convertible secured promissory notes with JDCP (the "recipient") with a face value of US$595,376 (A$834,444). The notes accrued interest at 8% per annum compounded monthly and payable on maturity. In February 2017 the notes were converted into Series A Preferred Shares in JDCP. The fair value of the Series A Preferred Shares was considered to be nil at the date of issue and 30 June 2017.

## 25. FINANCIAL RISK MANAGEMENT (cont…)

- On 15 July 2016, the Group (the "holder") entered into convertible secured promissory notes with JDCP ("the recipient") with a face value of US$1,650,000 (A$2,146,900) (the "Principal Repayment Amount"). The notes accrue interest at 12% per annum, compounded annually and payable on maturity. The notes mature on the earlier to occur of (a) any liquidation, dissolution or winding up of the Company; or (b) either (i) 15 February 2020 or (ii) JDCP's receipt of an aggregate amount of US$6,000,000 from Stonecutter Phosphates LLC. At any time prior to the earlier of (a) the payment of the notes in full and (b) the conversion of the Repayment Principal Amount, at the sole option of the holder all or any portion of the entire Repayment Principal Amount together with all accrued and unpaid interest and any fees and expenses accruing on the Repayment Principal Amount may be converted into shares in JDCP. The number of shares to be received upon such conversion shall be calculated by dividing (i) the principal amount plus accrued interest and fees by (ii) the rate of US$17.661, subject to adjustment in the event of capital reorganisations, mergers, and various other events that impact the JDCP's issued capital. The fair value of the conversion rights attached to these JDCP promissory notes at 30 June 2017 was considered to be nil based on a probability weighted option pricing model.
- Refer to Note 25(b) for further details of impairment recognised in respect of promissory notes.

### (e) Capital risk management

For the purposes of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent, which at 30 June 2017 was $41,528,547 (30 June 2016: $64,663,800). The primary objective of the Group's capital management is to maximise the shareholder value.

At 30 June 2017, the Group has external debt funding in the form of loans and borrowings as described at Note 21 (30 June 2016: nil). None of the Group's loans and borrowings impose covenants in respect of capital management.

### Key estimates and assumptions

As described in the accounting policy above, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions are set out above.

The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale and derivative financial instruments, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. The Board exercises judgement in the process of applying the Group's accounting policy on impairment at each reporting period. In this regard, a 20% decline in the fair value of the investment from its original cost represents a significant decline in value. When an available-for-sale investment carried at fair value is impaired, the cumulative fair value loss recognised in other comprehensive income (Available-For-Sale Financial Asset reserve) is reclassified to profit and loss for the period. When a derivative financial instrument carried at fair value is impaired the fair value loss is recognised in profit and loss for the period. Refer to Notes 12 and 13 for further details relating to impairment.

In relation to the judgement required regarding the Group's promissory notes receivable refer to Note 10.

## 26. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

The auditor of Avenira Limited is Ernst & Young Australia.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Auditor remuneration:** | | |
| Ernst & Young Australia – audit and review of financial reports | **132,100** | 66,950 |
| W.K.H Landgrebe – statutory audit of foreign subsidiary | **-** | 29,976 |
| Garecgo – statutory audit of foreign subsidiary | **29,222** | - |
| | **161,322** | 96,296 |
| **Other non-audit remuneration:** | | |
| Ernst & Young | | |
| Tax compliance services | **14,300** | 29,931 |
| International tax consulting and advice on mergers and acquisitions | **-** | 21,430 |
| Other tax advisory services | **15,225** | 24,365 |
| W.K.H Landgrebe – tax compliance (South Africa) | **-** | 2,286 |
| | **29,525** | 78,012 |
| **Remuneration of related practices of Ernst & Young** | | |
| Foreign subsidiary audits (Senegal, Mauritius) | **41,702** | 24,286 |
| Tax compliance services (South Africa) | **2,756** | - |
| | **44,458** | 24,286 |

From time to time the Group may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important.

The Board has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence imposed by the *Corporations Act 2001*.The nature of services provided to the Group during the period by Ernst & Young and other practices do not compromise the general principles relating to auditor independence because they relate to tax advice in relation to domestic and international compliance issues, and due diligence services which involved the provision of assurances arising from their engagement.

## 27. CONTINGENCIES

In relation to tenement acquisition agreements entered into by the Group, the following additional cash may be received dependent on future events:

**TNT Mines Royalty Deed**

The parent entity will receive a royalty on a quarterly basis on all product sold, removed or otherwise disposed from all tenements held by TNT Mines. The royalty is calculated at 1.5% of the net smelter return and the total amount receivable is capped at $5,000,000.

The Directors are of the opinion that it is not practicable to estimate the financial effect at the date of this report.

## 28. COMMITMENTS

The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets for the Wonarah project areas that it has an interest in. Outstanding exploration commitments are as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **(a) Exploration commitments** | | |
| The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets for the Wonarah project areas that it has an interest in. | | |
| Within one year | **175,114** | 3,069,682 |
| Later than one year but no later than five years | **272,923** | 2,905,365 |
| Later than five years | **13,630** | 7,707,000 |
| | **461,667** | 13,682,047 |

The During the period the Group surrendered the mining lease in the Northern Territory. This resulted in reduced exploration commitments.

| | | |
|---|---|---|
| **(b) Non-cancellable operating lease** | | |
| *Minimum lease payments:* | | |
| Within one year | **16,463** | 104,400 |
| Later than one year but no later than five years | **837** | 8,700 |
| Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities | **17,300** | 113,100 |

The Group has a non-cancellable office lease that expires within one year and has no renewal rights.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **(c) Mine development commitments** | | |
| Within one year | **-** | 481,509 |
| Development expenditure contracted for at reporting date but not recognised as liabilities | **-** | 481,509 |

The mine development commitments at 30 June 2016 relate to completion works of the wet screening plant and water boreholes at the Baobab Phosphate Project. These works were completed during the year ended 30 June 2017.

## 29. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

## 30. RELATED PARTY TRANSACTIONS

### (a) Parent entity

The ultimate parent entity within the Group is Avenira Limited. The consolidated entity has a related party relationship with its subsidiaries (see Note 31) and with its key management personnel.

### (b) Subsidiaries

Interests in subsidiaries are set out in Note 31.

### (c) Compensation of Key Management Personnel

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Short-term benefits | **1,132,864** | 1,154,712 |
| Long-term benefits | **32,445** | 44,690 |
| Post-employment benefits | **58,594** | 80,940 |
| Termination payments | **550,000** | - |
| Share-based payments | **106,674** | 162,840 |
| | **1,880,577** | 1,443,182 |

### (d) Loans from key management personnel

The Group received the following loans from KMP or their related parties during the 2017 financial year (2016: nil):

| LENDER | BALANCE AT START OF THE YEAR | LOAN PROCEEDS RECEIVED | INTEREST CHARGED | INTEREST NOT CHARGED | FORGIVEN DURING THE YEAR | BALANCE AT END OF THE YEAR | HIGHEST BALANCE DURING THE YEAR |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Agrifos Partners LLC(i) | - | 520,461 | 1,369 | - | - | 521,830 | 521,830 |
| Tablo Corporation(ii) | - | 780,691 | 2,182 | - | - | 782,873 | 782,873 |
| Mimran Natural Resources(ii) | - | 2,464,315 | 50,130 | - | - | 2,514,445 | 2,514,445 |

(i) Agrifos Partners LLC is a company related through the common control of directors Mr Timothy Cotton and Mr Frank Chaouni.
(ii) Tablo Corporation and Mimran Natural Resources are companies related through the common control of director Mr David Mimran.

Key terms and conditions of the loans are as follows:

| LENDER | INTEREST RATE(i) | SECURITY | REPAYMENT DATE |
|---|---|---|---|
| Agrifos Partners LLC | 6.00% | unsecured | (ii) |
| Tablo Corporation | 6.00% | unsecured | (ii) |
| Mimran Natural Resources | 6.75% | unsecured | no set date |

(i) Interest rates on the Group's borrowings range from 6.00 – 6.75%; as such loans received from KMP are considered to be at commercial rates.
(ii) Repayable on the earlier of a) six months from the first drawn down date and b) completion of the Entitlement Offer as further described at Note 21.

Full terms and conditions of the loans can be found at Note 21.

### (e) Other transactions and balances with the key management personnel

In addition to his Non-executive Director fee, Mr McCubbing was engaged to provide the Company financial and commercial advisory services on a consulting basis during the year ended 30 June 2017. The services related to the transition period of the position of Managing Director of the Company. Total consultancy fees of $46,700 (2016: nil) were charged by Mr McCubbing during the year. The agreement had no fixed term and no termination notice period. At 30 June 2017, advisory fees paid to Mr McCubbing impacted the statement of profit and loss and other comprehensive income with $46,700 recognised in Administrative and Other Expenses. There was no impact on the 30 June 2017 statement of financial position.

During the year ended 30 June 2016 Mr Richard O'Shannassy was engaged to provide legal services. In addition to the Non-executive Director fees the total amount of $36,000 was paid to Richard O'Shannassy & Pty Co Ltd, the firm through which the legal consultancy services were provided to the Group.

## 31. SUBSIDIARIES

**Accounting policies**

**Business combinations**

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or on the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

| SUBSIDIARIES | COUNTRY OF INCORPORATION | CLASS OF SHARES | EQUITY HOLDING(i) | |
|---|---|---|---|---|
| | | | 2017 | 2016 |
| | | | $ | $ |
| Minemakers Australia Pty Ltd | Australia | Ordinary | 100 | 100 |
| Minemakers (Iron) Pty Ltd | Australia | Ordinary | 100 | 100 |
| Minemakers (Nickel) Pty Ltd | Australia | Ordinary | 100 | 100 |
| Minemakers (Salt) Pty Ltd | Australia | Ordinary | 100 | 100 |
| Minemakers (Gold) Pty Ltd | Australia | Ordinary | 100 | 100 |
| Bonaparte Diamond Mines Pty Ltd | Australia | Ordinary | 100 | 100 |
| Baobab Fertilizer Africa(ii) (iii) | Mauritius | Ordinary | 100 | 100 |
| Baobab Mining and Chemicals Corporation SA(ii) (iii) (iv) | Senegal | Ordinary | 80 | 80 |
| Gadde Bissik Phosphate Operations Suarl(ii) (iii) | Senegal | Ordinary | 80 | 80 |
| Avenira Holdings LLC(iii) (v) (vi) | USA | Ordinary | 100 | 100 |

(i) The proportion of ownership interest is equal to the proportion of voting power held.

(ii) On 23 September 2015 Avenira acquired Baobab Fertilizer Africa through the amalgamation. Baobab Fertilizer Africa ("BFA") is the parent company of Baobab Mining and Chemicals Corporation SA ("BMCC") and its wholly subsidiary, Gadde Bissik Phosphate Operations Suarl.

(iii) The financial year end date is 31 December.

(iv) On 29 February 2016, as a result of the additional share issue by BMCC to Mimran Group and BFA, BFA's ownership's percentage in BMCC decreased
from 100% to 80%. Mimran Group also holds 17.4% direct interest in Avenira Limited.

(v) The entity was incorporated on 8 June 2016.

(vi) The company's equity represented by an initial capital contribution by Avenira as the sole member.

## 31. SUBSIDIARIES (cont…)

**Transactions with non-controlling interests**

On 29 February 2016, the Group disposed of 20% of the ownership interest of BMCC. Following the disposal, the Group still controls BMCC and retains 80% of the ownership interest. The transaction has been accounted for as an equity transaction with non-controlling interest (NCI), resulting in the following:

| | 2016<br>$ |
|---|---|
| Proceeds from sale of 20% ownership interest | 15,478,749 |
| Net assets attributable to NCI | (8,013,285) |
| Increase in equity attributable to parent | 7,465,464 |
| | |
| Represented by increase by: | |
| Increase in non-controlling interest reserve | 7,465,464 |

| **Portion of equity interest held by non-controlling interests** | COUNTRY OF INCORPORATION | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| Baobab Mining and Chemicals Corporation SA | Senegal | **20%** | 20% |

| **Accumulated balance of material non-controlling interest** | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Baobab Mining and Chemicals Corporation SA | **(5,057,338)** | (7,557,783) |

| **Loss allocated to material non-controlling interest** | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Baobab Mining and Chemicals Corporation SA | **2,803,753** | 140,371 |

The summarised financial information of the subsidiary is provided below. This information is based on amounts before inter-company elimination.

**Summarised profit or loss for Baobab Mining and Chemicals Corporation SA**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Other income | **21,995** | 259,282 |
| Depreciation expense | **(249,706)** | (82,963) |
| Salaries and employee benefit expenses | **(451,982)** | (129,588) |
| Exploration expenditure | **(323,391)** | (1,507) |
| Administrative and other expenses | **(2,470,293)** | (901,074) |
| Impairment expense | **(5,954,404)** | - |
| Doubtful debts | **(4,252,348)** | - |
| Finance expense | **(646,907)** | - |
| Loss for the period from continuing operations | **(14,327,036)** | (855,850) |
| Income tax benefit/(expense) | **308,265** | - |
| **Loss for the period from continuing operations** | **(14,018,771)** | (855,850) |
| **Total comprehensive loss** | **(14,018,771)** | (855,850) |
| Attributable to non-controlling interest | **(2,803,753)** | (140,371) |
| Foreign currency gain/(loss) on translation of foreign operations attributable to non-controlling interest | **13,034** | (315,131) |

## 31. SUBSIDIARIES (cont…)

**Summarised statement of financial position for Baobab Mining and Chemicals Corporation SA**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Current assets | **4,662,591** | 8,552,091 |
| Non-current assets | **51,662,982** | 41,126,553 |
| Current liabilities | **(18,973,220)** | (3,846,765) |
| Non-current liabilities | **(12,065,664)** | (8,042,965) |
| **Total equity** | **25,286,689** | 37,788,914 |
| Attributable to: | | |
| Equity holders of parent | **20,229,351** | 30,231,131 |
| Non-controlling interest | **5,057,338** | 7,557,783 |

**Summarised statement of cash flows for Baobab Mining and Chemicals Corporation SA**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Cash flow from operating activities | **(645,173)** | (1,948,351) |
| Cash flow from investing activities | **(25,722,852)** | (10,018,732) |
| Cash flow from financing activities | **19,591,798** | 14,986,072 |
| **Net increase/(decrease) in cash and cash equivalents** | **(6,776,227)** | 3,018,989 |

## 32. EVENTS OCCURRING AFTER THE BALANCE DATE

The following events occurred subsequent to the end of the year:

- On 3 July 2017, the Company issued 22,512,506 ordinary shares to Agrifields DMCC pursuant to the Shortfall Placement Agreement, raising a total of $1,891,050. Following completion of the Share Purchase Plan and the Placement the Company raised a total of $2,500,000.
- During July and August 2017, the Company completed the draw down of the remaining balance of the bridge loan facilities provided by Agrifos Partners LLC and Tablo Corporation, being US$1,560,000 and US$1,040,000 respectively.

Other than as disclosed above, no event has occurred since 30 June 2017 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's financial statements.

## 33. STATEMENT OF CASH FLOWS

| | 2017 $ | 2016 $ |
|---|---|---|
| **Reconciliation of net loss after income tax to net cash outflow from operating activities** | | |
| Net loss from continuing operations | **(30,270,798)** | (9,464,695) |
| **Adjustment for non-cash items** | | |
| Depreciation of plant and equipment | **256,458** | 94,875 |
| Net loss/(gain) on disposal of plant and equipment | **23,556** | (108) |
| Net loss on disposal of subsidiary | **-** | 1,354,707 |
| Share based payment expense | **244,075** | 489,742 |
| Net foreign currency loss/(gain) | **255,529** | 192,683 |
| Impairment of intangibles | **641,826** | - |
| Amortisation of intangibles | **6,731** | 25,615 |
| Impairment of exploration and evaluation expenditure | **9,431,555** | 574,962 |
| Impairment of capitalised mine development expenditure | **1,233,059** | - |
| Impairment of goodwill | **4,721,345** | - |
| Write off of exploration and evaluation expenditure | **-** | 635,125 |
| Doubtful debts | **6,610,202** | 93,588 |
| **Items classified as investment / financing activities:** | | |
| Interest income | **-** | (31,298) |
| Other income | **-** | (114,867) |
| Reversal of NCI from pre-acquisition of Bonaparte Dimond Mines | **-** | (325,107) |
| **Change in operating assets and liabilities, net of effects from purchase of controlled entities** | | |
| Decrease in trade and other receivables | **(70,559)** | 112,937 |
| Increase/(decrease) in trade and other payables | **-** | (778,520) |
| Increase in provisions | **4,590** | 63,525 |
| Increase in accrued interest component of loans and borrowings | **189,287** | - |
| Decrease in deferred tax liabilities | **(308,265)** | - |
| **Net cash outflow from operating activities** | **(7,031,409)** | (7,076,836) |

## 34. EARNINGS PER SHARE

### Accounting Policies

*Basic earnings per share*

Basic earnings per share is calculated by dividing the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

| | 2017 $ | 2016 $ |
|---|---|---|
| **(a) Reconciliation of earnings used in calculating loss per share** | | |
| Loss attributable to the owners of the Company used in calculating basic and diluted loss per share | **(27,467,045)** | (9,324,324) |

## 34. EARNINGS PER SHARE (cont…)

| | 2017 NUMBER OF SHARES | 2016 NUMBER OF SHARES |
|---|---|---|
| **(b) Weighted average number of shares used as the denominator** | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic loss per share | **539,274,664** | 404,401,121 |
| Weighted average number of ordinary shares used in calculation of diluted loss per share | **539,274,664** | 404,401,121 |

Between the reporting date and the date of authorisation of these financial statements no additional securities were

| | 2017 | 2016 |
|---|---|---|
| **(c) Effects of anti-dilution from** | | |
| Unlisted options | **88,075,000** | 127,050,000 |
| Share rights | **2,512,500** | 53,800,000 |

issued that could potentially dilute basic loss per share in the future.

## 35. SHARE BASED PAYMENTS

**Accounting Policies**

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model and Monte Carlo methodology as appropriate.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options or performance rights that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

**(a) Employees and Contractors Option Incentive Plan**

There were no options granted to employees during the years ended 30 June 2017 and 2016.

In prior financial years the Group provided benefits to employees (including directors) and contractors of the Group in the form of share based payment transactions, whereby employees and contractors render services in exchange for options to acquire ordinary shares. A total of 24,050,000 employee and contractor options were on issue at 30 June 2016; these expired on 30 June 2017.

The Employee and Contractors Option Incentive Plan was replaced by the Performance Rights Plan which was approved at the Company's 2015 AGM.

**(b) Other option-based payments**

There were no other option based payments granted during the year ended 30 June 2017.

During the year ended 30 June 2016 the Group provided unlisted options to third parties as incentive remuneration for the provision of services. Options were issued in three equal tranches with a different exercise price for each tranche, being 10 cents, 15 cents and 25 cents, and all have an expiry date of 30 June 2018. 66.6% of the granted options vested during the 2016 financial year and the rest of the options will vest once the Company's share price reaches 25 cents.

## 35. SHARE BASED PAYMENTS (cont…)

All options granted by the Company carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

The below table summarises the number and movement in options granted and their weighted average prices:

| SUBSIDIARIES | AVENIRA LIMITED | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | NUMBER OF OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE CENTS | NUMBER OF OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE CENTS |
| Outstanding at the beginning of the year | **33,050,000** | **22** | 26,050,000 | 25 |
| Granted | **-** | **-** | 9,000,000 | 17 |
| Forfeited | **-** | **-** | - | - |
| Exercised | **(925,000)** | **10** | - | - |
| Expired | **(24,050,000)** | **25** | (2,000,000) | 28 |
| Outstanding at year end | **8,075,000** | **17** | 33,050,000 | 22 |
| Exercisable at year end | **5,075,000** | | 33,050,000 | |

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.00 years (2016: 1.06 years), and the exercise prices range from 10 cents to 25 cents.

All options issued were valued using the Black-Scholes European Option Pricing model. The fair value of options granted during the 2016 year was estimated on the date of grant using the following inputs:

| | 2016 |
|---|---|
| Weighted average exercise price (cents) | 24.16 |
| Weighted average life of the option (years) | 3.89 |
| Weighted average underlying share price (cents) | 10.1 |
| Expected share price volatility | 68.20% |
| Weighted average risk-free interest rate | 1.93% |
| Weighted average fair value per option granted (cents) | 3.1 |

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

### (c) Performance Rights Plan

There were no performance rights granted during the year ended 30 June 2017.

During the year ended 30 June 2016, 13,800,000 performance rights were granted to the executive KMP, key employees and consultants of the Group under the terms and conditions of the Avenira Performance Rights Plan which was approved at the November 2015 Annual General Meeting. These performance rights were issued for nil consideration and each performance right will convert to a fully paid ordinary share upon satisfaction of the relevant performance conditions.

The performance rights expire two years after the grant date and may vest over the two-year period on the achievement of the following performance conditions in relation to the Baobab Phosphate Project:

- Tranche 1 - 50% on commencement of commercial production (*vested 30 September 2016*);
- Tranche 2 - 25% on achievement of steady state commercial production (*lapsed 31 May 2017*); and
- Tranche 3 - 25% on accumulation of 100Mt of inferred resource of $P_2O_5$ at 20% or greater, capable of being converted into saleable product.

## 35. SHARE BASED PAYMENTS (cont…)

Movements in the number of performance rights on issue are as follows:

| 2017 | AVENIRA LIMITED | | | | | |
|---|---|---|---|---|---|---|
| | BALANCE AT START OF THE YEAR | ISSUED DURING THE YEAR | VESTED AND CONVERTED TO SHARES(i) | LAPSED(ii) | FORFEITED UPON RESIGNATION(iii) | BALANCE AT END OF THE YEAR |
| Grant Date: 18 November 2015 | | | | | | |
| Tranche 1 | 1,875,000 | - | - | - | (1,875,000) | - |
| Tranche 2 | 937,500 | - | - | - | (937,500) | - |
| Tranche 3 | 937,500 | - | - | - | (937,500) | - |
| Grant Date: 3 December 2015 | | | | | | |
| Tranche 1 | 5,025,000 | - | (5,025,000) | - | - | - |
| Tranche 2 | 2,512,500 | - | - | (2,512,500) | - | - |
| Tranche 3 | 2,512,500 | - | - | - | - | 2,512,500 |
| **TOTAL** | **13,800,000** | **-** | **(5,025,000)** | **(2,512,500)** | **(3,750,000)** | **2,512,000** |

(i) Tranche 1 performance rights vested on 30 September 2016 and were converted to shares for nil consideration.

(ii) Tranche 2 performance rights lapsed on 31 May 2017, when the performance milestone was not achieved by the milestone date.

(iii) Mr Lawrenson's 1,875,000 vested and 1,875,000 unvested performance rights were forfeited upon resignation.

| 2016 | AVENIRA LIMITED | | | | | |
|---|---|---|---|---|---|---|
| | BALANCE AT START OF THE YEAR | ISSUED DURING THE YEAR(i) | VESTED AND CONVERTED TO SHARES | LAPSED | FORFEITED UPON RESIGNATION | BALANCE AT END OF THE YEAR |
| Grant Date: 18 November 2015 | | | | | | |
| Tranche 1 | - | 1,875,000 | - | - | - | 1,875,000 |
| Tranche 2 | - | 937,500 | - | - | - | 937,500 |
| Tranche 3 | - | 937,500 | - | - | - | 937,500 |
| Grant Date: 3 December 2015 | | | | | | |
| Tranche 1 | - | 5,025,000 | - | - | - | 5,025,000 |
| Tranche 2 | - | 2,512,500 | - | - | - | 2,512,500 |
| Tranche 3 | - | 2,512,500 | - | - | - | 2,512,500 |
| **TOTAL** | **-** | **13,800,000** | **-** | **-** | **-** | **13,800,000** |

(i) The below table summarises the details of the performance rights granted during the 2016 financial year:

| | AVENIRA LIMITED | | | | | |
|---|---|---|---|---|---|---|
| | NUMBER OF RIGHTS ISSUED | FAIR VALUE AT GRANT DATE, $ | EXERCISE PRICE, $ | VESTING DATE | EXPIRY DATE | PROBABILITY MILESTONE ACHIEVEMENT(i) |
| Grant Date: 18 November 2015 | | | | | | |
| Tranche 1 | 1,875,000 | 0.092 | nil | 30 Sept 16 | 18 Nov 17 | n/a |
| Tranche 2 | 937,500 | 0.092 | nil | 31 May 17 | 18 Nov 17 | n/a |
| Tranche 3 | 937,500 | 0.092 | nil | 18 Nov 17 | 18 Nov 17 | n/a |
| Grant Date: 3 December 2015 | | | | | | |
| Tranche 1 | 5,025,000 | 0.067 | nil | 30 Sept 16 | 3 Dec 17 | 100% |
| Tranche 2 | 2,512,500 | 0.067 | nil | 31 May 17 | 3 Dec 17 | - |
| Tranche 3 | 2,512,500 | 0.067 | nil | 3 Dec 17 | 3 Dec 17 | 100% |
| **2016 rights granted** | **13,800,000** | | | | | |

(i) Each performance condition has a milestone date that the performance condition is required to be achieved by otherwise the performance right will lapse. As at 30 June 2017 the Board considered the percentage of likelihood of achieving the performance milestones as indicated in the table and it is based on the progress of operations at the Baobab Phosphate Project.

## 35. SHARE BASED PAYMENTS (cont…)

For further information on the performance conditions refer to the page 24 of the Remuneration Report.

Due to the fact the performance rights have a market-based condition the appropriate methodology, Monte-Carlo simulation method, was used for the valuation of the performance rights.

The below table lists the inputs used for determination of the fair value of the performance rights granted during the 2016 financial year:

| | GRANT DATE | | | | | |
|---|---|---|---|---|---|---|
| | 18 NOVEMBER 2015 | | | 3 DECEMBER 2015 | | |
| | TRANCHE 1 | TRANCHE 2 | TRANCHE 3 | TRANCHE 1 | TRANCHE 2 | TRANCHE 3 |
| Underlying security spot price, $ (i) | 0.140 | 0.140 | 0.140 | 0.115 | 0.115 | 0.115 |
| Exercise price | nil | nil | nil | nil | nil | nil |
| Dividend rate (ii) | nil | nil | nil | nil | nil | nil |
| Stock volatility (iii) | 70% | 70% | 70% | 70% | 70% | 70% |
| Risk free rate (iv) | 2.04% | 2.04% | 2.04% | 2.04% | 2.04% | 2.04% |
| Valuation date (v) | 18 Nov 15 | 18 Nov 15 | 18 Nov 15 | 3 Dec 15 | 3 Dec 15 | 3 Dec 15 |

(i) The underlying security spot price used for the purposes of this valuation is the closing price on the date of grant.

(ii) For the purposes of this valuation it is assumed that the company's share price is "ex-dividend".

(iii) The AEV stock volatility is based on historical data.

(iv) The risk-free rate is the implied zero coupon yield on Australian Government Bonds of maturity equivalent to the expected life of the performance rights.

(v) The valuation date is the date of grant of the performance rights.

Fair value of share based payments that were granted or vested to directors, employees, contractors and other parties are recognised in the profit or loss for the period:

| | 2017 $ | 2016 $ |
|---|---|---|
| Other option-based payments | **-** | 130,200 |
| Employee benefit expense – performance rights | **224,075** | 359,542 |
| Employee benefit expense – shares (i) | **20,000** | - |
| Total for the year | **244,075** | 489,742 |

(i) The Managing Director, Mr Louis Calvarin, is entitled to receive ordinary fully paid shares to the value of $20,000 as a sign on bonus of shares, subject to a shareholders' approval. It is anticipated the Company will seek shareholder approval for this issue of shares at its November 2017 Annual General Meeting. The shares will be issued at the volume weighted average market price of the fully paid ordinary shares of the Company over the thirty trading days immediately preceding the date of the meeting to approve the issue.

### (d) Other share based payments

In March 2017, the Company entered into an agreement with Agromine Suarl, where the Company may defer payment of a portion of Agromine's April – July 2017 monthly invoices, up to a total of XOF 1,240,000,000 (US$2 million) with the intent that the amount will be converted to shares in Avenira or its subsidiary BMCC. If not converted within six months the balance will be repaid in cash. Interest will only become payable on the loan if it is repaid in cash.

As at 30 June 2017, the Company has deferred a total of XOF640,487,956 (A$1.5 million) in relation to April – June 2017 invoices. Because it is the intention to convert the balance to equity, the deferred amount has been recorded within the share based payment reserve in equity at 30 June 2017. As at the date of signing this report the deferred payment amount of XOF 640,487,956 (A$1.5 million) will now be settled in cash.

### Key estimates and assumptions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model and Monte Carlo simulation method for performance rights, using the assumptions detailed above.

## 36. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Avenira Limited, at 30 June 2017. The information presented here has been prepared using accounting policies consistent with Group accounting policies.

| | 2017 $ | 2016 $ |
|---|---|---|
| **(a) Financial position** | | |
| **Assets** | | |
| Current assets | **5,974,820** | 18,563,005 |
| Non-current assets | **37,475,009** | 42,081,409 |
| **Total assets** | **43,449,829** | 60,644,414 |
| **Liabilities** | | |
| Current liabilities | **1,916,564** | 620,198 |
| Non-current liabilities | **4,718** | 52,478 |
| **Total liabilities** | **1,921,282** | 672,676 |
| **Net Asset Position** | **41,528,547** | 59,971,738 |
| **Equity** | | |
| Contributed equity | **125,037,889** | 119,817,389 |
| Reserves: | | |
| - Share based payments | **16,619,677** | 16,619,677 |
| - Performance rights | **583,616** | 2,627,542 |
| - Available-for-sale financial assets | **15,610** | |
| Accumulated losses | **(100,728,245)** | (79,092,870) |
| **Total equity** | **41,528,547** | 59,971,738 |
| **(b) Financial performance** | | |
| Loss for the year | **(21,635,375)** | (4,975,667) |
| Other comprehensive income | **15,610** | - |
| Total comprehensive loss for the year | **(21,619,765)** | (4,975,667) |

**(a) Details of any contingent liabilities of the parent entity**

The parent entity does not have any contingent liabilities at 30 June 2017.

**(b) Details of any commitments by the parent entity for the acquisition of property, plant and equipment**

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at reporting date.

## 37. BUSINESS COMBINATION

**Transaction details**

On 23 September 2015 Avenira acquired 100% of the issued shares in Baobab Fertilizer Africa (BFA). BFA is the 100% shareholder of Baobab Mining and Chemicals Corporation SA (BMCC), a company which owns the Baobab Phosphate Project in the Republic of Senegal.

The acquisition advances the Group's focus on the nutrient and fertiliser sector and nearer-term strategic objective of early cash flow with minimal capital expenditure and no technology risk.

The acquisition of BFA has been accounted for using the acquisition method. The financial statements include the results of BFA from the date of acquisition.

## 37. BUSINESS COMBINATION (cont…)

### Purchase consideration

The equity instruments were issued as a consideration in a business combination and measured at their fair value on the acquisition date as follows:

| | $ |
|---|---|
| **Purchase consideration** | |
| 100,000,000 fully paid ordinary shares(i) (v) | 10,500,000 |
| 80,000,000 unlisted options(ii) (v) | 2,632,000 |
| 40,000,000 Class "A" contingent share rights(iii) (vi) | 3,780,000 |
| 40,000,000 Class "B" contingent share rights(iv) (vi) | 2,268,000 |
| | 19,180,000 |

(i) Fair value is the share price on acquisition date, being $0.105.

(ii) Fair value price of $0.033 was calculated using Black-Scholes European Option Pricing Model at acquisition date.

(iii) Each Class "A" Contingent Share Right will convert to one ordinary share upon the earlier of achievement of (i) a board-approved preliminary feasibility study; (ii) the decision by the Board to proceed with the construction of a phosphate rock mine; or (iii) first commercial production of phosphate rock. Fair value is the share price on acquisition date, being $0.105. Maximum amount of contingent consideration is $4,200,000.

(iv) Each Class "B" Contingent Share Right will convert to one ordinary share upon the first commercial production of the phosphate rock. Fair value is the share price on acquisition date, being $0.105. Maximum amount of contingent consideration is $4,200,000.

(v) The consideration paid is calculated by multiplying the number of securities issued by the fair value of each security.

(vi) The consideration paid is calculated by multiplying the number of securities issued by the fair value of each security multiplied by the probability of each milestone being achieved.

### Fair value of identifiable net assets and liabilities

The fair values of the identifiable assets and liabilities of BFA as at the date of acquisition were:

| | FAIR VALUE ON ACQUISITION $ |
|---|---|
| **Assets** | |
| Cash and cash equivalent | 117,255 |
| Trade and other receivables | 82,753 |
| Property, plant and equipment | 227,617 |
| Intangible assets | 10,290 |
| Capitalised exploration and evaluation expenditure recognised on acquisition | 19,908,486 |
| **Total assets** | **20,346,401** |
| Trade and other payables | (1,166,401) |
| Deferred tax liability recognised on acquisition | (4,977,122) |
| **Total liabilities** | **(6,143,523)** |
| **Total net assets acquired on acquisition** | **14,202,878** |
| Goodwill arising on acquisition | **4,977,122** |
| **Total purchase consideration** | **19,180,000** |
| Analysis of cash flows on acquisitions | |
| Cash consideration paid to acquire subsidiary | - |
| Cash balance acquired | 117,255 |
| Net cash inflow on acquisition | **117,255** |

The fair value of trade and other receivables represents their recoverable amounts.

The goodwill on the transaction has principally arisen as a result of the requirement to recognise the deferred income tax liabilities representing the tax effect of the difference between the fair value and the tax base of assets acquired.

### Other Considerations

Management are not aware of the existence of any other assets and liabilities that should be considered in the assessment of the fair value of assets and liabilities of the acquiree except for the recognition of deferred tax liabilities.

## 37. BUSINESS COMBINATION (cont…)

**Revenue and loss of acquiree since the date of acquisition to 30 June 2016**

The acquired business contributed revenue of $259,672 and a net loss of $855,850 to the Group for the period from 23 September 2015 to 30 June 2016. If the acquisition had taken place at the beginning of the year, revenue and loss for the period would have been $790,430 and $1,283,891 respectively.

**Transaction costs**

Transaction costs of $1,189,532 have been expensed and are included in administrative and other expenses in the profit or loss.

## DIRECTORS' DECLARATION

The Directors declare that:

1. The financial statements and notes set out on pages 38 to 92 are in accordance with the *Corporations Act 2001*, including:

    a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements; and

    b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of their performance for the financial year ended on that date;

2. In their opinion, subject to achieving the matters set out in Note 1 of the financial report, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

3. A statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

**LOUIS CALVARIN**
*Managing Director*
Perth, 1 October 2017

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# Independent auditor's report to the Members of Avenira Limited

## Report on the audit of the financial report

### Opinion

We have audited the financial report of Avenira Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act* 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional* Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 1 to the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Impairment assessments of non-current assets

| Why significant | How our audit addressed the key audit matter |
|---|---|
| The Group's Baobab cash generating unit ("CGU"), which includes goodwill, property, plant and equipment and capitalised mine development, is required to be tested for impairment at each reporting date in accordance with the Group's accounting policies.<br><br>At 30 June 2017, the Baobab CGU was tested for impairment and the CGU's recoverable amount was determined based on an independent expert valuation. As disclosed in note 16 to the financial report, the independent expert valuation incorporated primary inputs that were not directly market observable, and contained a degree of subjectivity. Management also applied judgement in selecting the point in the range provided by the independent expert that was considered to best represent fair value from a market participant's perspective at 30 June 2017. Accordingly, this was considered to be a key audit matter.<br><br>The results of the Group's impairment testing and resulting impairment charge are disclosed in note 16 to the financial report. | Our audit procedures included the following:<br><br>• Assessed whether all indicators of impairment had been identified<br>• Assessed whether all appropriate assets and liabilities were included in the CGU carrying value<br>• Evaluated the competency and objectivity of experts who produced the reserve and resource statements underlying the impairment assessment by considering their professional qualifications and expertise<br>• Assessed the accuracy and completeness of the resource estimates used to estimate the recoverable amount of the Baobab CGU by comparing them to the Group's latest published resource estimates<br>• Involved our valuation specialists to provide input on key assumptions made by the independent experts in arriving at their preferred valuation<br>• Assessed whether the disclosure in Note 16 to the financial statements was accurate and complete, in accordance with the applicable Australian Accounting Standards. |

## 2. Carrying value of exploration and evaluation expenditure

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| Assessment of the carrying value of exploration and evaluation assets for impairment can be subjective, based on the Group's ability, and intention, to continue to explore the asset. Accordingly, this was considered to be a key audit matter.<br><br>As disclosed in Note 15 to the financial statements, an impairment test was performed in relation to the Group's Wonarah project at 30 June 2017. In determining a recoverable amount for the Wonarah project, the Group relied upon an independent expert valuation for which the primary inputs were not directly market observable, and contained a degree of subjectivity.<br><br>Refer to Note 15 to the financial statements for disclosure of the Group's capitalised exploration and evaluation expenditure at 30 June 2017 and details of the outcome of the Wonarah impairment testing and resulting impairment charge. | Our audit procedures included the following:<br><br>• Considered the Group's right to explore in the relevant exploration area, which included obtaining and assessing supporting documentation such as license agreements<br><br>• Evaluated the competency and objectivity of experts who prepared an independent valuation of the resources contained in the Wonarah area of interest, by considering their professional qualifications and expertise<br><br>• Assessed the accuracy and completeness of the resource estimates used to estimate the recoverable amount of the exploration and evaluation assets with respect to the Wonarah area of interest by comparing them to the Group's latest published resource estimates<br><br>• Involved our valuation specialists to provide input on key assumptions made by the independent experts in arriving at their preferred valuation<br><br>• Assessed whether the disclosure in Note 15 to the financial statements was accurate and complete, in accordance with the applicable Australian Accounting Standards. |

3. Commencement of commercial production

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As disclosed in Note 16 to the financial statements, the date of commencement of commercial production at the Baobab mine is a key judgment applied by the Group, as this is the date at which:<br>• Capitalisation of operating expenditure ceases<br>• Depreciation of the property, plant and equipment and mine development assets commences<br>• Revenue earned is recorded in the income statement rather than credited against the mine development asset.<br>Australian Accounting Standards do not provide specific guidance as to when a mine has reached the commercial production stage – that is, when it is in a condition necessary to operate as intended – therefore the determination of this date is subjective. As a result of the factors disclosed in Note 16 to the financial statements, the Group determined that commercial production had not yet commenced at 30 June 2017.<br>Australian Accounting Standards also do not provide specific guidance as to the accounting treatment of income generated in the development phase. As disclosed in Note 5 to the financial statements, the Group applied judgment in determining that revenue earned prior to the commencement of commercial production was integral to the development of the assets and therefore under the Group's accounting policy, revenue was credited against the mine development asset when earned. | Our audit procedures included the following:<br>• Assessed the current level of production of the Baobab plant and the length of time that this had been sustained<br>• Compared the current level of production of the Baobab plant to its design capacity<br>• Assessed whether revenue earned prior to the commencement of commercial production was properly considered integral to bringing the asset into the condition necessary to be capable of operating in the manner intended<br>• Assessed whether the disclosures in Notes 5 and 16 to the financial statements were accurate and complete, in accordance with the applicable Australian Accounting Standards. |

## Information other than the financial statements and auditor's report

The Directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

## Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Avenira Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001.*

## Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
1 October 2017

# ASX ADDITIONAL INFORMATION

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 7 September 2017.

**(a) Distribution of equity securities**

Analysis of numbers of equity security holders by size of holding:

| | ORDINARY SHARES | |
|---|---|---|
| | NUMBER OF HOLDERS | NUMBER OF SHARES |
| 1 – 1,000 | 367 | 81,631 |
| 1,001 – 5,000 | 731 | 2,614,469 |
| 5,001 – 10,000 | 883 | 7,146,119 |
| 10,001 – 100,000 | 1,790 | 61,299,561 |
| 100,001 and over | 370 | 530,471,593 |
| | 4,141 | 601,613,373 |
| The number of equity security holders holding less than a marketable parcel of securities are: | 1,363 | 4,260,112 |

**(b) Twenty largest shareholders**

The names of the twenty largest holders of quoted ordinary shares are:

| | | LISTED ORDINARY SHARES | |
|---|---|---|---|
| | | NUMBER OF SHARES | PERCENTAGE OF ORDINARY SHARES |
| 1 | Baobab Partners LLC | 134,861,475 | 22.42 |
| 2* | HSBC Custody Nominees <Australia> | 113,321,055 | 18.84 |
| 3 | J P Morgan Nominees Australia Limited | 31,484,540 | 5.23 |
| 4 | Agrifields DMCC | 22,512,506 | 3.74 |
| 5 | Solvochem Holdings Ltd | 15,584,951 | 2.59 |
| 6 | Mr Giovanni Del Conte | 14,849,612 | 2.47 |
| 7 | Societe de Polyserve Pour Les Engrais et Produits Chimiques SA | 14,703,962 | 2.44 |
| 8 | Vulcan Phosphates LLC | 14,000,000 | 2.33 |
| 9 | Mrs Vineeta Gupta | 9,446,472 | 1.57 |
| 10 | Mr Brett Wilmott <Wilmott Super Fund A/C> | 6,759,567 | 1.12 |
| 11 | Mr Paul Winston Askins | 6,103,117 | 1.01 |
| 12 | Laguna Bay Capital Pty Ltd <Laguna Bay Cap Trading A/C> | 4,500,000 | 0.75 |
| 13 | Mr Manar BA | 2,772,893 | 0.46 |
| 14 | Andrew Drummond & Associates Pty Ltd <Adatwo A/C> | 2,700,000 | 0.45 |
| 15 | Mr Vincent Badalati + Mrs Angela Badalati <The Badalati S/F A/C> | 2,684,771 | 0.45 |
| 16 | Citicorp Nominees Pty Limited | 2,633,335 | 0.44 |
| 17 | Mrs Shay Margaret Drummond | 2,607,300 | 0.43 |
| 18 | Mrs Karen Elizabeth Bergin | 2,358,088 | 0.39 |
| 19 | Mr Graeme Charles Boyce + Mrs Margery Lynette Boyce <Boyce Super Fund A/C> | 2,336,800 | 0.39 |
| 20 | Mr Neville Allan Lake + Mrs Janet Mary Lake <N A Lake Super Fund A/C> | 2,200,000 | 0.37 |
| | **Total top 20** | **408,420,444** | **67.89** |
| | Other | 193,192,929 | 32.11 |
| | **Total ordinary shares on issue as at 7 September 2017** | **601,613,373** | **100.00** |

### (c) Substantial shareholders

The name of the substantial shareholder who has notified the Company in accordance with Section 671F of the *Corporations Act 2001* is:

| | NUMBER OF SHARES |
|---|---|
| Baobab Partners LLC | 134,861,475 |
| Tablo Corporation* | 104,750,000 |
| J P Morgan Nominees Australia Limited | 31,484,540 |

*Beneficial owner of 104,750,000 fully paid shares

### (d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

### (e) Company Secretary, registered and principal administrative office and share registry

Details can be found in the Corporate Information on page 2 of the Annual Report.

### (f) Schedule of interest in mining tenements

| LOCATION | TENEMENT | PERCENTAGE HELD / EARNING |
|---|---|---|
| Arruwurra, Northern Territory | EL29840 | 100 |
| Wonarah, Northern Territory | EL29841 | 100 |
| Dalmore, Northern Territory | EL29849 | 100 |
| Central Wonarah, Northern Territory | EL31477 | 100 |
| Baobab, Senegal | 14626/MIM/DMG | 80 |
| Gadde Bissik Senegal | 09810/MIM/DMG | 80 |


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