AVENIRA LIMITED

ABN 48 116 296 541

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2016

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by Avenira Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

Your Directors submit their report on the consolidated entity consisting of Avenira Limited and the entities it controlled (Avenira or the Group) at the end of, or during, the half-year ended 31 December 2016.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Richard H (Dick) Block (former Independent Non-executive Chairman – deceased 4 December 2016)
Cliff Lawrenson (Managing Director and CEO – resigned 11 January 2017)
Ian McCubbing (Non-executive Director)
Timothy Cotton (Non-executive Director)
Farouk Chaouni (Non-executive Director)
David Mimran (Independent Non-executive Director)
Dr Christopher Pointon (Independent Non-executive Director – appointed Non-executive Chairman 7 December 2016)

The Directors held their position throughout the entire half year period and up to the date of this report unless stated otherwise.

REVIEW OF OPERATIONS

The Review of operations should be read in conjunction with the half-year statements, the consolidated annual financial report of the Group as at 30 June 2016 and considered together with any public announcements made by the Group during the half-year ended 31 December 2016 in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

Baobab Phosphate Project
Production
During the half-year pre-stripping and mining of the Stage 1 open pit was completed with phosphate mining in this pit finished during the third week in November 2016. The first phosphate horizon was uncovered in the third week of July 2016, with the first phosphate mined at the end of August 2016.

Phosphate mining under close geological control in Stage 1 Open Pit

Pre-stripping of Stage 2 open pit commenced in late June 2016 with overburden removal completed during the third week in December 2016. Phosphate mining from Stage 2 commenced in the first week of December 2016 and is continuing. Ongoing optimisation of the mine design and schedule continues to demonstrate little change to the original pit design.

Initial topsoil removal has commenced for the Stage 3 open pit.

Consulmet (Pty) Limited, combined with the Company process team, completed the wet screening plant construction on time at the start of August 2016. This combined team continues to ramp up the plant with the target of increasing the plant throughput to design capacity.

Directors' Report

First Phosphate Product

Contract crushing operations was commissioned during October 2016, after some delays. The Company is working closely with the crushing contractor to improve the productivity and availability that will be required from this plant as the throughput of the wet screening plant increases to design capacity.

Avenira has experienced some processing plant issues and difficulties in achieving the low moisture levels required by customers. Minor modifications were completed at the washing screening product discharge, and a dewatering hydrocyclone was installed in the third week of December 2016 to reduce the moisture levels in the phosphate product before open air drying. Initial plant performance following the hydrocyclone installation indicates a significant drop in moisture content of the phosphate product and a slight increase in the product grade, resulting from removal of minor amounts of residual clay in the screen product. Subsequent to the half-year it became clear that additional pumping capacity would improve the hydrocyclone performance. Installation of a new pump and related control systems is scheduled to be completed by Consulmet during March 2017.

Geology and exploration

Gadde Bissik Area

Drilling activities for the half-year focused primarily on resource definition within and adjacent to the Small Mine Permit ("SMP") at 125 metre x 125 metre spacing. The purpose of the current diamond drilling program is to provide sufficient information to allow an increase in the Indicated Resource at Gadde Bissik. Drilling statistics for the half-year are included below:

BAOBAB PROJECT	Air core drilling		Diamond drilling	
Purpose of drilling	Holes	Metres	Holes	Metres
Regional exploration	107	4,033	-	-
Resource definition				
- Within SMP	-	-	61	2,614
- Outside SMP	8	289	88	3,560
TOTAL	115	4,322	149	6,174

There was no change to the resource estimate during the half-year. Resource definition diamond drilling continued for a significant portion of the March 2017 quarter, primarily adjacent to the eastern part of the SMP and extending further east to follow the mineralisation trend.

Subsequent to the half-year the Group announced a significant increase to its indicated mineral resource at the Baobab Phosphate Project, highlighted by:

- Indicated Mineral Resource tonnage increased by 150% to an estimate of 31.7 million tonnes at 20.6% P_2O_5 at a 15% P_2O_5 cut-off grade at Gadde Bissik East, part of the wider Baobab Phosphate Project, Republic of Senegal;
- Inferred Mineral Resource of 56 million tonnes @ 19% P_2O_5 at a 15% P_2O_5 cut-off estimated for the remainder of Gadde Bissik East prospect, including more broadly drilled portions of the SMP; and
- Maiden Inferred Resource estimates released for three new prospects, taking the global Inferred Resource estimate at Baobab to 114Mt at 19% P_2O_5 at a 15% P_2O_5 cutoff.

The following table summarises estimated resources at a P_2O_5 cut-off grade of 15% depleted by mining to the end of January 2017. The figures in this table are rounded to reflect the precision of estimates and include rounding errors.

Directors' Report

GADDE BISSIK MINERAL RESOURCE TABLE - EFFECTIVE DATE 31/01/2017									
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	25.9	20.9	28.9	0.07	2.07	3.71	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	31.7	20.6	28.6	0.07	2.08	3.70	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
Gad Escale		Inferred	19	20	28	0.16	2.3	2.5	44
Total Resources		Indicated	31.7	20.6	28.6	0.07	2.08	3.70	41.7
		Inferred	114	19	26	0.14	3.0	4.3	44

Regional exploration

The results of a 31-hole scout air core drill program targeting areas to the east and north-east of the Gadde Bissik deposit were finalised during the half-year. The drill program demonstrated the continuity of phosphate mineralisation up to 15 kilometres east of the SMP. Every hole drilled had anomalous to significant phosphate mineralisation present. The most significant intervals include RGRC0437 with 8 metres at 21.5% P_2O_5, RGRC0432 with 6 metres at 20.2% P_2O_5 and RGRC0442 with 4 metres at 23.4% P_2O_5. The 8-metre interval in RGRC0437 is one of the thickest phosphate intervals outside of the current resource area. 500 x 500 metre grid-spaced infill air core drill programs were then conducted at the Dinguiraye and Gad Escale prospects to follow up on these positive results. 30 holes were drilled at Dinguiraye for 1159 metres and 17 holes were drilled at Gad Escale for 744 metres. Final assay results are expected in the March 2017 quarter.

Further scout air core drilling on a 4000 metre x 4000 metre grid spacing was extended to cover the entire northern and eastern part of the tenement. A total of 48 holes were drilled for 1,709 metres. Final assay results are expected in the March 2017 quarter.

Safety and community

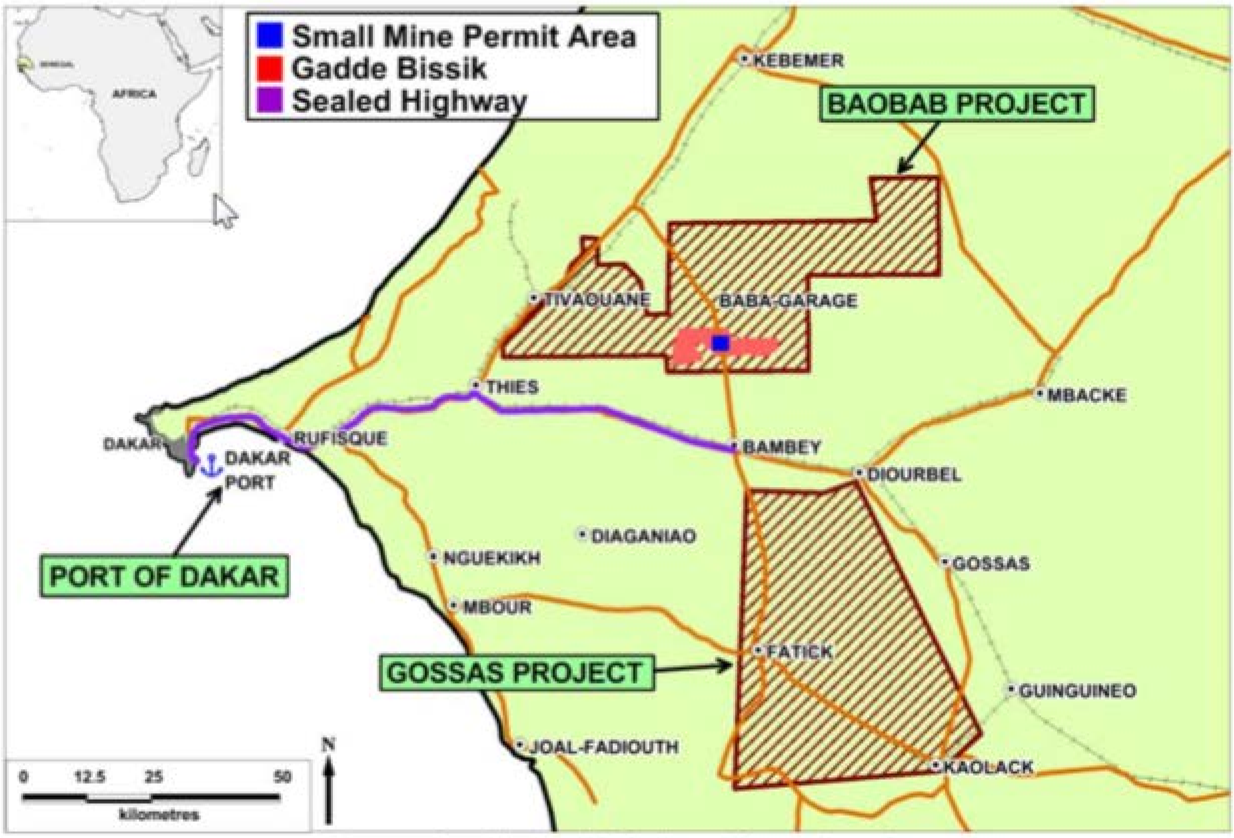
No lost time injuries or significant incidents were reported during the half-year and work continued in progressing operator training and establishing safety systems.

The employment rotation system for selection from potential local employees for short term and long term operational functions continued during the half-year. A tree planting program commenced in the areas immediately outside the project safety fence, with a large number of local residents involved in this program in cooperation with the Forestry Department. This work aims to establish a tree nursery to supply seedlings for future rehabilitation and will be completed in March 2017. Avenira also presented the city of Gawane, near to the Baobab Project, a medical transportation and rescue unit.

Marketing

During the half-year the Company signed three export rock phosphate supply agreements to purchase in aggregate between 360,000 and 480,000tpa of Baobab rock phosphate product destined for downstream phosphate fertiliser producers. These agreements mark a significant milestone for the Company. Establishing long-term relationships with end users of the Baobab product remains an important priority.

Directors' Report



Baobab, Gadde Bissik and Gossas location

Gossas Project

Geology and exploration

The Gossas tenement is in the process of being transferred to Baobab Mining and Chemicals Corporation SA, an 80% owned subsidiary of the Company.

The Gossas tenement lies to the south-east of Baobab. The eastern part of the tenement covers an area of high prospectivity for phosphate with numerous historical records of phosphate occurrences. Some phosphate exploration was carried out in the 1950s and phosphate mineralisation up to 12 metres thick was recorded in the south-eastern part of the Gossas tenement. The depth of overburden varies from 20 to 40 metres. The mineralisation is considered by the BRGM to be similar in nature to the reworked style of mineralisation that occurs at Gadde Bissik on the nearby Baobab tenement. The grade of the phosphate is conjectural with some high-grade samples recorded but sampling protocols are unknown. The geology of the western half of the Gossas tenement is not considered to be prospective for economic phosphate mineralisation.

Initial exploration of the Gossas tenement commenced in July 2016 with 5 scout air core holes drilled in the Diakhao area targeting a BRGM anomaly. Phosphate was observed in three of the five holes at shallow depths (<20m) and assay results are pending validation. Drilling is anticipated to recommence in the March 2017 quarter. The areas of known phosphate mineralisation north of Kaolack will be targeted on a 2,000 x 2,000 metre grid spacing and other adjacent areas to the north and west will be targeted with 4,000 x 4,000 metre scout air core drilling.

Wonarah Phospate Project

The Company continues to review the holding costs of the Wonarah project until the commercial validation of the IHP technology. A strategy of reducing the exploration tenement area peripheral to ML27244 continued in the September 2016 quarter with the surrender of EL23767. None of the Wonarah JORC Mineral Resource is contained within EL23767.

At 31 December 2016 the Group assessed the carrying value of exploration and evaluation expenditure capitalised in respect of the Wonarah Project for impairment. As a result at 31 December 2016 the Group assessed the fair value less costs of disposal of the Wonarah project to be $6,100,000. Accordingly, an impairment charge of $9,478,523 has been recognised in the Statement of Profit of Loss or Other Comprehensive Income.

The fair value of the Wonarah project was determined with reference to the valuation prepared by independent expert, Optiro Pty Ltd (level 3 in the fair value hierarchy). Optiro considers the market value of the Wonarah project has decreased since its last review due to the declining phosphate price and that commercialisation of the IHP process remains uncertain. The independent expert determined the fair market value of the Wonarah Project lies within a range of $6,100,000 and $10,700,000. Considering that no exploration expenditure, other than rental and incidental land costs, has been budgeted for the financial year ending 30 June 2017 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.

JDC Phosphate Inc.
Avenira owns approximately 8.0% of JDC Phosphate, Inc. (JDCP) and has an exclusive licence to utilise the Improved Hard Process (IHP) technology in Australia and Senegal for an extended period of time.

During the half-year Avenira executed two agreements with JDCP that have:
- Updated and strengthened Avenira's exclusive IHP license 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 USD2m and has been fully drawn down.

The carrying value of the licence rights and secured convertible funding was impaired as at 31 December 2016 due to insufficient evidence of recoverability based on JDC's prolonged inability to raise funds, therefore delaying the ability to progress the IHP process towards commercial validation.

CORPORATE

During the half year ended 31 December 2016 the Group reported an operating loss of $16,392,969 (half-year to 31 December 2015: loss of $5,634,871).

As at 31 December 2016 the total cash balance was $8,991,317 (30 June 2016: $24,473,574).

During the half-year the following securities have been released from escrow:
- 140,000,000 fully paid ordinary shares;
- 80,000,000 unlisted options, exercise price $0.25, expiry 24/09/2019; and
- 40,000,000 'Class B' Contingent Share Rights, expiry 24/09/2020.

Also during the half-year Avenira Chairman Dick Block sadly passed away. Dr Christopher Pointon was appointed non-executive Chairman on 7 December 2016. The Company has commenced a search for a further independent director following the appointment of the new Managing Director.

On 8 November 2016, the Company advised that the Managing Director, Cliff Lawrenson would leave the Company in early 2017 and that a search for a new Managing Director commenced.

On 13 January 2017, the Company advised that Cliff Lawrenson left the Company on 11 January 2017. The Company is well advanced in the recruitment of a new Managing Director, and hopes to make an appointment in the near future.

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$4.4million 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);
  - Interest rate: 6.75%;
  - 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$4.4million) for the financing of export receivables, if required.

The working capital facility of $4,458,362 was fully drawn down on 31 December 2016.

DIVIDENDS
No dividends were paid or declared during the six months ended 31 December 2016. No recommendation for payment of dividends has been made.

Directors' Report

SUBSEQUENT EVENTS

On 7 March 2017, the Company successfully completed its first shipment of 21,400 tonnes from the Baobab Phosphate Project in the Republic of Senegal to India. The milestone shipment has triggered the conversion of 40 million Class B Contingent Share Rights held by Baobab Partners LLC into 40 million fully paid ordinary shares in Avenira, in accordance with the terms of the Merger Implementation Agreement for the acquisition of the Baobab Project.

In March 2017 Mimran Group, the 20% shareholder in BMCC, contributed its pro rata share of loan funds of XOF 1.1 billion (A$2.3 million) to BMCC.

Other than stated above, since 31 December 2016 the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods.

AUDITORS' 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 8.

This report is made in accordance with a resolution of the directors.

C.W. Pointon

Dr Christopher Pointon
Non-executive Chairman

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Auditor's Independence Declaration to the Directors of Avenira Limited

As lead auditor for the review of Avenira Limited for the half-year ended 31 December 2016, 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 review; and

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

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

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
16 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Continuing Operations			
REVENUE			
Other income		**154,467**	242,694
EXPENDITURE			
Depreciation expense	3	**(98,191)**	(18,800)
Salaries and employee benefits expense		**(641,358)**	(618,464)
Exploration expenditure		**-**	(774,166)
Impairment of exploration and evaluation expenditure	4	**(9,478,523)**	(230,397)
Impairment of intangible assets	6	**(641,915)**	-
Net loss in disposal of subsidiary		**-**	(1,354,707)
Doubtful debts		**(2,465,150)**	(93,588)
Share based payment expense		**(266,361)**	(172,321)
Net foreign currency loss		**(5,322)**	(149,106)
Administrative and other expenses		**(2,950,616)**	(2,466,016)
LOSS BEFORE INCOME TAX		**(16,392,969)**	(5,634,871)
INCOME TAX BENEFIT/(EXPENSE)		**-**	-
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(16,392,969)**	(5,634,871)
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 period		**(879,131)**	(54,810)
		(879,131)	2,366,032
Available-for-Sale-Financial assets			
Net fair value gain on available-for-sale financial assets		**62,469**	-
		62,469	-
Other comprehensive income / (loss) for the year, net of tax		**(816,662)**	2,366,032
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(17,209,631)**	(3,268,839)
Loss for the year is attributable to:			
Owners of Avenira Limited		**(15,965,396)**	(5,634,871)
Non-controlling interest		**(427,573)**	-
		(16,392,969)	(5,634,871)
Total comprehensive loss for the year is attributable to:			
Owners of Avenira Limited		**(16,463,598)**	(3,268,839)
Non-controlling interest		**(746,033)**	-
		(17,209,631)	(3,268,839)
LOSS PER SHARE			
From continuing operations			
Basic loss per share (cents)		**(3.03)**	(1.76)
Diluted loss per share (cents)		**(3.03)**	(1.76)

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2016

	Notes	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
CURRENT ASSETS			
Cash and cash equivalents		**8,991,317**	24,473,574
Trade and other receivables		**2,702,138**	1,657,986
Inventories		**2,638,023**	-
TOTAL CURRENT ASSETS		**14,331,478**	26,131,560
NON-CURRENT ASSETS			
Trade and other receivables		**1,491,608**	1,491,217
Available-for-sale financial assets		**78,098**	15,629
Plant and equipment	3	**1,349,890**	800,789
Capitalised exploration and evaluation expenditure	4	**7,717,092**	15,418,499
Capitalised mine development expenditure	5	**41,916,628**	35,526,331
Intangible assets	6	**16,588**	192,619
Goodwill	7	**4,644,556**	4,746,961
TOTAL NON-CURRENT ASSETS		**57,214,460**	58,192,045
TOTAL ASSETS		**71,545,938**	84,323,605
CURRENT LIABILITIES			
Trade and other payables		**3,093,197**	3,154,788
Provisions		**395,267**	181,814
TOTAL CURRENT LIABILITIES		**3,488,464**	3,336,602
NON CURRENT LIABILITIES			
Provisions		**3,223,743**	4,018,459
Loans and borrowings	8	**4,458,362**	-
Deferred tax liabilities		**4,644,556**	4,746,961
TOTAL NON CURRENT LIABILITIES		**12,326,661**	8,765,420
TOTAL LIABILITIES		**15,815,125**	12,102,022
NET ASSETS		**55,730,813**	72,221,583
EQUITY			
Issued capital	9	**120,269,889**	119,817,389
Reserves		**25,804,530**	26,036,371
Accumulated losses		**(97,155,356)**	(81,189,960)
Capital and reserves attributable to members of Avenira Limited		**48,919,063**	64,663,800
Non-controlling interest		**6,811,750**	7,557,783
TOTAL EQUITY		**55,730,813**	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

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

		Attributable to Owners of Avenira Limited					
Consolidated	Notes	Issued Capital $	Reserves $	Accumulated Losses $	Total $	Non-Controlling Interest $	Total $
BALANCE AT 1 JULY 2015		89,901,304	11,814,610	(71,865,636)	29,850,278	(118,607)	29,731,671
Loss for the period		-	-	(5,634,871)	(5,634,871)	-	(5,634,871)
Other comprehensive income for the period		-	2,366,032	-	2,366,032	-	2,366,032
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-	2,366,032	(5,634,871)	(3,268,839)	-	(3,268,839)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Shares issued during the period		17,794,217	-	-	17,794,217	-	17,794,217
Share issue transaction costs		(154,833)	-	-	(154,833)	-	(154,833)
Share based payments		-	172,321	-	172,321	-	172,321
Contingent consideration and options issued on acquisition of subsidiary		-	4,900,000	-	4,900,000	-	4,900,000
De-recognition of non-controlling interest on disposal of subsidiary		-	-	-	-	118,607	118,607
BALANCE AT 31 DECEMBER 2015		107,540,688	19,252,963	(77,500,507)	49,293,144	-	49,293,144
BALANCE AT 1 JULY 2016		119,817,389	26,036,371	(81,189,960)	64,663,800	7,557,783	72,221,583
Profit/ (loss) for the period		-	-	(15,965,396)	(15,965,396)	(427,573)	(16,392,969)
Other comprehensive income for the period		-	(498,202)	-	(498,202)	(318,460)	(816,662)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-	(498,202)	(15,965,396)	(16,463,598)	(746,033)	(17,209,631)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Shares issued during the period		452,500	-	-	452,500	-	452,500
Share based payments		-	266,361	-	266,361	-	266,361
BALANCE AT 31 DECEMBER 2016		120,269,889	25,804,530	(97,155,356)	48,919,063	6,811,750	55,730,813

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

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(6,875,188)**	(3,203,700)
Payments for exploration expenditure		**-**	(774,166)
Receipts for other income		**-**	2,298
Interest received		**201,782**	199,487
NET OUTFLOW FROM OPERATING ACTIVITIES		**(6,673,406)**	(3,776,081)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation costs		**(1,475,787)**	(1,585,419)
Payments for mine development		**(8,754,523)**	(2,028,610)
Payments for plant and equipment		**(768,135)**	(39,805)
Proceeds on sale of plant and equipment		**-**	508
Payments for security deposits		**-**	(103,013)
Refund of security deposits		**-**	94,500
Proceeds on sale of subsidiary		**-**	1,170,965
Cash balance from subsidiary acquired		**-**	117,255
Payments for licence rights		**(466,318)**	-
Loans to other entities		**(2,202,149)**	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(13,666,912)**	(2,373,619)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**452,500**	3,096,682
Transaction costs on issue of shares		**-**	(154,834)
Proceeds from borrowings		**4,451,745**	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**4,904,245**	2,941,848
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(15,436,073)**	(3,207,852)
Cash and cash equivalents at the beginning of the period		**24,473,574**	15,388,406
Effects of exchange rate changes on cash and cash equivalents		**(46,184)**	(215,713)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**8,991,317**	11,964,841

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

Notes to the Consolidated Financial Statements (cont.)

HALF-YEAR ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION

(a) Reporting Entity

The financial report of Avenira Limited and its subsidiaries (collectively, Avenira or the Group) for the six months ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 16 March 2017.

Avenira Limited (the Company) is a for profit company limited by shares, domiciled and incorporated in Australia, whose shares are publicly traded. The company's principal place of business is Ground Floor, 20 Kings Park Road, West Perth WA 6005.

The Group's principal activities are the exploration, development and production of valuable phosphate and other nutrient projects.

(b) Basis of preparation

The interim financial report for the half-year reporting period ended 31 December 2016 is a general purpose condensed financial report prepared in accordance with the *Corporations Act 2001* and AASB 134: Interim Financial Reporting.

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Avenira Limited and its controlled entities (Avenira or the Group) as the annual financial report. It is recommended that the interim financial report be read in conjunction with the annual report of the Group for the year ended 30 June 2016 and considered together with any public announcements made by Avenira during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX listing rules.

The interim financial report has been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2016 and any new accounting policies outlined at 1(d).

(c) Going concern

At 31 December 2016, the Group had cash on hand of $8,991,317 (30 June 2016: $24,473,574). The Group's cash flow forecast for the period ending 31 March 2018 is sensitive to the assumed cash flows from the Group's Baobab Phosphate Project in Senegal ("Baobab").

The Group is in the process of ramping up the Baobab Project, and accordingly certain assumptions included in the Group's cash flow forecast relating to the production and sale of phosphate product, and working capital have not yet been achieved. Should these assumptions either not be achieved or not be achieved within the timeframes expected, the Group will need to raise further working capital.

The ability of the Group to be able to continue as a going concern is thus dependent upon the Group being able to secure additional working capital as and when required, until the Baobab project materially achieves its operational and financial projections.

The Directors are satisfied that additional working capital can be secured as required and that it is appropriate to prepare the financial statements on a going concern basis based on the following:

- The Group is in discussion with financiers for additional working capital.
- Subsequent to balance date, the Group has entered into extended credit arrangements with a major supplier with the effect of increasing working capital and the Mimran Group contributed its pro rata share of loan funds to BMCC.
- The Group's historical track record of being able to secure additional working capital as and when required.

In the event that the Group is unable to raise additional working capital, if required, there is 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 adjustments relating to the recoverability and classification of the recorded assets amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

(d) Additional accounting policies

Inventories
Inventories are stated 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, based on normal operating capacity. Costs are

assigned using the weighted average cost method. Net realisable value is the estimated future selling price of the product the entity 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.

Inventories as at 31 December 2016 of $2,638,023 have been valued at their net realisable value.

(e) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016, except for the adoption of new standards and interpretations effective as of 1 July 2016. Although these amendments apply for the first time in the 2017 financial year, they do not have a material impact on the interim financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. SEGMENT INFORMATION

The following tables present revenue and profit information for the Group's operating segments for the six months ended 31 December 2016 and 2015, respectively**.**

	Wonarah	Baobab	Unallocated – Other Segments	Total Consolidated
Six months ended 31 December 2016	$	$	$	$
Revenue				
Other income	**20,815**	**14,431**	**119,221**	**154,467**
Total segment revenue	**20,815**	**14,431**	**119,221**	**154,467**
Segment net loss	**(9,481,918)**	**(2,222,414)**	**(4,688,637)**[1]	**(16,392,969)**

[1] Includes doubtful debts expense of $2,465,150

	Wonarah	Baobab	Unallocated – Other Segments	Total Consolidated
Six months ended 31 December 2015				
Revenue				
Other income	22,026	2,299	218,369	242,694
Total segment revenue	22,026	2,299	218,369	242,694
Segment net loss	(227,394)	(809,252)	(4,598,225)[2]	(5,634,871)

[2] Includes net loss on disposal of subsidiary of $1,354,707

The following table presents assets and liabilities information for the Group's operating segments as at 31 December 2016 and 30 June 2016, respectively**.**

	Wonarah	Baobab	Unallocated – Other Segments	Total Consolidated
Assets				
31 December 2016	**7,612,979**	**55,035,666**	**8,897,293**	**71,545,938**
30 June 2016	16,944,978	44,931,683	22,446,944	84,323,605
Liabilities				
31 December 2016	**1,294,315**	**13,935,989**	**584,821**	**15,815,125**
30 June 2016	1,293,836	8,593,726	2,214,460	12,102,022

Notes to the Consolidated Financial Statements (cont.)

HALF-YEAR ENDED 31 DECEMBER 2016

3. NON CURRENT ASSETS – PLANT AND EQUIPMENT

	31 December 2016 $	30 June 2016 $
Gross carrying value – at cost	**1,726,700**	1,079,408
Accumulated depreciation	**(376,810)**	(278,619)
Net carrying amount	**1,349,890**	800,789
Movements in carrying amounts		
Opening net carrying amount	**800,789**	32,471
Additions	**768,135**	721,919
Additions through business combination	**-**	227,617
Disposals	**(4,790)**	(9,548)
Depreciation charge	**(98,191)**	(91,699)
Foreign currency exchange differences	**(116,053)**	(79,971)
Closing net carrying amount	**1,349,890**	800,789

4. NON CURRENT ASSETS – CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2016 $	30 June 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	**1,847,656**	1,657,576
Impairment of exploration and evaluation expenditure	**(9,478,523)**	(574,962)
Write off of exploration and evaluation expenditure	**-**	(635,125)
Research and development tax refund	**-**	(286,612)
Capitalised exploration and evaluation costs on acquisition	**-**	19,908,486
Reclassification of capitalised mine development	**-**	(20,650,864)
Foreign currency exchange differences	**(70,540)**	-
Closing net carrying amount	**7,717,092**	15,418,499

At 31 December 2016 the Group assessed the carrying value of exploration and evaluation expenditure capitalised in respect of the Wonarah Project for impairment. As a result at 31 December 2016 the Group assessed the fair value less costs of disposal of the Wonarah project to be $6,100,000. Accordingly, an impairment charge of $9,478,523 (2015: $574,962) has been recognised in the Statement of Profit of Loss or Other Comprehensive Income.

The fair value of the Wonarah project was determined with reference to the valuation prepared by independent expert, Optiro Pty Ltd (“Optiro”). Optiro considers the market value of the Wonarah project has decreased since its last review due to the declining phosphate price and that commercialisation of the IHP process remains uncertain. The independent expert determined the fair market value of the Wonarah Project 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 2017 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.

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.

5. NON CURRENT ASSETS – CAPITALISED MINE DEVELOPMENT EXPENDITURE

	31 December 2016 $	30 June 2016 $
Reconciliation of movements during the year		
Opening net carrying amount	**35,526,331**	-
Reclassification from exploration and evaluation expenditure	**-**	20,650,864
Capitalised mine development	**8,072,716**	13,119,591
Capitalised provision for rehabilitation	**(821,091)**	2,676,481
Foreign currency transaction movement	**(861,328)**	(920,605)
Closing net carrying amount	**41,916,628**	35,526,331

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 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 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 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. The Group conducted an impairment test in relation to the Baobab CGU at 31 December 2016, 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 using a discounted cash flow model based on the current mine plan, in accordance with the methodology described below. To this was added identified JORC resources within the area of interest that are not included in the current mine plan. These were valued by an independent valuer, Optiro. 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 Group undertakes future cash flow calculations that are based on a number of critical estimates and assumptions, and reflect the life of mine ("LOM") operating and capital cost assumptions used in the group's latest budget and LOM plans:

(i) Mine life including quantities of mineral Ore Reserves and Mineral Resources for which there is a high degree of confidence of economic extraction with given technology

(ii) Estimated production and sales levels

(iii) Estimate future commodity prices based on brokers' consensus forecast, adjusted where appropriate

(iv) Future costs of production

(v) Future capital expenditure

(vi) Future exchange rates; and/or

(vii) Discount rates based on the group's estimated before tax weighted average cost of capital, adjusted when appropriate to take into account relevant risks such as development risk. For the 31 December 2016 impairment assessment, the Group applied a real, post-tax discount rate of 15.0%.

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results. The expected future cash flows of the cash generating unit are most sensitive to fluctuations in the phosphate rock price and forward exchange rates between West African CFA francs and United States dollars.

Notes to the Consolidated Financial Statements (cont.)

HALF-YEAR ENDED 31 DECEMBER 2016

6. NON CURRENT ASSETS – INTANGIBLES

	31 December 2016 $	30 June 2016 $
Intangibles		
Licence rights at cost	**753,211**	275,463
Accumulated amortisation and impairment losses	**(736,623)**	(82,844)
Net carrying amount	**16,588**	192,619
Movements in carrying amounts		
Opening net carrying amount	**192,619**	202,095
Additions (i)	**477,748**	9,025
Additions through business combination	**-**	10,290
Impairment of intangible assets (ii)	**(641,915)**	-
Foreign exchange revaluation	**(10,878)**	-
Amortisation	**(986)**	(28,791)
Closing net carrying amount at year end	**16,588**	192,619

(i) The licence rights include USD350,000 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.

(ii) 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 the 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.

7. NON CURRENT ASSETS – GOODWILL

	31 December 2016 $	30 June 2016 $
Goodwill		
Goodwill acquired in business combination	**4,644,556**	4,746,961
Net carrying amount	**4,644,556**	4,746,961
Movements in carrying amounts		
Opening net carrying amount	**4,746,961**	-
Goodwill acquired in business combination at cost (i)	**-**	4,977,122
Foreign currency translation movement	**(102,405)**	(230,161)
Net carrying amount at year end	**4,644,556**	4,746,961

(i) The goodwill arose on acquisition of Baobab Mining and Chemicals Corporation on 23 September 2015.

The assets and liabilities contained within the Small Mine Permit (SMP) relate to the Baobab Phosphate Project. 100% of the goodwill has been allocated to the SMP. Goodwill was included in the impairment assessment discussed at note 5.

Notes to the Consolidated Financial Statements (cont.)

HALF-YEAR ENDED 31 DECEMBER 2016

8. LOANS AND BORROWINGS

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$4.4million 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);
    - Interest rate: 6.75%;
    - 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$4.4million) for the financing of export receivables, if required.

The working capital facility of $4,458,362 was fully drawn down on 31 December 2016.

9. ISSUED CAPITAL

	Notes	31 December 2016 Number of shares	31 December 2016 $	30 June 2016 Number of shares	30 June 2016 $
(a) Share capital					
Ordinary shares fully paid		**526,826,468**	**120,269,889**	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		**-**	**-**	28,151,676	3,096,682
– Issue of shares		**-**	**-**	3,795,786	417,536
– Issue of shares		**-**	**-**	140,000,000	14,280,000
– Issue of shares		**-**	**-**	104,750,000	12,276,700
– Issue of shares upon exercise of options	9(c)	**2,000,000**	**360,000**	-	-
– Issue of shares upon exercise of options	9(c)	**925,000**	**92,500**	-	-
Less: transaction costs				-	(154,833)
End of the financial year		**526,826,468**	**120,269,889**	523,901,468	119,817,389

Notes to the Consolidated Financial Statements (cont.)

HALF-YEAR ENDED 31 DECEMBER 2016

	Number of options	
	31 December 2016	30 June 2016
(c) Movements in unlisted options on issue		
Beginning of the financial period	**127,050,000**	40,050,000
Issued during the period:		
– exercisable at 10 cents on or before 30 June 2018	**-**	3,000,000
– exercisable at 15 cents on or before 30 June 2018	**-**	3,000,000
– exercisable at 25 cents on or before 30 June 2018	**-**	3,000,000
– exercisable at 25 cents on or before 24 September 2019	**-**	80,000,000
Exercised during the period		
– 18 cents, 29 July 2016	**(2,000,000)**	-
– 10 cents, 30 June 2018	**(925,000)**	-
Expired/cancelled during the period		
– 18 cents, 29 July 2016	**(1,550,000)**	-
– 22.5 cents, 20 November 2016	**(5,500,000)**	-
– 47 cents, 3 January 2016	**-**	(500,000)
– 22 cents, 15 June 2016	**-**	(1,500,000)
End of the financial period	**117,075,000**	127,050,000

	Number of share rights	
	31 December 2016	30 June 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	**-**	80,000,000
– Issued for performance rights, expiring on 10 December 2017	**-**	10,050,000
– Issued for performance rights, expiring on 10 December 2017	**-**	3,750,000
Exercised during the year:		
– Contingent share rights exercised on 11 November 2015	**-**	(40,000,000)
End of the financial year	**53,800,000**	53,800,000

10. COMMITMENTS AND CONTINGENCIES

Since 30 June 2016 the Directors are not aware of any other matter or circumstance that has significantly or may significantly affect the commitments and contingencies disclosed in the 30 June 2016 annual report.

11. EVENTS AFTER THE REPORTING PERIOD

On 7 March 2017, the Company successfully completed its first shipment of 21,400 tonnes from the Baobab Phosphate Project in the Republic of Senegal to India. The milestone shipment has triggered the conversion of 40 million Class B Contingent Share Rights held by Baobab Partners LLC into 40 million fully paid ordinary shares in Avenira, in accordance with the terms of the Merger Implementation Agreement for the acquisition of the Baobab Project.

In March 2017 Mimran Group, the 20% shareholder in BMCC, contributed its pro rata share of loan funds of XOF 1.1 billion (A$2.3 million) to BMCC.

Other than stated above, since 31 December 2016 the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods.

12. DIVIDENDS

No dividends were paid or declared during the six months ended 31 December 2016. No recommendation for payment of dividends has been made.

Notes to the Consolidated Financial Statements (cont.)

HALF-YEAR ENDED 31 DECEMBER 2016

13. BUSINESS COMBINATION (PRIOR YEAR)

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 advanced 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 was accounted for using the acquisition method. The financial statements for the six months ended 31 December 2015 included the results of BFA from the date of acquisition.

Revenue and loss of acquiree since the date of acquisition to 31 December 2015

The acquired business contributed revenue of $2,299 and a net loss of $35,355 to the Group for the comparative period from 23 September 2015 to 31 December 2015. If the acquisition had taken place at the beginning of the comparative period, revenue and loss for the comparative period would have been $533,057 and $463,396 respectively.

Transaction costs

Transaction costs of $1,189,532 were expensed and included in administrative and other expenses in the profit or loss for the six months ended 31 December 2015.

Director's Report

HALF-YEAR ENDED 31 DECEMBER 2016

In accordance with a resolution of the directors of Avenira Limited, I state that:

In the opinion of the directors:

a) the financial statements and notes of Avenira Limited for the half-year ended 31 December 2016 are in accordance with the *Corporations Act 2001*, including:

   i. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

   ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;

b) subject to the matters set out in Note 1(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board.

Dr Christopher Pointon
Non-executive Chairman

Perth, 16 March 2017

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To the members of Avenira Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Avenira Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the financial report

The Directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Avenira Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the Directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Avenira Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
16 March 2017