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ASX ANNOUNCEMENT

21 July 2021

# Manono Lithium and Tin Project Operational Update

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**Directors**
Non-Executive Chairman: John Clarke
Managing Director: Nigel Ferguson
Technical Director: Graeme Johnston
Non-Executive Director: Rhett Brans
Non-Executive Director: Peter Huljich

**Market Cap**
$627M
**ASX Code: AVZ**

## Highlights:

- Completed $40m capital raising, with funds in part used to increase AVZ's interest in the Project to 75%
- Issued updated Roche Dure Mineral Reserve statement which has increased 41.6% based on mine redesign
- FEED, process plant design and site geotechnical investigation studies complete confirming CAPEX and OPEX for Optimised DFS update
- Optimised DFS Financial Model is progressing well based on key technical input from Roche Dure pit optimisation and FEED studies
- AVZ is actively engaged with DRC Government on decision for award of Mining License, Mpiana Mwanga HEPP agreement, collaboration agreement and MSEZ
- Project financing advancing well with potential financiers, including DFI's
- PLS reagent optimisation study completed
- Lithium hydroxide Prefeasibility Study (PFS) awarded

**AVZ Minerals Limited** (ASX:**AVZ** or **"the Company")** is pleased to provide an operational update in relation to its flagship project, the Manono Lithium and Tin Project ("**Manono Project**").

**AVZ's Managing Director, Mr Nigel Ferguson, said:** "The Company has been extremely busy progressing the Project and is diligently executing its strategy to deliver a Final Investment Decision (FID) during the second half of this year, pending the award of a Mining Licence by the DRC Government, whom we are actively engaged with and discussions are progressing well".

"The current global interest in the green battery minerals sector, particularly hard rock lithium projects, bode well for all of our stakeholders to capitalise on the foresight and significant investment AVZ first committed to some 5 years ago, to unlock the potential identified in the Manono Project".

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**Capital Raising**

AVZ completed a heavily oversubscribed share placement raising $40 million (before costs) from institutional, sophisticated and professional investors, providing AVZ with the necessary funds to increase its equity interest in the Manono Project to 75% via the exercise of existing options over a 15% minority interest held by Dathomir. The remaining 25% of the Manono Project is held by the Democratic Republic of Congo Government (via its entity Cominiere).

Strong interest was received from international investors domiciled in Australia, Europe, North America, Singapore, Malaysia and the Middle East. (See Figure 1)

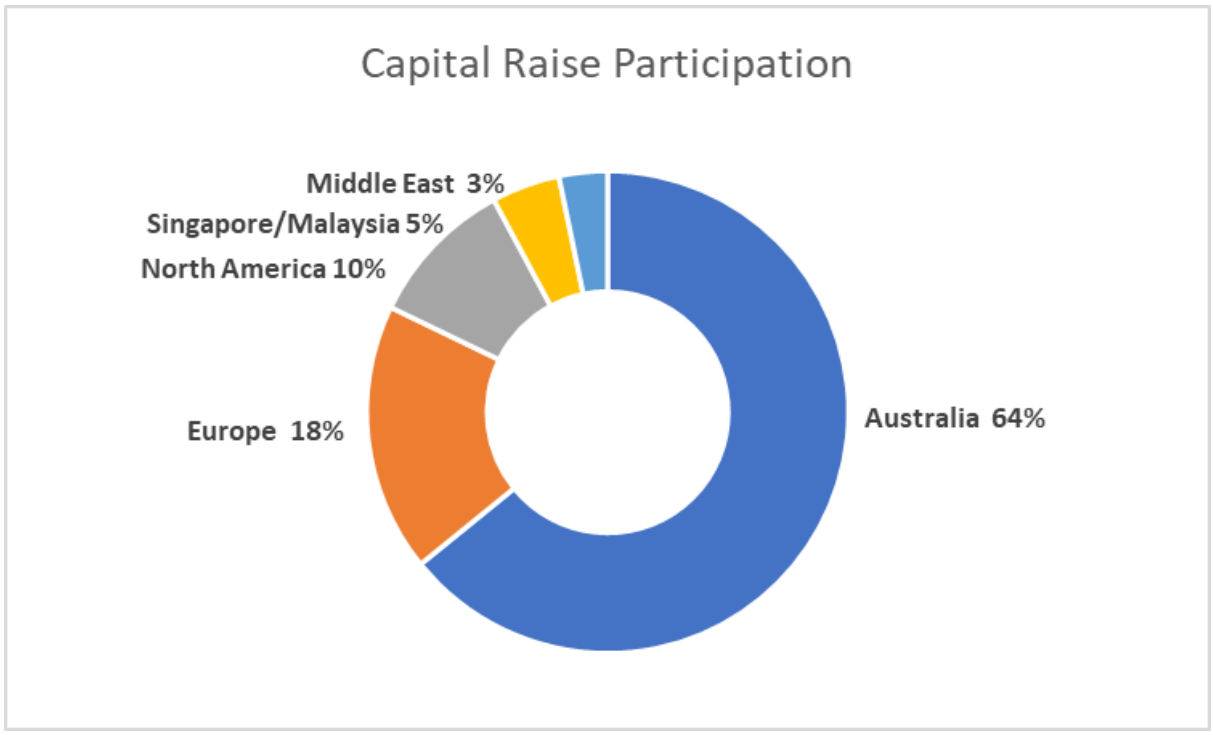



Figure 1: Capital Raise Participation

AVZ's Managing Director, Mr Nigel Ferguson, said: "The success of this raising is an indication of the high level of global interest currently focussed on the green battery minerals sector.

"The investment appetite witnessed in lithium extraction projects globally is evidence of the buoyant market outlook for lithium, from which AVZ is exceptionally well positioned to capitalise on following our efforts to date in unlocking the potential from the Manono Project".

"The liquidity injection and transition to a larger and highly supportive non-retail shareholder base, will greatly assist AVZ's discussions with potential financiers, providing the Company with a solid foundation from which to negotiate favourable terms."

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## Reserve Update

As announced on 14 July 2021, JORC Proved and Probable Ore Reserves at Roche Dure are now estimated at 131.7Mt an increase of 41.6% from the 93Mt reported in April 2020 DFS. Following on from this a mine redesign was required and coupled with data from the FEED studies, a new set of Reserves were generated.

This optimised study demonstrated that the average lithium grade increased by 3.1% from 1.58% to 1.63% $Li_2O$ although the tin grade remained the same at around 990 ppm. Increased ore volumes however saw the total tin contained metal increasing by 41% from April 2020.

The Company is awaiting assay results from the short reconnaissance drilling program undertaken at the Carriere de l'Este orebody earlier this year, which are expected to be received in the near future and will soon be released to the market.

AVZ's Managing Director, Mr Nigel Ferguson, said: "Just one third of the mineral resources at Roche Dure is currently converted to Ore Reserves and extracted over the now extended LoM, largely due to the lack of data and costings for replacing processing equipment and certainty forecasting SC6 prices beyond the current LoM. Carriere de l'Este is also likely to produce significant resources, given drilled indications to date and a program sufficient to allow drill out post FID."

## Front End Engineering Design (FEED) Study

The FEED Study has been completed providing block flow and process flow diagrams, mechanical equipment selection and sizing, the overall mechanical equipment list, the electrical load list and plant general arrangement drawings, including a 3D model.

The FEED study has improved the confidence level in Capital and Operational Costs of the Project to an AACEI Class 2 (+/-10%) from the DFS version which was a Class 3 (+/-20%) level of estimation for inclusion in the optimised DFS update.

The work conducted includes process plant area geotechnical study, with the information used in the FEED study to conduct the design of the plant foundation requirements and the bulk quantities of materials to do so.

In addition, designs for the Integrated Waste Landform ("IWL") has now been completed and the bill of quantities included in the Capex. This has allowed us to compare costings against other storage solutions such as in pit storage in outlying areas.

## Mining Licence, Mpiana Mwanga HEPP Agreement, Collaboration Agreement and Manono Special Economic Zone:

The Company acknowledges that some previously published indicative timelines for the issue of the Manono Project's Permite d'Exploitation ("PE" or "Mining Licence"), Mpiana Mwanga Hydro-Electric Power Plant ("HEPP") Agreement, Collaboration Agreement and its proposed Manono Special Economic Zone ("MSEZ") have been delayed due to changes that have occurred in the new DRC Government, sworn in earlier this year, under President Felix Tshisekedi and Prime Minister Sama Lukonde Kyenge. During this period decision making processes and executive powers were temporarily suspended.

AVZ continues to enjoy a supportive, collaborative and cooperative working relationship with the newly appointed DRC Government officials and is confident of receiving all required Licence's, Agreements and a favourable announcement surrounding the MSEZ.

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The process for the award of the Mining Licence requires an expert committee review, meeting of multi-sectorial Ministers, including the Mines, Industry and Finance Ministers to consider the expert recommendations on the application submissions, following which, the Council of Ministers will meet, presided by the President and managed by the Prime Minister to provide a final decision.

The Company remains confident that it will receive a favourable decision awarding the Mining Licence based on the body of work completed by AVZ proving the robust economics of the Project, although timing of a decision remains exclusively at the discretion of the DRC Government.

Optimised Definitive Feasibility Study (DFS) Update:

With the receipt of the final FEED study from Mincore and updated Mine Schedule Plan from CSA Global, AVZ is now updating its financial model for the Manono Project, including review of available options to maximise the value derived from the first stage of the project, contemplated in the DFS announced 21 April 2020.

Whilst management believes the level of detail in the optimised DFS update will be at a Bankable Feasibility Study (BFS) standard, potential financiers will not consider the Project 'Bankable' whilst award of the PE is yet to be granted. The same goes for the award of the concession to AVZ Power SARLU of the Mpiana Mwanga HEPP.

The DFS update will be released following its completion and final sign off by the Board, which is anticipated in the coming weeks.

Financing Discussions:

In parallel with finalising the updated DFS, the Company has been actively engaging with various commercial banks, finance brokers, private equity investors and non-commercial lenders such as Pan-African Development Finance Institutions ("DFI's") to secure funding for the development of the Project.

The Company is in discussions with several reputable global financial institutions regarding a possible appointment as a mandated, strategic corporate finance advisor to assist with debt and equity financing of the Project.

PLS conversion to Lithium Hydroxide PFS:

AVZ has awarded a Pre-Feasibility Study ("PFS") to Noram Engineering and Constructors Ltd ("Noram") to produce lithium hydroxide from PLS feedstock. Noram will develop the Lithium Hydroxide Monohydrate flow sheet using PLS feed according to Noram's PLS reagent optimisation study, which has been successfully completed.

The Company has identified a short list of engineering firms to complete the outside battery limits scope of engineering design, in conjunction with the inside battery limit technical work to be undertaken by Noram. The study will be produced to an intended AAECI Class 4 estimate with an accuracy level (+/-30%), with completion expected Q1, 2022 and as such will not impact on any planned production at Manono.

The information from the PFS will assist to identify the preferred global location for a lithium hydroxide conversion facility fed with product from Manono. Early-stage discussions are underway with interested parties in various jurisdictions, wishing to partner with AVZ in the development of a lithium hydroxide conversion facility, where it is intended that AVZ will maintain a controlling interest.

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## Updated Indicative Timetable

The company is pleased to provide an updated indicative timetable for major milestones and further detail on the steps required to achieve these critical milestones.

The timetable is provided for indicative purposes only and remains subject to change.

Indicative Timetable

| Item | Steps Required | Date |
|---|---|---|
| **Optimised DFS Update** | • Financial Model optimisation review<br>• Optimised DFS presentation<br>• Board review and sign off | Late July 2021 |
| **Mining License, HEPP Agreement, Collaboration Agreement and MSEZ** | • Expert committee engagement and review process<br>• Meeting of multi-sectoral Ministers to consider expert committee recommendation<br>• Meeting of Council of Ministers to deliberate on award of Mining Licence<br>• Mining License, HEPP Agreement and Collaboration Agreement is expected to be awarded together<br>• MSEZ is expected to be awarded some time after | Q3 - Q4 2021 |
| **Final Investment Decision** | • Pending award of Mining Licence and financing CP's | |
| **Financing** | • Appoint mandated corporate finance lead<br>• Interested party due diligence<br>• Negotiation / agreement of T&C's<br>• Final binding agreements on satisfaction of CP's, i.e. award of Mining Licence | Q4 2021 – Q1 2022 |

This release was authorised by Nigel Ferguson, Managing Director of AVZ Minerals Limited.

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