



ASX ANNOUNCEMENT

27 September 2021

Cornerstone investor secured for development of Manono Lithium and Tin Project

AVZ Minerals Limited (ASX: AVZ) ("**AVZ**" or "**Company**") is pleased to announce its wholly owned subsidiary, AVZ International Pty Ltd ("**AVZI**"), has entered into a transaction implementation agreement ("**TIA**") with Suzhou CATH Energy Technologies ("**CATH**").

- CATH will earn a 24% equity interest in a multi-faceted joint venture to develop the Manono Lithium and Tin Project ("**Manono Project**").
- CATH shall pay US\$240 million cash for their 24% equity interest and a further amount to fund their pro rata portion of funding for the development of the Manono Project.
- The transaction in totality will contribute more than US\$400 million, subject to final project development costs being verified*.
- The funds will be used by AVZI to advance the project into production.

** based on the estimated capital costs as disclosed in the ASX Announcement dated 21 April 2020 and CATH's equity interest plus their share of the DRC Government shareholder free carried interest, required to be funded by the joint venture shareholders.*

CATH is a private investment entity jointly owned by Mr. Pei Zhenhua and Contemporary Amperex Technology Co. Limited ("**CATL**"), who both have significant influence in the global lithium conversion and lithium-ion battery industry.

Proceeds from the transaction will fund a majority of the total project financing required, whilst AVZ will retain a controlling 51% interest in the Manono Project post-completion of the transaction and its position as lead developer of the Manono Project.

The existing Offtake Agreement with Yibin Tianyi will be assigned to CATH and expanded in scope to provide offtake of SC6 for the life of the Manono Project.

Furthermore, CATH will enter into a long-term Primary Lithium Sulphate ("**PLS**") offtake or tolling agreement in respect of PLS produced from the PLS calcining plant ("**PLS Plant**"), which will also be developed in joint venture with CATH.

AVZ Minerals Limited

Level 2, 8 Colin Street
West Perth, WA 6005
Australia

T: + 61 8 6117 9397

F: + 61 8 6118 2106

E: admin@avzminerals.com.au

W: www.avzminerals.com.au

ABN 81 125 176 703

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

\$1.03bn

ASX Code: AVZ

AVZ and CATH have also agreed to evaluate and progress a study to increase annual production, expanding Dense Media Separation ("DMS") production capacity from a 4.5Mtpa throughput producing approximately 0.7 million tonnes of SC6, as contemplated by the Definitive Feasibility Study dated April 2020 ("DFS"), to a 10Mtpa DMS throughput producing approximately 1.6 million tonnes of SC6 ("Expansion Scenario").

These studies were commenced in early September and are expected to be significantly progressed by AVZ by end of December 2021.

Under the Expansion Scenario, CATH will fund its equity share of the additional Manono Project development capital expenditure and increase its SC6 offtake commitment to approximately 50% of annual production.

The Expansion Scenario will significantly scale the size of the project and further de-risk the fundamental economics of the Manono Project.

The parties will also assess the feasibility of developing a lithium hydroxide facility once studies currently underway are completed on this process.

AVZ's Managing Director, Mr. Nigel Ferguson, said: "This is a very significant day for the Company and all of our stakeholders as we move closer to making the Manono Project a leading global producer of lithium products."

"We are delighted to enter into this deal with someone of the calibre of Mr Pei and CATL both of whom have the financial capacity, technical expertise and credibility within the lithium conversion and lithium-ion battery industry to compliment the world class Manono Project."

"Our shared strategic vision to develop the vast potential of the Manono Project and further downstream projects, provide an exciting future for AVZ shareholders."

"Forging of this partnership compliments AVZ's excellent collaborative relationship with the Government of the Democratic Republic of Congo ("**DRC**" and "**DRC Government**") and the local communities in which we operate"

"We look forward to updating our shareholders in the near future with respect to award of the Mining Licence and execution of the Collaboration Development Agreement, which are progressing extremely well through Government channels."

"Once this transaction and the associated agreements are finalised, 100% of our saleable lithium products will be accounted for and a significant portion of the Manono Project will be financed via the equity contributions provided by this transaction.

"This is a major credit to the Board and senior executive team who have all contributed to making the Manono Project a reality."

TRANSACTION SUMMARY

Consideration

Under the terms of the TIA, CATH will acquire a 24% equity interest in the Manono Project for a cash consideration of US\$240 million to be used to fund capital development of the Manono Project.

In addition to the consideration, CATH has agreed to contribute their pro rata portion of project development costs in accordance with the terms of the joint venture between the parties.

Conditions precedent to completion

Completion of the transaction is subject to satisfaction or waiver of the following conditions precedent before 30 November 2021

- CATH obtaining the requisite Chinese regulatory approvals for its investment in the Manono Project;
- the Mining Licence for the Manono Project being granted to Dathcom Mining SA (“**Dathcom**”);
- the entry by Dathcom and the DRC Government into the Collaboration Development Agreement;
- Dathcom board and shareholders making a final investment decision and approving the transaction; and
- entry into a variation deed in respect of the existing offtake agreement with Yibin Tianyi.

Multi-faceted joint venture

In addition to the development of the Manono Project, AVZI and CATH will also pursue the following undertakings through subsidiary joint venture entities, in respect of which each party will have indirect or direct joint venture interests proportionate to their interest in the Manono Project:

- the provision of power, water and logistics services to the Manono project;
- the development, construction and operation of the PLS Plant; and
- the evaluation of the establishment of a lithium hydroxide conversion facility.

The formation of the multi-faceted joint venture will seek to leverage the deep skillsets of both partners to help deliver the joint venture projects.

Break fee arrangements

Following signing of the TIA, CATH will pay a US\$20 million break fee (held in an escrow account) which is payable in the event the required Chinese regulatory approvals are not obtained.

A US\$20 million break fee is also payable by each party for any material breach that results in the termination of the TIA.

AVZI may access the escrowed US\$20 million following a final investment decision for the development of the Manono Project. In the event the break fee is not paid before completion, AVZI must repay the amounts drawn from the escrow account on or before the date that is 6 months following the signing date of the TIA.

AVZI has undertaken not to solicit or engage in discussions in respect of any competing proposal prior to completion of the transaction.

Variation of the Yibin Tianyi offtake agreement and additional offtake arrangements

The Implementation Agreement contemplates several variations to the Yibin Tianyi offtake agreement, including:

- The existing Offtake Agreement with Yibin Tianyi will be assigned to CATH and expanded in scope so that it provides for the offtake of SC6 for the life of the Manono Project.
- Volume will be the lower of 50% of SC6 production or up to 800ktpa, taking into account existing third-party offtake agreements.
- Mutual commitment to agree additional volumes subject to availability.
- Term of the Offtake Agreement continues whilst CATH maintains its shareholding in the Project, reducing in the event of equity dilution.
- Pricing is on USD/CIF China basis, determined by a formula which references various published market prices of lithium carbonate and lithium hydroxide products and underpinned by an agreed floor price.
- Termination rights included for breach of the material terms of the Offtake Agreement including non-payment or failure to supply or take annual quantity commitments.
- Furthermore, CATH will enter into a long-term Primary Lithium Sulphate (“PLS”) offtake or tolling agreement which provides for 46,000 DMT per annum or 100% of the primary lithium sulphate produced from the first train of the PLS Plant.
- As a result of these offtake arrangements, in conjunction with other existing offtake arrangements, 100% of the Manono Project’s saleable lithium products produced under the April 2020 DFS will be contracted for at least the first five years from commencement of production.

ABOUT SUZHOU CATH ENERGY TECHNOLOGIES AND MR PEI ZHENHUA

CATH is a private investment entity jointly owned by CATL and Mr. Pei Zhenhua., Mr. Pei Zhenhua also holds significant interests in Suzhou TA&A Ultra Clean Technology Co.,Ltd., the holding company for Yibin Tianyi, one of China’s largest lithium converters with current production of 50,000tpa and expansion plans to grow to 150,000tpa of lithium hydroxide.

ABOUT MANONO LITHIUM AND TIN PROJECT

The Manono Project comprises PR13359, which covers 188km². The Manono Project is located 500km due north of Lubumbashi in the south of the DRC in central Africa. The project area can be accessed from Lubumbashi by a 1.5-hour flight or by road.

AVZ holds a 75% interest in the Manono Project and pre-emptive rights over the remaining equity interest in the project, excluding the DRC Government’s 10% share.

The Roche Dure Mineral Resource of 401 million tonnes grading 1.65% Li₂O, 752ppm Sn, 34ppm Ta is world-class in scale and grade.

The Company recently announced major upgrades to the Ore Reserves for the Manono Project:

- JORC Proved and Probable Ore Reserves now estimated at 131.7Mt – an increase of 41.6% from the 93Mt reported in April 2020 DFS.
- Average lithium grade increased by 3.1% from 1.58% to 1.63% Li₂O while tin grade of 990 ppm remains the same but reports a 41% increase in contained tin metal to 130.3kt.
- Ore Reserve estimate contains 65.0Mt of Proved Category and 66.6Mt of Probable Category Ore Reserves.
- Life of Mine extended to 29.5 years based on a 4.5Mtpa operation underpinned by the Ore Reserves - an increase of 47.5% from April 2020 DFS.
- The Roche Dure ore deposit continues to impress as potentially the largest standalone global hard rock lithium asset based on Proved and Probable Ore Reserves.

The Manono Project is strategically positioned as a clean, sustainable source of lithium for the EV battery value chain with industry leading ESG credentials and is forecast to be one of the lowest carbon emitting hard rock mines in the world.

ADDITIONAL INFORMATION

The Company's legal advisers are DLA Piper.

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

For further information, visit www.avzminerals.com.au or contact:

Mr. Jan de Jager or Mr. Ben Cohen

Joint Company Secretary

AVZ Minerals Limited

Phone: +61 8 6117 9397

Email: admin@avzminerals.com.au

Media Enquiries:

Mr. Peter Harris

Peter Harris & Associates

Phone: +61 (0) 412 124 833



NO NEW INFORMATION

This document may include references to information that relates to Mineral Resources and Ore Reserves prepared and first disclosed under the JORC Code 2012. The information was extracted from the Company's previous ASX announcements as follows:

- "JORC Ore Reserves increase by 41.6% at Roche Dure" released to ASX on 14 July 2021; and
- "Updated Mineral Resource Estimate Includes Pit Floor "Wedge" Drill Results" released to ASX on 24 May 2021.

These announcements are available to view on the Company's website www.avzminerals.com.au.

The Company confirms it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources and 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 Persons' findings are presented have not been materially modified from the relevant original market announcements

FORWARD LOOKING INFORMATION

This announcement contains certain forward-looking statements and comments about future events, including the Company's expectations about the Manono Project and the performance of its businesses. Forward looking statements can generally be identified by the use of forward-looking words such as 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target' and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance on, future earnings or financial position or performance are also forward-looking statements.

Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward-looking statements will not be achieved. Forward looking statements are provided as a general guide only and should not be relied on as an indication or guarantee of future performance. Forward looking statements involve known and unknown risks, uncertainty and other factors which can cause the Company's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements and many of these factors are outside the control of the Company. As such, undue reliance should not be placed on any forward-looking statement. Past performance is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward-looking statements, forecast financial information or other forecast. Nothing contained in this announcement nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of the Company.

Except as required by law or the ASX Listing Rules, the Company assumes no obligation to provide any additional or updated information or to update any forward-looking statements, whether as a result of new information, future events or results, or otherwise.