



## Activities Report for the Quarter ending 31 December 2020

### Highlights

- Strategic offtake agreement signed with GFL International Co. Limited (GFL), a subsidiary of Ganfeng Lithium Co Ltd, China's largest lithium compound producer on favourable terms:
  - Initial 5-year term with option to extend for a further 5 years
  - GFL to purchase up to 160,000 metric tonnes per annum of spodumene concentrate
- Negotiations with several other offtake partners for lithium and tin materials ongoing
- Discussions continued with financiers, with several expressions of interest received
- Pit floor drilling of the Roche Dure 'wedge' continued to potentially upgrade additional Inferred Resources to Indicated Resources
- New Ore Reserves to be generated from optimised mine design
- Key Congolese Government agencies progress planning for a Special Economic Zone for the Manono region following a two-day workshop in October

**AVZ Minerals Limited** (ASX: AVZ, "the Company") is pleased to provide the following report on its activities for the Quarter ended 31 December 2020.

**AVZ Managing Director, Mr. Nigel Ferguson said:** "The Company made significant progress into its 'road to production' for the Manono Lithium and Tin Project ("Manono Project").

"Our most significant milestone in the December quarter came just prior to Christmas when we signed our first lithium offtake agreement with GFL International, a subsidiary of China's largest lithium compound producer, Ganfeng Lithium."

### ASX ANNOUNCEMENT

20 January 2021

#### AVZ Minerals Limited

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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

\$576 M

ASX Code: AVZ

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“The fact that GFL has agreed to take 30% of our Manono Project’s initial SC6 yearly tonnage is a massive endorsement for the project as we continue negotiations with other off-takers for our lithium and tin materials.”

“I look forward to updating our shareholders and the market once these offtake agreements are finalised.”

“In terms of the project’s funding arrangements, we have made significant progress during the last few months around securing project debt financing.”

“We have also attracted several interested industry participants and private equity investors around our equity component of the required funding, with those discussions still ongoing.”

“At an operational level, we advanced our licensing, permitting and environmental approvals for the Manono Project, as well as undertaking all of the necessary engineering and technical work that is required prior to the Board making its investment decision to mine by mid-2021.”

“We then look forward to awarding contracts for the construction of our process plants and hydro-electric power plant, with first shipment of Spodumene Concentrate (S6) and Primary Lithium Sulphate (PLS) scheduled for Q4/23.”

#### **First Lithium SC6 Offtake Agreement**

The Company signed its first lithium offtake agreement with GFL International Co. Limited (GFL), a subsidiary of Ganfeng Lithium Co Ltd, for an initial five-year term and with an option to extend for a further five years for SC6 from the Manono Project. Under the terms of the GFL offtake agreement, annual supply will ramp up to 160,000 dry metric tonnes of spodumene concentrate from year three onwards. GFL is a leading global battery metals producer that is continuing to expand both its lithium carbonate and lithium hydroxide production capacity.

#### **Financing negotiations**

Significant progress was achieved in the latter half of 2020 to secure the required project debt financing to fund the major proportion of the Manono Project’s, pre-production capital expenditure. Discussions were held with several major commercial and non-commercial banks with many of the parties being granted access to the project data room. The most interest is currently being shown by the Pan African Development Finance Institutions (DFIs), which is understandable due to the project’s central African location. The Company has received expressions of interest from a number of these DFIs and discussions are continuing with these and other financiers. Securing the equity funding of the pre-production capital expenditure funding has attracted several interested industry participants and private equity investors, with discussions also ongoing.

#### **Pit floor drilling**

During the quarter the Company commenced a 10-hole, 1700m diamond core drilling program around the Roche Dire pit floor ‘wedge’ with a view to increasing the potential to upgrade additional Inferred Resources to Indicated Resources.

As previously stated, the updated global geological Resource is not expected to increase, but the current combined Indicated and Measured Resource tonnage is expected to increase pro-rata. Once the 'wedge' material directly under the pit floor is drilled and assay results returned, it is expected that some of this previously classified 'waste rock' may then report as 'mineable ore'.

This new data will allow the existing mine design to be re-run and optimised. The re-run of the mine design will also allow for plant design optimisation studies to also be completed and incorporated into the new modelling.

### **Manono Special Economic Zone (MSEZ)**

A significant milestone occurred in late October when AVZ sponsored a two-day workshop attended by key Congolese Government agencies, AVZ staff and legal counsel to progress planning around the creation of the MSEZ. The workshop was attended by senior Government officials from the offices of the Minister for Industry, the Minister for Finance, the Minister of Economy, the National Agency for Industrial Promotion, the Ministry of Environment, the Minister for Mines and the Minister for Hydraulic Resources and Electricity.

### **Corporate**

During the quarter, the Company received \$1,728,000 from the exercise of 25 million options at 6 cents each and 4 million options at 5.7 cents each respectively.

Major cash outflow during the December Quarter included:

- \$2.930M on early works, hydrogeological and geological drilling and other operating costs for the Manono Project.
- \$0.331M on payroll, administration and corporate costs (including \$0.268 M to directors and related entities in relation to non-executive directors' fees, Managing Director and Technical Director fees, paid in accordance with employment and consultancy agreements).

During the quarter, 3,000,000 Performance Rights have expired.

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

For further information, visit [www.avzminerals.com.au](http://www.avzminerals.com.au) or contact:

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### Information required under ASX Listing Rule 5.3.3

List of current mining and exploration tenements (as of 31 December 2020):

Country / Project	Tenement	Interest	Status
DRC – Manono Project	PR 13359	60%	Granted
DRC – Manono Extension Project	PR 4029 PR 4030	100%	Granted

### Roche Dure Main Pegmatite Ore Reserve Estimate

Reserve Category	Tonnes (Millions)	Grade Li <sub>2</sub> O %	Contained Li <sub>2</sub> O (Mt)	Grade Sn (g/t)	Contained Sn (kt)
Proved	44.6	1.62	0.72	958	42.7
Probable	48.5	1.54	0.75	1,016	49.3
<b>Total</b>	<b>93.0</b>	<b>1.58</b>	<b>1.47</b>	<b>988</b>	<b>92.0</b>

The Ore Reserve estimate has been based on a cut-off of > US\$0.00 block value comprising an economic block by block calculation. Figures above may not sum due to rounding applied.

Refer ASX Announcement dated 21 April 2020 “AVZ delivers highly positive Definitive Feasibility Study for Manono Lithium and Tin Project”.

The Company confirms in the subsequent public report that all the material assumptions underpinning the production target, or the forecast financial information derived from a production target, in the initial public report referred to in rule 5.16 or rule 5.17 (as the case may be) continue to apply and have not materially changed.

AVZ 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 and Ore Reserves, 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 materially changed from the original market announcement.

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Roche Dure Main Pegmatite Mineral Resource at a 0.5% Li<sub>2</sub>O cut-off (as of 31 December 2020):

Category	Tonnes (Millions)	Li <sub>2</sub> O %	Sn ppm	Ta ppm	Fe <sub>2</sub> O <sub>3</sub> %	P <sub>2</sub> O <sub>5</sub> %
Measured	107	1.68	836	36	0.93	0.31
Indicated	162	1.63	803	36	0.96	0.29
Inferred	131	1.66	509	30	1.00	0.28
<b>Total</b>	<b>400</b>	<b>1.65</b>	<b>715</b>	<b>34</b>	<b>0.96</b>	<b>0.29</b>

**Competent Person Statement**

The information in the document that relates to the geology of the Roche Dure pegmatite is based upon information compiled by Mr Michael Cronwright, who is a fellow of The Geological Society of South Africa (GSSA) and is a registered professional with the South African Council for Natural Scientific Professions (SACNSAP). Mr Cronwright was a Principal Consultant with The MSA Group (Pty) Ltd (an independent consulting company). Mr Cronwright has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the JORC Code. Mr Cronwright consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The Mineral Resource estimate has been completed by Mrs Ipelo Gasela (BSc Hons, MSc (Eng) who is a geologist with 14 years' experience in mining geology, Mineral Resource evaluation and reporting. She is a Senior Mineral Resource Consultant for The MSA Group (an independent consulting company), is registered with the South African Council for Natural Scientific Professions (SACNSAP) and is a Member of the Geological Society of South Africa (GSSA). Mrs Gasela has the appropriate relevant qualifications and experience to be considered a Competent Person for the activity being undertaken as defined in the 2012 edition of the JORC Code. Mrs Gasela consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.



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## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

AVZ Minerals Limited

ABN

81 125 176 703

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(331)	(628)
(e) administration and corporate costs	(636)	(961)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	20	48
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants: COVID-19 Cashflow Boost	12	50
1.8 R&D Tax Incentive	-	156
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(936)</b>	<b>(1,336)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(9)
(d) exploration, evaluation & development	(2,930)	(5,113)
(e) investments	-	(685)
(f) other non-current assets	-	-

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,930)</b>	<b>(5,807)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	1,728	1,728
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,728</b>	<b>1,728</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	10,815	14,202
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(936)	(1,336)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,930)	(5,807)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,728	1,728

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(422)	(532)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>8,255</b>	<b>8,255</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	8,255	8,815
5.2	Call deposits	-	2,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,255</b>	<b>10,815</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	268
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*



## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	<div style="border: 1px solid black; padding: 5px; min-height: 100px;"> <p>N/A</p> </div>	

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(936)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(2,930)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(3,866)
8.4 Cash and cash equivalents at quarter end (item 4.6)	8,255
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	8,255
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	<b>2.14</b>
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer: Not applicable.</p>	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<p>Answer: Not applicable.</p>	

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 20 January 2021

Authorised by: By the Board of AVZ Minerals Limited  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.