



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

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Non-Executive Director: Rhett Brans

Non-Executive Director: Peter Huljich

Market Cap

\$576 M

ASX Code: AVZ

“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 **in Q2/21 in line with FID**, with first shipment of Spodumene Concentrate (S6) scheduled for **Q4/22**.”

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 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 ₂ O %	Contained Li ₂ 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
Total	93.0	1.58	1.47	988	92.0

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.

Roche Dure Main Pegmatite Mineral Resource at a 0.5% Li₂O cut-off (as of 31 December 2020):

Category	Tonnes (Millions)	Li ₂ O %	Sn ppm	Ta ppm	Fe ₂ O ₃ %	P ₂ O ₅ %
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
Total	400	1.65	715	34	0.96	0.29

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.

