



AVZ Managing Director's Letter to Shareholders regarding the SPP

Dear Shareholder,

On behalf of the Board of Directors (**Board**) of AVZ Minerals Ltd (**AVZ** or the **Company**), I am pleased to offer eligible shareholders with the opportunity to subscribe for up to \$15,000 of new fully paid ordinary shares in the Company, free of brokerage and commission, under a Share Purchase Plan (**SPP** or **Plan**).

The right to participate in the Offer under the Plan is optional and available exclusively to shareholders who are registered as holders of fully paid ordinary shares in the capital of the company as at 23 January 2019 and whose registered address is in Australia or New Zealand (Eligible Shareholders).

As you will have seen from the Company's recent ASX announcements, AVZ's Manono Project is progressing rapidly. We have delivered a very strong Scoping Study result to the market in October 2018 as well as a significant increase in Measured and Indicated Resources in November 2018 to underpin a potentially very large Project. AVZ now controls the largest lithium resource of any ASX listed company with outstanding grades and extremely low deleterious elements. Recent drilling in December and January is likely to result in further improvement to the Project's prodigious resources.

This high tempo of activity over the last two quarters required material investment by the company and as a result the Board has decided to raise additional funds to maintain the pace of progress and position the company to deliver a DFS for the Project as soon as possible in 2019. This a critical step in order to move into project financing and construction. The capital raised will be used to fast-track pre-development activity including hydrogeological test-work, environmental studies, pit dewatering and for general working capital. Not only will this raising accelerate the delivery of the project but, in so doing, it puts the Company in a stronger negotiating position with potential strategic partners as it should yield a more advanced, and thus more valuable asset with which to form the basis of any discussions. We believe this to be strongly in existing shareholders' interest.

The SPP will raise a minimum of \$5m before costs at an issue price of a 20% discount of AVZ shares traded on the ASX during the 5 days immediately prior to the date of the new shares, in accordance with ASX Listing Rules. Patersons Securities Limited has agreed to fully underwrite the target amount of \$5m under the SPP. The Company also has the ability to accept oversubscriptions of an additional \$5m under the SPP.

ASX ANNOUNCEMENT

6 February 2019

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Directors

Managing Director: Nigel Ferguson
Technical Director: Graeme Johnston
Non-Executive Director: Rhett Brans
Non-Executive Director: Hongliang Chen
Non-Executive Director: Guy Loando

Issued Capital

1,888 M Ordinary Shares

Market Cap

\$91 M

ASX Code: AVZ

The consistent message of shareholders who have expressed a view to AVZ Board & Management in the past has been a desire to see shareholders given the opportunity to participate in the company's funding activity. We have listened to this view. Furthermore, we have chosen an SPP over a rights issue as it is a speedier transaction and should minimise disruption to the ongoing process of engaging with strategic investors.

Shareholders will likely be aware that the lithium prices have endured a sustained period of decline and clearly impacted the share price performance of ASX listed lithium producers, developers and explorers. However, as one of the world's leading Lithium market forecasters Joe Lowry recently commented: *"make no mistake, lithium's best days are ahead of it and a wise investor buys low – 2019 represents a continued opportunity."* We believe the stars are firmly aligning for lithium and the Manono Project at this time and I commend this transaction to you.

Finally, thank you for your continued support. This is genuinely a very exciting time for the Company as we move from exploration into development and a strong focus on delivery of the DFS for the project in 2019.

Kind Regards

A handwritten signature in black ink, appearing to read 'Nigel Ferguson', with a long horizontal flourish extending to the right.

Nigel Ferguson
Managing Director