



Activities Report for the Quarter ending 31 March 2021

Highlights

- Signed two additional SC6 offtake agreements with separate major Chinese lithium converters – Shenzhen Chengxin Lithium Group Co., Ltd and Yibini Tianyi Lithium Industry Co., Ltd - taking binding commitments to more than 80% of the Manono Lithium and Tin Project's annual SC6 production defined in the DFS
- Signed first tin offtake agreement with Kalon Resources, a 100% subsidiary of Noble Group Holdings Limited, for 600 metric tonnes of tin concentrate per annum
- Continued to explore strategic offtake opportunities in both traditional and emerging lithium markets
- Actively engaged with various commercial banks, finance brokers, private equity investors and non-commercial lenders (Development Finance Institutions) to progress towards securing funding for the development of the Manono Lithium and Tin Project
- Drilling of the Roche Dure 'wedge' revealed high-grade lithium and tin mineralisation directly beneath the historic pit floor – with a new resource estimate now underway to update the previous May 2019 Mineral Resources
- Strong results received from hydrology holes drilled around the perimeter of the Stage 3 Life of Mine – confirming excellent prospects of extending the Roche Dure open pit into the neighbouring 'Kyoni' pegmatite
- Front End Engineering Design (FEED) study awarded to Melbourne based engineering company, Mincore Pty Ltd
- Independent study showed Manono Lithium and Tin Project likely to have one of the lowest carbon footprints of any global hard rock lithium miner
- Metallurgical test worked confirmed Manono Primary Lithium Sulphate suitable for battery production feedstock

ASX ANNOUNCEMENT

28 April 2021

AVZ Minerals Limited

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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

\$529 M

ASX Code: AVZ

AVZ Minerals Limited (ASX: **AVZ**, “**the Company**”) is pleased to provide the following report on its activities for the Quarter ended 31 March 2021.

AVZ Managing Director, Mr. Nigel Ferguson said: “The March Quarter saw the Manono Lithium and Tin Project (“Manono Project”) achieve several milestones in an incredibly busy three-month period.”

“We finalised our first tin offtake with Kalon Resources and our additional SC6 offtakes with Shenzhen Chengxin and Yibin Tianyi – to the point that we now have more than 80% of Manono’s annual SC6 production committed via binding offtake agreements, satisfying a critical condition precedent for the Project’s prospective financiers, whilst progressing further strategic offtake and downstream processing opportunities, with a particular focus on new and emerging markets.”

“In terms of our financing arrangements, we continued detailed discussions with several reputable global financial institutions that are interested in providing debt and equity funding, as well as conducting standard due diligence activities with our Pan African Development Finance Institutions who have all signed non-binding letters of intent. Efforts will now be concentrated on achieving binding agreements.”

“At a project level, we successfully drilled out the ‘wedge’ which has confirmed further high-grade mineralisation directly beneath the historic pit floor and also recorded unexpected result from our hydrology drilling which confirm the excellent prospects of extending the Roche Dure open pit towards the neighbouring ‘Kyoni’ pegmatite.”

“We’re now going to re-run our geological resource model and after factoring in improvements to the plant design parameters, generate new ore reserves and revisit the DFS results.”

“We are busy exploring strategic offtake and downstream processing opportunities, finalising an agreement on the Hydro-Electric Power Plant, progressing the award of our Mining Licence, finishing our FEED study and releasing our optimised DFS.”

“The Company has an incredibly busy June Quarter ahead and I look forward to keeping all of our shareholders up to date as we achieve each of our stated milestones.”

SC6 and Tin Offtake Agreements

The Company signed two separate lithium offtake agreements with major Chinese lithium converters during the March Quarter, following on from its initial SC6 offtake agreement signed with Ganfeng International Co. Limited (GFL) in late December 2020.

In early March 2021, the Company signed an offtake agreement with Shenzhen Chengxin Lithium Group., Ltd to purchase up to 180,000 tonnes per annum of SC6 for an initial three-year term, with extension options by mutual agreement. Chengxin is a leading global battery materials producer that is continuing to expand its lithium hydroxide production capacity.

In late March 2021, the Company signed an offtake agreement with Yibin Tianyi Lithium Industry., Ltd to purchase 200,000 tonnes per annum of SC6 for an initial three-year term, with an option to extend for an additional two years. Yibin Tianyi is a key participant in the supply

chain of Contemporary Amperex Technology (CATL), the world's largest lithium-ion battery maker.

The Company also signed its first tin offtake agreement, a three-year deal with commodity trader Kalon Resources Limited – a 100% subsidiary of Noble Group - to purchase a minimum of 600 tonnes of tin concentrate per annum.

To date, more than 80% of the Manono Project's annual SC6 production is committed under long-term binding offtake agreements which is an important condition for prospective project financiers.

Financing Negotiations

The Company continued to actively engage 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 Manono Project.

Several reputable global financial institutions interested in providing debt and equity funding for the Company are currently undertaking detailed technical, legal and commercial due diligence.

Resource and hydrology drilling

The recently completed 1,650m of diamond drilling within the Roche Dure 'wedge' confirmed further high-grade lithium and tin mineralisation directly beneath the historic pit floor. The nine holes were completed in previously undrilled areas beneath the historical pit which had been inaccessible and under water during the earlier resource drilling programs.

The assay results will be merged with the current database and the Company will re-run the models to calculate both new geological resources and then mineable reserves to be fed into the optimised feasibility study, which is expected to be released later this year.



Figures 1-3: Drilling within the Roche Dure 'wedge' confirmed further high-grade lithium and tin mineralisation directly beneath the historic pit floor

In March, the Company reported strong results from hydrology holes drilled around the perimeter of the Stage 3 Life of Mine, which confirmed the excellent prospects of extending the Roche Dure open pit towards the neighbouring 'Kyoni' pegmatite.

New mineralised pegmatite was intersected in five of the nine vertical Reverse Circulation holes drilled for piezometer installation – three of which were significant. The Company reported it was encouraging to note a significant and thick +2% lithia zone near the surface that could be optimised to provide a possible high-grade feedstock for start-up mining operations.

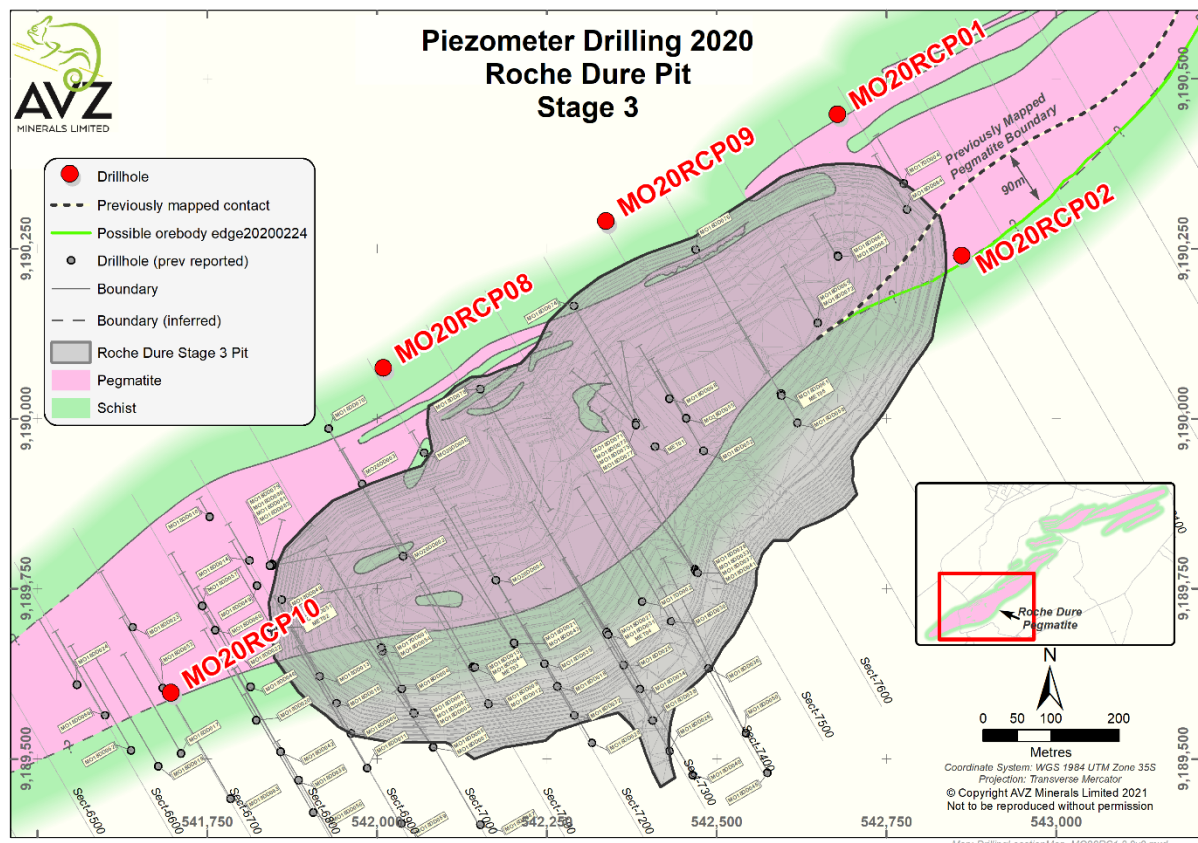


Figure 4: Locations of piezometer drillholes with pegmatite relative to the Stage 3 pit shell

Front End Engineering Design (FEED) Study

A 12-week FEED contract was awarded to Melbourne-based engineering company Mincore Pty Ltd in late February 2021. The FEED study will provide key deliverables such as: confirm the process flow sheet; confirm all bulk materials quantities to verify pricing; confirm selected equipment pricing; finalise the execution schedule and provide 'issued for construction' early works drawings. Work continues with approximately 70% of the FEED study being completed to current date.

Independent Greenhouse Gas Assessment

The results of an independent greenhouse gas assessment (GHG) released in January 2021 showed the Manono Project was likely to have one of the lowest carbon footprints of any global hard rock lithium miner.

The GHG assessment, which was completed by leading global environmental and sustainability consultants, Environmental Resource Management, evaluated the estimated Scope 1 and Scope 2 emissions associated with all operations over the 20-year life of the Manono mine, processing facilities and road transportation of the projects.

ERM's findings showed the Manono Project could have one of the lowest carbon footprints of any global hard rock lithium miner (See ASX Announcement 21 January 2021 "Independent Study states Manono Project likely to have one of the lowest carbon footprints of any global hard rock lithium miner").

Primary Lithium Sulphate test work

In early January 2021, the Company announced preliminary metallurgical testing had confirmed its Primary Lithium Sulphate was suitable for battery production feedstock.

AVZ engaged Kingston Process Metallurgy ("KPM") in Canada to test, at bench-scale, each of the processes in the Company's proposed Manono Lithium Sulphate plant flow sheet. Test results indicated a Primary Lithium Sulphate product containing greater than 80 wt. % lithium sulphate monohydrate could be readily produced.

KPM found the Primary Lithium Sulphate product produced by the metallurgical testing would make a highly suitable feedstock for the electrolytic production of Lithium Hydroxide Monohydrate.



Figure 5: Primary Lithium Sulphate produced under metallurgical testing for AVZ's planned Manono Lithium Sulphate Plant

Corporate

The Company closed the March Quarter with a cash balance of A\$5.97M.

Major cash outflow during the March Quarter included:

- \$2.995M on early works, hydrogeological and geological drilling and other operating costs for the Manono Project.
- \$0.679M on payroll, administration and corporate costs (including \$0.197M to directors and related entities paid in accordance with employment and consultancy agreements).

During the quarter, 3,600,000 Performance Rights have expired.

After the end of the March Quarter, the Company appointed Mr. Jan de Jager as Chief Financial Officer (CFO) and as Joint Company Secretary with Mr. Ben Cohen. Mr. Cohen has also been appointed as the Company's Commercial Manager.

Mr. Leonard Math resigned his position with the Company in late December 2020 and completed his notice period in April 2021.

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 March 2021):

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.

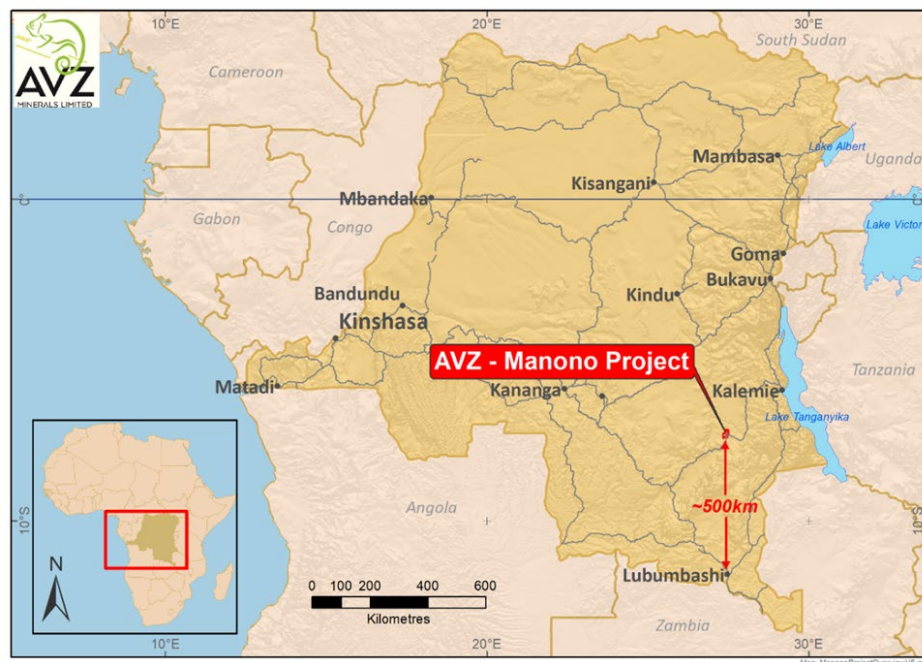
Roche Dure Main Pegmatite Mineral Resource at a 0.5% Li₂O cut-off (as of 31 March 2021):

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.



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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(296)	(924)
(e) administration and corporate costs	(386)	(1,347)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	51
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	-
1.7 Government grants: COVID-19 Cashflow Boost	-	50
1.8 R&D Tax Incentive	-	156
1.9 Net cash from / (used in) operating activities	(679)	(2,015)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(4)	(13)
(d) exploration & evaluation	(2,995)	(8,108)
(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 (9 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)	-	-
2.6	Net cash from / (used in) investing activities	(2,999)	(8,806)
3.	Cash flows from financing activities		
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	1,371	3,099
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)	-	-
3.10	Net cash from / (used in) financing activities	1,371	3,099
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,255	14,202
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(679)	(2,015)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,999)	(8,806)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,371	3,099

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	24	(508)
4.6	Cash and cash equivalents at end of period	5,972	5,972

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,972	8,255
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,972	8,255

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	197
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		
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.		
N/A		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(679)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(2,995)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(3,674)
8.4 Cash and cash equivalents at quarter end (item 4.6)	5,972
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	5,972
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.63
<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?	
Answer: Yes.	
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?	
Answer: AVZ is making good progress and are in continuous discussions with a variety of commercial banks, non-commercial lenders and equity institutions who expressed keen interest in funding the development of the Manono Project. AVZ management is confident that the necessary funding will be acquired.	

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: AVZ is making good progress and are in continuous discussions with a variety of commercial banks, non-commercial lenders and equity institutions who expressed keen interest in funding the development of the Manono Project. AVZ management is confident that the necessary funding will be acquired.

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: 28 April 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.