



ANNOUNCEMENT

27 August 2024

AVZ completes initial Convertible Note fundraising

AVZ Minerals Limited (AVZ or Company) is pleased to announce the completion of a successful fundraising and provide an update on the continuing negotiations with Locke Capital I, LLC and its investment manager, Locke Capital Limited (Locke) in connection with a formal agreement for a funding facility.

Convertible Note raising

AVZ has raised A\$1.4 million via an initial issuance of unsecured convertible notes (Convertible Notes) to certain professional or sophisticated investors (Noteholders), including directors and management personnel of the Company. The funds will be used to meet operational costs and, until entry into a binding litigation funding facility, fund the ongoing legal proceedings to which AVZ and its subsidiaries are a party.

This initial fundraising enables AVZ to continue to take actions to protect its legal rights in the Manono Project and the interests of its shareholder and other stakeholders.

The Company has also granted a call option, for the grant of additional convertible notes at an aggregate face value of A\$750,000, exercisable at the holder's election on or before 30 September 2024.

The Convertible Notes have a 5-year term, 12% per annum coupon and conversion price at a 15% discount to the deemed or implied value of shares in AVZ under a change of control, IPO or material fundraising. A summary of the key terms of the Convertible Notes are set out in Annexure A.

Continuing negotiations with Locke

Further to AVZ's prior announcements¹, the Company advises that, negotiations between AVZ and Locke in respect of a formal agreement for a litigation funding facility are continuing including in relation to an appropriate security package for the facility.

Legal strategy and value realisation

In addition to the Company's continued pursuit of its legal strategy with a view to achieving a negotiated settlement, the Company continues to identify and explore realisation opportunities whilst ensuring any such settlement or value realisation opportunity is in the best interest of all shareholders.

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Technical Director: Graeme Johnston
Non-Executive Director: Rhett Brans
Non-Executive Director: Casta Tungaraza
Executive Director: Serge Ngandu
Non-Executive Director : Salome Sijaona

¹ See AVZ announcements dated 17 November 2023, 2 April 2024, 14 June 2024 and 30 July 2024.

This announcement was authorised for release by the board of directors of AVZ Minerals Limited.

For further information, visit www.avzminerals.com.au or you can contact the Company via telephone +61 8 6186 7600 or email admin@avzminerals.com.au

Annexure A – Key terms of Convertible Notes

Nature of securities	Unsecured Convertible Notes which are convertible into Shares.
Face value	\$1,000 per Convertible Note.
Maturity date	26 August 2029.
Interest rate	12% per annum calculated daily.
Conversion	<p>The Convertible Notes will convert into shares at 15% discount to the value per Shares issued to investors under and on the earlier of:</p> <ul style="list-style-type: none"> • completion of an initial public offering or an issuance of securities raising at least US\$50 million (IPO); • unless the Noteholder elects to redeem, a change in control including by way of a takeover bid or scheme of arrangement and any other direct or indirect sale of all or a substantial part of the Company's share capital or assets other than in connection with an IPO (Change of Control); and • an issuance of securities raising at least US\$50 million not in connection with an IPO.
Redemption	<p>The Convertible Notes will be redeemed and the Company will pay the Noteholder their subscription amounts (plus interest) on the earlier of:</p> <ul style="list-style-type: none"> • unless the Noteholder elects to convert, and at their election, a Change of Control; • at the Noteholder's election, a Default Event (see definition below) occurs in respect of the Company; and • the maturity date, being 26 August 2029.
Ranking	Convertible Notes rank <i>pari passu</i> amongst themselves, are senior in right of payment to shares and when converted, the shares will rank equally with and will carry the same rights as the existing Shares in the Company.
Transferability	The Convertible Notes are not transferable without the prior written consent of the Company.
Rights attaching to Convertible Notes	<p>Each Convertible Note:</p> <ul style="list-style-type: none"> • confers rights on the Noteholder as an unsecured creditor of the Company; • confers rights on the Noteholder to receive notices of and attend general meetings of the Company; and • does not confer on the Noteholder rights to vote at general meetings of the Company (other than by reason of external rights to do so).
Reorganisation	<p>If there is a reorganisation of the issued share capital of the Company, the rights of the Noteholders will be varied, so that to the greatest extent possible, the Noteholders will not be disadvantaged by the reorganisation</p> <p>If the Company makes a bonus issue of shares or other securities to Shareholders, the number of Shares which must be issued on the conversion of the Convertible Note will be increased by the number of shares which the Noteholder would have received if the Convertible Note had been converted before the record date for the bonus issue at the same Conversion Price as at conversion.</p>

Default Event	<p>A Default Event will occur if any of the following occur at any time:</p> <ul style="list-style-type: none">• an insolvency event in relation to the Company or a material subsidiary of the Company;• the Company fails to convert a Convertible Note within one week of the date on which conversion is last required;• the Company fails to perform any material obligation under the Convertible Note agreements (other than a failure to convert) and such failure has a material adverse effect;• the Company is deregistered;• the Company or any of its subsidiaries disposes of all or a substantial part of the group's assets;• any debt is not paid when due nor within any originally applicable grace period; or• any warranty or representation by or on behalf of the Company to the relevant Noteholder is or becomes false, misleading (including by omission) or incorrect in any material respect when made or regarded as made by the Company under the Convertible Note agreement.
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