



ASX ANNOUNCEMENT

3 May 2021

## Manono Lithium and Tin Project Operational Update

### Highlights:

- Manono Special Economic Zone (MSEZ) decision expected end of May 2021
- Hydro-Electric Power Plant feasibility study validated by Ministry of Hydraulic Resources and Electricity
- AVZ actively engaging with newly appointed DRC Government Cabinet
- Front End Engineering Design Study 70% complete
- CSA Global updating Mineral Resource Estimate and pit shell designs
- Roche Dure pit optimisation redesign to begin once Mineral Resource Estimate is completed
- Optimisation of Definitive Feasibility Study now leading towards Bankable Feasibility Study report
- All studies required for mining lease application completed
- Drilling of Carriere de l'Este orebody continues
- Construction of Camp Colline progressing well
- Project finance negotiations advancing
- Lithium hydroxide flowsheet development study awarded and progressing well

AVZ Minerals Limited (ASX:AVZ or “the Company”) is pleased to provide an operational update in relation to its flagship project, the Manono Lithium and Tin Project (“Manono Project”).

AVZ Minerals Managing Director, Mr. Nigel Ferguson said: “Buoyant market conditions continue with both spodumene concentrate and lithium chemical prices strengthening on the back of rising electric vehicle demand, just as international Government policies advance the reduction of carbon emissions whilst securing strategic supply chains that feed domestic EV industries across the globe.”

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**Market Cap**  
\$509 M

**ASX Code: AVZ**

“Both market and geopolitical factors have fuelled a steep increase in the SC6 price since the start of 2021, with reported prices in China up 56%<sup>1</sup>. With expectations that structural supply deficits will remain and as the uptake of EV’s continues to increase around the globe, the current upward price trends for both spodumene concentrate and lithium chemical products are expected to continue.”

“As we previously announced, AVZ reached a significant milestone last month in March 2021 with more than 80% of our annual Manono Lithium and Tin Project’s spodumene concentrate production now committed under long-term binding offtake agreements.”

“These three offtake agreements contain formula pricing that references a basket of lithium chemical prices and underpinning floor price. Based on prevailing reference prices, the offtake formula pricing is expected to deliver a pleasing return to AVZ.”

“The finalisation of the three binding offtake agreements also satisfies a critical Condition Precedent for the Manono Project’s prospective financiers and with buoyant market conditions expected to continue, the Company is in a strong position to selectively discuss further strategic offtake and downstream processing opportunities with a particular focus on new and emerging market penetration.”

“In addition, while tin represents a relatively small but growing portion of revenue for the Manono Project, the signing of AVZ’s first binding tin offtake agreement with Kalon Resources Limited confirms that another large international business is willing to secure supply from our flagship project.”

“The binding tin offtake agreement with Kalon Resources also comes at a time when the LME cash tin price has increased 46%<sup>2</sup> since the start of 2021. Further technical studies and the granting of the mining license will further advance this towards banking the project which is due for completion in this current quarter.”

Further information on sub-sections of the Manono Project is provided below:

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

AVZ is currently updating its MSEZ technical, development, environmental and financial documentation with additional information, as requested by the DRC Government. These documents will be submitted shortly with a decision on the granting of the MSEZ expected by the end of May 2021.

The official inter-ministerial decree and collaboration documents, which cover the development of infrastructures and natural resources is expected to deliver the Manono mine, the anchor tenant for the MSEZ, and all of the prospective MSEZ tenants, a favourable fiscal regime.

AVZ’s Director of Corporate Affairs, Mr. Serge Ngandu, presented an overview of the future MSEZ to a high-level DRC Government delegation on 23 April 2021, which included the Chief of Staff

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<sup>1</sup> Ref: Asian Metal, Spodumene Li<sub>2</sub>O 6%min CIF China USD/mt, price movement from 1/1/2021 to 28/4/2021

<sup>2</sup> Ref: London Metal Exchange, LME cash price movement from 1/1/2021 to 28/4/2021

to the Minister of Industry and the Deputy Coordinator of External Resources and Project Monitoring at the Presidency of the Republic of the DRC.



**Figure 1: AVZ's Director, Corporate Affairs, Mr. Serge Ngandu, addresses a high-level government delegation about the future Manono Special Economic Zone.**

### **Hydro-Electric Power Plant**

The Company has received notification that its Feasibility Study for the Mpiana Mwanga Hydro-Electric Power Plant (MM HEPP) has been validated by the Ministry of Hydraulic Resources and Electricity.

AVZ Power SAU, a 100% owned subsidiary of AVZ International, is currently assessing the specified technical and administrative recommendations, before advancing to the next stage of negotiations with the Ministry of Hydraulic Resources and Electricity during the coming months. Once concluded it is anticipated that AVZ Power will be awarded a 20-year, renewable, contract to manage and operate the MM HEPP.

### **New DRC Government Cabinet**

A new Government Cabinet of the Democratic Republic of Congo was appointed earlier this month by Prime Minister Jean-Michel Sama Lukonde.

AVZ is in the process of engaging with several new Ministers, including the new Minister of Mines Antoinette N'Samba Kalambay, the new Minister of State and Minister of Portfolio Adele Kayinda, the new Deputy Prime Minister in charge of Environmental and Sustainable Development, Eve Bazaiba and the new Minister for Hydraulic Resources and Electricity, Mwenze Mukaleng Olivier.

AVZ is working with the newly appointed Government cabinet to progress development of the Manono Project within the framework of the proposed MSEZ.

## **Front End Engineering Design (FEED) Study**

The FEED Study is 70% complete with several significant deliverables already completed including the block flow and process flow diagrams, mechanical equipment selection and sizing, the overall mechanical equipment list, the electrical load list and plant general arrangement drawings, including a 3D model which is approximately 80% completed.

Work is also well advanced around completing the Capital and Operational Costs of the Project to an AACEI International Class 2 level of estimation.

In addition, the Probabilistic Seismic Hazard Assessment (PSHA) has been completed by CMW and has been issued to Mincore for use in the FEED Study, as has the Geotechnical survey of the Process Plant and Tailings Storage Facility area. The completion of these studies is required in order to upgrade the Definitive Feasibility Study to a Bankable Feasibility Study level.

## **Geotechnical and Other Studies**

The hydrogeological study has recently been completed by Knight Piesold and resulted in a water model suitable for BFS level and for inclusion in the Manono Process Plant Environmental and Social Impact Assessment (ESIA) application, which will be submitted for approval by the Agence Congolaise Environmentale (ACE).

Both the ESIA once approved by ACE, and the DFS study (which has already been incorporated into the template required by the government for the conversion to a mining licence), are required to be included in the application as part of the process for the granting of a 25-year renewable Permit Exploitation (or Mining Licence)

CSA Global Johannesburg has been engaged to review the Mineral Resource Estimate and pit shell designs based on the recent Roche Dure pit floor 'wedge' drilling results. The Roche Dure pit optimisation redesign will begin once the Mineral Resource Estimate is completed.

In addition, renewal paperwork extending the life of AVZ's 100% owned mining tenements PR4029 and PR 4030 for a further five years has also been lodged with the DRC government.

Drilling of the Carriere de l'Este orebody is progressing with the fourth new reconnaissance hole for 2021 currently being drilled. Each hole has intersected significant widths of pegmatite with widespread spodumene present and visible mineralisation within the Carriere de l'Este orebody to be confirmed on receipt of assay results which are still pending. These results will be used for targeting further drilling in 2021.

A desktop study of the mineral potential of the alluvial and laterite tin and tantalum placer deposits is well underway to generate a possible exploration target in line with JORC reporting rules.

## **Metallurgy - Lithium Hydroxide Studies**

Kingston Process Metallurgy completed the calcining test work. Noram is progressing further test work to optimise the reagents needed and reduce the sodium sulphate  $\text{Na}_2\text{SO}_4$  carry over to optimise our PLS specification. This work is expected to be completed in June 2021.

AVZ has awarded a contract to Noram to develop the Lithium Hydroxide Monohydrate flow sheet using our optimised PLS. Noram are approximately 40% complete on the work having produced PLS from our SC6 material and commenced leaching test work on 16 April 2021. The program is on track as planned and positive progress has been reported to date.

### **Camp Colline**

Work at Camp Colline is ongoing with local employees constructing accommodation facilities for up to 250 construction workers. To date 38 free standing single rooms have been constructed and 11 double room units are nearing completion. The camp is expected to be completed by the end of 2021.

### **Project Financing**

In parallel with finalising the updated DFS, the Company has been actively engaging 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 Lithium and Tin Project.

The Company is making good progress through the "Know Your Customer" and "Conditions Precedent" stages with the Pan African DFI's and is confident of negotiating project funding on reasonable terms and conditions.

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

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

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