



**AVZ Minerals
Limited**

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Companies Announcement Office
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MANONO PROJECT DUE DILIGENCE UPDATE

On 2 February 2017, AVZ Minerals Limited (**ASX: AVZ**) advised it had agreed to acquire a 60% interest in the historic Manono Mine and surrounding area (**Manono Project**) in the south of the Democratic Republic of Congo (**DRC**) in central Africa. The Manono Project is potentially one of the world's largest lithium rich LCT (Lithium Caesium Tantalum) pegmatite deposits. The acquisition is subject to certain conditions including completion of due diligence by 28 April 2017.

Technical Due Diligence

As part of the due diligence review, AVZ is completing detailed geological mapping, trench and rock chip sampling programs and diamond drilling in order to assess the potential for spodumene mineralisation across the pegmatite bodies at the Manono Project.

Over 359 data points have been collected from detailed geological mapping over the Manono Project. This mapping has shown that the pegmatites are more extensive than previously thought. Previous miners only mined the soft weathered and partly weathered pegmatites leaving significant amounts of fresh pegmatites behind. The mapping completed to date has highlighted significant zones of spodumene mineralisation over the Kitotolo and Manono project areas.

The geological mapping is also showing that the main body of the pegmatite in the Kitotolo sector is cross cutting the fabric of the steep north westerly dipping mica schists in the form of a sill or a lopolith. The pegmatite dips about 31° to 45° south east in the historic Kitotolo pit, and the dip gets progressively shallower north eastwards.

A total of six trenches for a combined 1,009 line metres have been completed over pegmatite outcrops for a total of 469 samples to date. Assay results are expected mid to late April.

On 21 March 2017, AVZ commenced a 13 hole, 2,000 metre diamond drilling program designed to test both the Kitotolo and Manono areas. Drill hole MO17DD001 was designed to target surface mineralisation recently identified by mapping at the south end of the historic Roche D'Or pit in the Kitotolo area. Spodumene of >20% whole rock volume and minor cassiterite/coltan is clearly visible in sections of the core. Samples will be forwarded to a laboratory in South Africa for analysis.

Although AVZ will finish the planned 2,000 metre program after the due diligence period, the Company believes it will have sufficient technical data by 28 April 2017 to determine whether to proceed with the agreement. A heavy wet season and rig mechanical issues have slowed the drilling campaign.

Legal Due Diligence

The Manono Project comprises PR 13359, which covers approximately 188km². AVZ's legal adviser in the DRC has advised:

- PR 13359 is valid and confers on its registered holder La Congolaise d'Exploitation Minière SA (**Cominiere**) the right to carry out exploration work for lithium, coltan and wolframite.
- The term of validity of PR 13359 is five years from 28 December 2016 to 27 December 2021. The licence is renewable thereafter for an additional period of five years, providing certain conditions are satisfied.
- The joint venture agreement entered into by AVZ, Cominiere and others is valid and enforceable under the laws of the DRC in accordance with its terms.
- There is currently pending in the DRC Supreme Court of Justice (**DRC SCJ**) an action for annulment of the Ministerial Order which cancelled the mining right (PE 12202) previously held by a third party named Manono Minerals Sarl (**Manomin**) in respect of the area covered by PR 13359. It is the opinion of the legal adviser that "In light of the facts in this case, the chances of a ruling in favour of Manomin appear very slight". In addition, the existence of this litigation does not affect the ability of Cominiere to dispose of PR 13359 or enter into a joint venture arrangement with third parties for the exploration, development and mining of this tenement.
- Further, if the DRC SCJ finds that PE 12202 had been wrongly forfeited and, as a consequence, the decision of the DRC Minister for Mines should be annulled, the annulment decision would be treated as if it had never been enacted or issued, but as a rule, when a decision is annulled by the DRC SCJ, the annulment is subject to certain exceptions including whether the annulled decision had been used as the basis for adoption of another administrative decision. The effects of the annulled decision cannot alter the rights of third parties, and any decision declaring the ministerial order invalid would not extend its effect to the subsequent administrative decision which granted PR 13359 to Cominiere, and it would be for the administrative authority to decide what compensation, if any, should be granted to Manomin as a consequence of the wrongful forfeiture of its tenement.
- The decision of the DRC SCJ is expected to be delivered on or around 20 April 2017.

With respect to the writ of summons filed in the Supreme Court of Western Australia by MMCS Strategic 1 (MMCS) seeking a declaration that the rights conferred under PE 12202 in the DRC remain valid (Proceedings), AVZ considers and has informed MMCS by its lawyers that:

- the Proceedings ought to be stayed permanently, on the basis that the Supreme Court of Western Australia (Court) is a clearly inappropriate forum for the determination of a question as to whether rights conferred under a mineral licence in the DRC remain valid; and
- if the Court did not stay permanently the Proceedings on the ground that the Court is a clearly inappropriate forum, the rights conferred under PE 12202 are not rights which were held by MMCS, but by another entity, which is not a party to the Proceedings. In addition, the entity which has been granted the current licence at Manono (PR 13359) is not a party to the Proceedings. As neither of the parties whose rights are the subject of the relief sought are parties to the Proceedings, the Proceedings will not resolve any issue or dispute, and therefore ought to be dismissed.

AVZ has now applied to the Court to have the proceedings permanently stayed. The hearing date for this application has not yet been set, but is expected to be in approximately 2 to 3 months.

Further information about AVZ is available at www.avzminerals.com.au, or contact:

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