



## Activities Report for the Quarter ending 31 March 2020

### Highlights

- MOU signed with Congolese Government to create a Special Economic Zone in Manono, Tanganyika Province, DRC
- MOU signed with Ministry of Hydraulic Resources and Energy to investigate refurbishing the Mpiana-Mwanga hydro-electric power station on Luvua River
- Roche Pit dewatering completed and transport routes determined, with final costs included in the Definitive Feasibility Study
- Completed \$A3.6M placement from existing strategic shareholder, Lithium Plus, and other sophisticated and professional investors, including a global institutional investor subsequent to end of March 2020 Quarter
- Senior management visited Yibin Tianyi's lithium chemical plant in China to commence discussions on a binding offtake agreement for Manono lithium products
- Phase 2 metallurgical test work (Dense Media Separation and Flotation) was completed with exceptional lithia recovery achieved and concentrate grades all above the Company's target of 6% Li<sub>2</sub>O spodumene concentrate ("SC6")
- Positive heavy mineral tin and tantalum was also recovered as part of the Phase 2 flotation test work
- Subsequent to the end of the March 2020 Quarter, AVZ released its Definitive Feasibility Study for its Manono Lithium and Tin Project<sup>1</sup> which showed:
  - US\$2,348M<sup>2</sup> pre-tax NPV<sub>10</sub> and US\$1,028M<sup>2</sup> post-tax NPV<sup>10</sup>
  - Internal Rate of Return of 53% (pre-tax)<sup>2</sup> and 33% (post-tax)<sup>2</sup>
  - Net Profit After Tax – Life of Mine of US\$3,779M<sup>2</sup>
  - Payback period of 1.5 years (pre-tax) and 2.25 years (post tax)

### ASX ANNOUNCEMENT

30 April 2020

#### AVZ Minerals Limited

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ABN 81 125 176 703

#### Directors

Non-Executive Chairman: John Clarke

Managing Director: Nigel Ferguson

Technical Director: Graeme Johnston

Non-Executive Director: Rhett Brans

Non-Executive Director: Peter Huljich

Non-Executive Director: Hongliang Chen

#### Market Cap

\$140 M

ASX Code: AVZ

- The Ore Reserves contains 44.6 Mt of Proved Category and 48.5 Mt of Probable category Ore Reserves
- Life of Mine beyond 20 years based on a 4.5 Mt/a operation under pinned by the Ore Reserves
- Conventional open pit mining with low ore waste strip ratio of 1:0.48
- LOM lithium recoveries of 60% using only conventional DMS
- CAPEX of US\$545.5 M including a contingency of US\$49.59 M (10%)
- US\$380 M average EBITDA for LOM
- Two transport routes solution at US\$229 per tonne<sup>3</sup> cost to Lobito port and US\$275 per tonne<sup>3</sup> cost to Dar es Salaam port
- 20-year mine life producing 700,000 tonnes per annum high grade of SC6 lithium<sup>4</sup> and 43,375 tonnes per annum of Primary Lithium Sulphate
- Pre-production capital expenditure of US\$545.5 M includes transport upgrade and rehabilitation of the Mpiana Mwanga Hydroelectric Power Plant
- Initial project development works already advancing including construction of the initial camp Colline

<sup>1</sup> Refer ASX Announcement dated 21 April 2020 "AVZ delivers highly positive Definitive Feasibility Study for Manono Lithium and Tin Project". Please refer to the Cautionary Statement and Forward Looking Statements in relation to the Definitive Feasibility Study results. AVZ confirms 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 continue to apply and have not materially changed.

<sup>2</sup> Based on 100% of project interest. AVZ holds 60% of the project with an option to increase to 65%

<sup>3</sup> Based on dry bulk delivery and containerised transport respectively

<sup>4</sup> 700 kt/a of SC6 produced, with 153 kt/a used as feed stock for lithium sulphate process plant

AVZ Minerals Limited (ASX: AVZ, "the Company") is pleased to provide the following report on its activities for the Quarter ended 31 March 2020.

**AVZ Managing Director, Mr. Nigel Ferguson said:** "The March quarter proved an incredibly busy and important three months which culminated with last week's much-anticipated release of the Company's Definitive Feasibility Study for the Manono Lithium and Tin Project ("Manono Project").

I want to thank all of our Project team – in the DRC, in Perth and all around the globe – who have contributed to the final DFS document.

It proves the Manono Project is robust, with strong financial metrics based on a substantial ore body capable of extending the Life of Mine well past its current 20 years, as modelled.

It also shows we have a robust, workable transport solution for delivery of products to the export ports and a clear plan to work with the community for social development and environmental compliance.

We are disappointed with last week's outcome of Yibin Tianyi's FIRB application process but, can I assure all our shareholders, we will now double down on our efforts and commitment to bring this world-class project into production. Yibin Tinayi are in continued discussions with AVZ about structuring the intended investment and a solution is being worked on.

I am also confident of securing the necessary short-term funding, as well as the longer-term debt and equity finance that will be required to deliver on the Company's aspirations of being a producer of lithium products from the Manono Project.

I look forward to keeping all our shareholders up-to-date with respect to offtake agreements, financing and a decision to mine."

## Special Economic Zone

In February, the Company executed a Memorandum of Understanding ("MOU") with the Ministry of Industry for the development of a Special Economic Zone ("SEZ") in Manono, located in the Tanganyika Province in the Democratic Republic of Congo.

In essence, an SEZ provides for an "investor to enjoy exemptions or reductions, either permanently or temporarily, in a degressive or non-degressive manner, with or without the possibility of renewal or extension, on direct or indirect taxes, domestic duties and taxes, national, provincial and municipal royalties, import or export duties payable in the Democratic Republic of Congo".

As the developer of the SEZ, AVZ would be eligible to additional benefits from the Congolese Government as opposed to being purely an investor in the SEZ. AVZ intends to secure the services of a suitably qualified manager to run the SEZ under contract, which will be a joint venture between the Government, a financier, a manager and AVZ.



*Figure 1: Members of AVZ and Dathcom's Management team and Government Officials in Kinshasa, DRC. Left to Right: Mr Christian Lukusa; Mr Serge Ngandu; Mr Balthazar Tshiseke representing AVZ and Dathcom and then Honourable Mr Julien Paluku, His Excellency the Minister of Industry; Mr Alexy Kayebe, The Infrastructure Presidential Special Advisor; Mr Jean Dieudonné KAVESE, the Chief of Staff of the Ministry of Industry and Mr Auguy Boland a, Chargé de mission of the Special Economic Zone Agency*

## AVZ Power

In early January, the Company also signed a Memorandum of Understanding with the Democratic Republic of the Congo's Ministry of Hydraulic Resources and Energy to investigate refurbishment of the Mpiana Mwanga hydro-electric power station on the Luvua River and associated power grids in the Manono Territory.

The Mpiana Mwanga hydro-electric power station is located about 85km east-south-east of the proposed Manono mine site. It was originally built in 1933 to service the historic tin mine but closed in 1982 when operations ceased.

At present, power is generated at the Manono town site using diesel generators and a recently commissioned 1.5Mw solar power system, while at AVZ's camp it is powered by a smaller 20Kva solar system with a diesel-powered back-up generator. Based on a positive outcome of the feasibility studies into re-commissioning the power station, it is AVZ Powers' intention to acquire from the DRC Government a long-term, 100% exclusive lease to rehabilitate the Mpiana Mwanga hydro-electric power station.

It is estimated up to approximately ~54KMw of electricity can be generated from the rehabilitated power station – sufficient to power the Manono town site and AVZ's nearby mining camp, as well as associated infrastructure and any future expansion of the mine site, including a 25Ktpa hydroxide plant. Ultimately, the electricity generated from the power station could be used for operating all AVZ's mining equipment, making the Manono Project a 100% 'green' mine, as well as providing sufficient electricity to power the entire Manono town site and rehabilitate the associated power grids in the Manono Territory.





*Figures 2-5: The Mpiana-Mwanga hydro-electric power station on the Luvua River*

### Roche Dure dewatering program

In early February, pit dewatering at Roche Dure was completed which now gives the Company the opportunity to undertake further infill drilling of material underneath the pit that could not be accessed while the pit was flooded.



*Figures 6-7: The floor of the Roche Dure pit, post dewatering*



*Figure 8: The sump on the floor of the Roche Dure pit, post dewatering*

## Transport Studies

The project team completed its analysis of all potential transportation routes during the March quarter. The most cost-effective transport routes were defined, thoroughly investigated and priced to meet the export requirements of the project. The investigation provided two suitable alternatives for transport of Manono products to port for export. The final cost analysis was incorporated in the Definitive Feasibility Study.

## Yibin Tianyi Placement & A\$3.6m Equity Raising

Significant activity occurred during the March quarter around the proposed A\$14.1M placement in AVZ by Yibin Tianyi Lithium Industry Co., Ltd (“Yibin Tianyi”).

The proposed investment by Yibin Tianyi received shareholder approval in January 2020. AVZ’s Manager Director, Nigel Ferguson and Project Director, Michael Hughes then visited Yibin Tianyi’s lithium chemical plant, which is under construction in China, to initiate discussions around an offtake agreement between AVZ and Yibin Tianyi.

Australia’s Foreign Investment Review Board (FIRB) requested – and was granted – several extensions to Yibin Tianyi’s FIRB application. Consequently, AVZ negotiated a US\$1 million Convertible Note with Yibin Tianyi, through its associate, N-Resource Limited, to maintain its rights under the Subscription Agreement.

Ultimately, AVZ was advised on 24 April 2020 by representatives for Yibin Tianyi, that it had withdrawn its proposed investment application in the Company (lodged with FIRB on 27 November 2019) following advice that its application would be rejected by the Federal Government on the grounds it would be “contrary to the national interest”.

Separate to the proposed Yibin Tianyi placement, AVZ raised A\$1.8 M from existing strategic shareholder, Lithium Plus, and A\$1.8 M from other sophisticated and professional investors, including a global institutional investor through the issue of 80,000,000 shares at 4.5 cents each with free attaching 120,000,002 options exercisable at 6 cents each expiring on 8 April 2022. The funds raised will be used to progress the DFS and for general working capital.

## **Metallurgical Test Work Results**

The Dense Media Separation (DMS) and Flotation test work within the Phase 2 metallurgical testing program was completed, delivering exceptional results in terms of lithia recovery and concentrate grades all above the Company’s target of 6% Li<sub>2</sub>O spodumene concentrate.

*(Refer ASX Announcements dated 24 February 2020 “Phase 2 Metallurgical Test Work Update” and 16 March “Preliminary Flotation Test Work Update and Initial Carriere de L’Este Metallurgical Results”)*

In addition, the Company reported positive heavy mineral tin and tantalum recoveries from its flotation test work results.

*(Refer ASX Announcement dated 24 March “Positive Heavy Mineral Tin and Tantalum Recovery Test Work Results”)*

The tin grades are highly saleable products which could potentially contribute to reducing overall operating costs and to supply a significant and growing demand from the electronics market.

## **Definitive Feasibility Study**

Subsequent to the end of the March 2020 Quarter, AVZ released its Definitive Feasibility Study for its Manono Project which indicated the project to be robust and viable with a product mix of SC6 for 700,000 t/a and Primary Lithium Sulphate (PLS) for 46,000 t/a. PLS will be produced using 153,000 t/a of SC6 product as feedstock.

Further upside potential for the Manono Project comes in the nature of significant upside resource potential from Carriere de L’Este, added cash flow from tin and tantalum credits, additional negotiations on a reduction in pricing for transport, the roll-out of electric powered mining equipment and the establishment of the SEZ at Manono, which will potentially provide discounted rates on tax, duties, VAT and further significant benefits for the project.

### ***Construction Camp***

The Company announced it had commenced construction of more sustainable accommodation facilities at Manono, called Camp Colline. A total of 30 comfortable “single-man” accommodation units have been built with additional units being built for up to 150 construction personnel.

The early works program also includes construction of an associated kitchen, mess, laundry and recreational facilities, as well as a sewage treatment facility, an RO water treatment plant and additional power facilities for Camp Colline.



*Figures 9-11: Some of the single-man accommodation quarters at Camp Colline*

## Corporate

The Company closed the quarter with a cash balance of A\$1.037m.

During the quarter, the Company received A\$1.531m (US\$1m) through the issue of 1,000 Convertible Notes with a face value of US\$1,000 each. The Company also received \$210,000 from the conversion of listed options (AVZO).

Major cash outflow during the quarter included:

- A\$2.336m on the Definitive Feasibility Study and other operating costs for the Manono Project;
- A\$0.575m on payroll, administration and corporate costs (including A\$0.189m to directors and related entities in relation to non-executive directors' fees, Managing Director and Technical Director fees, paid in accordance with the employment and consultancy agreements).

Subsequent to quarter end, the Company raised A\$3.6m (before costs). The Company is still engaging with Yibin Tianyi to negotiate alternative methods of investment and finalising an offtake agreement for the lithium products from Manono.

### ***Covid-19 response***

In response to the Covid-19 situation the Company has closed its offices and management and office staff are all working remotely from home, with little disruption to the normal workflow. A ban on intrastate and International travel has precluded any meetings with government officials in the DRC and matters to be raised in these meetings are not being attended to through web conference calls,

The Camp Colline in Manono and core yard remains guarded and secured. The Camp Colline manager and mechanics remain on site to ensure the condition of assets. Provision of assistance to local employees, communities and stakeholders near our project area continues.

Given the unfolding events to do with COVID19 and the growing concern and severe impact on financial markets, the Company has decided to immediately minimise all expenditure and thus institute a cost review to reduce all but critical expenditures during this uncertain period.

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

For further information, visit [www.avzminerals.com.au](http://www.avzminerals.com.au) or contact:

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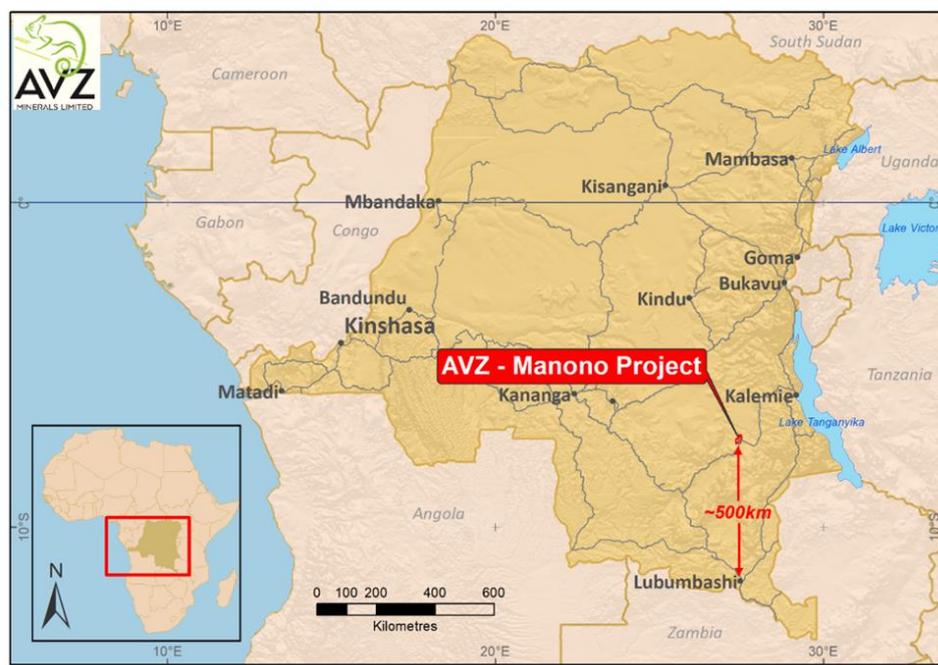


## Competent Person Statement

The information in this report that relates to metallurgical test work results is based on, and fairly represents information compiled and reviewed by Mr Nigel Ferguson, a Competent Person who is a Fellow of The Australasian Institute of Mining and Metallurgy and Member of the Australian Institute of Geoscientists. Mr Ferguson is a Director of AVZ Minerals Limited. Mr Ferguson has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves”. Mr Ferguson consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The information that relates to Ore Reserves is based on information compiled by Mr Daniel Grosso and reviewed by Mr Karl van Olden, both employees of CSA Global Pty Ltd. Mr van Olden takes overall responsibility for the Report as Competent Person. Mr van Olden is a Fellow of The Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as Competent Person in terms of the JORC (2012 Edition). The Competent Person, Karl van Olden has reviewed the Ore Reserve statement and given permission for the publication of this information in the form and context within which it appears. The estimated ore reserves underpinning the production target have been prepared by a competent person, Karl van Olden from CSA Global, in accordance with the requirements in Appendix 5A of the (JORC Code) 2012.

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 (SACNASP) 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 the report of the matters based on this information in the form and context in which it appears.



### Information required under ASX Listing Rule 5.3.3

List of current mining and exploration tenements (as of 31 March 2020):

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 Mineral Resource at a 0.5% Li<sub>2</sub>O cut-off

Category	Tonnes (Millions)	Li <sub>2</sub> O %	Sn ppm	Ta ppm	Fe <sub>2</sub> O <sub>3</sub> %	P <sub>2</sub> O <sub>5</sub> %
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
<b>Total</b>	<b>400</b>	<b>1.65</b>	<b>715</b>	<b>34</b>	<b>0.96</b>	<b>0.29</b>

Roche Dure Main Pegmatite Ore Reserve Estimate

Reserve category	Tonnes (Mt)	Grade Li <sub>2</sub> O (%)	Contained Li <sub>2</sub> 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	1016	49.3
<b>Total</b>	<b>93.0</b>	<b>1.58</b>	<b>1.47</b>	<b>988</b>	<b>92.0</b>

*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”. 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.*

## 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 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(274)	(684)
(e) administration and corporate costs	(301)	(1,108)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	62
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(562)</b>	<b>(1,732)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(1)	(70)
(d) exploration & evaluation (if capitalised)	(2,336)	(7,059)
(e) investments	-	(712)
(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,337)</b>	<b>(7,841)</b>

<b>3.</b>	<b>Cash flows from financing activities<sup>1</sup></b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	1,531	1,531
3.3	Proceeds from exercise of options	210	253
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,741</b>	<b>1,784</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,164	8,751
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(562)	(1,732)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,337)	(7,841)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,741	1,784
4.5	Effect of movement in exchange rates on cash held	31	75
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,037<sup>1</sup></b>	<b>1,037</b>

<sup>1</sup> Excludes A\$3.6 million raised (before costs) from share placement – refer to ASX announcement dated 2 April 2020.

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	983	1,121
5.2	Call deposits	54	1,043
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,037</b>	<b>2,164</b>

**6. Payments to related parties of the entity and their associates**

6.1	Aggregate amount of payments to related parties and their associates included in item 1	189
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter  
\$A'000**

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

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

7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities (Convertible Note)	US\$1,000,000	US\$1,000,000
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>	<b>US\$1,000,000</b>	<b>US\$1,000,000</b>

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.

The Company executed a Convertible Loan Agreement on 5 March 2020 with N-Resource Limited, an associate of Yibin Tianyi Lithium Industry Co., Ltd ("Yibin") for a total loan facility of US\$1,000,000. The conversion price has been set at 85% of the 15-day Volume Weighted Average Price immediately prior to the conversion. Interest on the Loan accrues at 10% per annum commencing on 31 March 2020. The loan matures the earlier of the date:

- 1) completion of the Subscription Agreement<sup>1</sup> with Yibin;
- 2) AVZ Minerals Ltd raises at least A\$7,500,000 of debt or equity funding from other parties other than Yibin and its associates; and
- 3) 3 calendar months after 5 March 2020.

<sup>1</sup> Please refer to ASX Announcement dated 11 November 2019 "AVZ introduces Yibin Tianyi Lithium as a Strategic Investor"

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	562
8.2 Capitalised exploration & evaluation (Item 2.1(d))	2,336
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	2,898
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,037
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	1,037
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>0.36</b>

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

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:

The Company expects the net operating cash flows to reduce significantly in the next quarter following the completion of the Definitive Feasibility Study for the Manono Lithium and Tin Project. The Company is not anticipating any further exploration and evaluation work in the next quarter.

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: Yes

In April, the Company raised A\$3.6 million through the issue of 80,000,000 shares at 4.5 cents each with free attaching 120,000,002 options exercisable at 6 cents expiring 8 April 2022.

In April 2020, the Company also received a total of A\$333,450 following the exercise of 11,115,000 listed options at 3 cents each (AVZO).

Total outstanding on issue for the listed options is 186,587,382 as at the date of this report. The listed options will expire on 24 May 2020 and based on the current share price, the Company expects the outstanding listed options to be exercised, raising a further A\$5.6m.

The Company is still engaging with Yibin Tianyi Lithium Industry Co, Ltd to negotiate alternative methods of investment into AVZ through subscription for shares.

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: Yes, the Company expects to be able to continue its operations and to meet its business objectives in the coming quarters as per the reasons provided above.

## 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: 30 April 2020

Authorised by: Leonard Math (Company Secretary)  
(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.