



Activities Report for the Quarter ending 30 June 2020

Highlights

- A\$10.7M placement to Yibin Tianyi completed
- Strong investor support received for exercise of listed AVZ options, contributing \$A\$5.3M (before costs)
- US\$1M Convertible Note repaid
- Final payment of US\$1M made under original Acquisition Agreement to acquire 60% interest in the Manono Lithium and Tin Project
- Early works program commenced at Manono Lithium and Tin Project
- Approx. US\$300M of pre-mining request for tenders issued, including process plants EPC package
- Permis d'Exploitation (Mining Licence) application being prepared
- Special Economic Zone discussion continue positively
- Preliminary iTSCi membership obtained
- Extension to known mineralisations to South West of Roche Dure confirmed
- Outstanding "high-grade" cassiterite concentrate produced from alluvial material
- Negotiations continuing with Yibin Tianyi and other companies to sign binding offtake agreements
- Negotiations progressing with several Australian and international groups around project finance.

AVZ Minerals Limited (ASX: AVZ, "the Company") is pleased to provide the following report on its activities for the Quarter ended 30 June 2020.

ASX ANNOUNCEMENT

31 July 2020

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 Hулjich

Market Cap

\$159 M

ASX Code: AVZ

AVZ Managing Director, Mr. Nigel Ferguson said: “The June quarter has been extremely busy for AVZ as we advance the Manono Lithium and Tin Project (“Manono Project”), post the release of our highly positive Definitive Feasibility Study in late April 2020.”

“During the quarter we continued our early works program at the Manono Project and issued approximately US\$300M of pre-mining request for tenders, which will be awarded once a Final Investment Decision to mine Manono is made.”

“We are also preparing the necessary documentation to be lodged with both the Department of Mines and the Department of Environment for an application to convert our current exploration licence to a mining licence.”

“Our discussions with the DRC Government around our Special Economic Zone (“SEZ”) agreement slowed during the quarter due to a travel ban imposed in the DRC due to the global COVID-19 pandemic. However, discussions are now progressing well and we expect to finalise a SEZ agreement before award of the mining licence.”

“I can also confirm that discussions with various entities relating to offtake agreements and financing arrangements are well advanced. We are looking at financing options out of Europe and the Middle East where there is strong interest in EV batteries, as well as another option out of South Africa.”

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

Yibin Tianyi Placement & Exercise of AVZ Listed Options

In mid-May, AVZ successfully completed a A\$10.7M placement to Yibin Tianyi Lithium Industry Co., Ltd through the issue of 237,500,000 shares at 4.5 cents per share. Yibin Tianyi now holds a 9% stake in AVZ but is not entitled to a Board seat.

The placement funds enabled AVZ to repay a US\$1M Convertible Note to N-Resource Limited (a company associated with Yibin Tianyi), undertake early development works at the Manono Project and provide ongoing working capital.

In late May, AVZ received approximately A\$5.3M (before costs) after more than 180,241,837 listed options were exercised by option holders and Canaccord Genuity (Australia) Limited.

Furthermore, AVZ completed its final payment of US\$1M under the original Acquisition Agreement to acquire its 60% interest in the Manono Project. AVZ retains the option to increase its holding in the Manono Project to 65% under the Share Sale Purchase Agreement with Dathomir Mining Resources SARL.

Early Works Program

AVZ advanced its plans to develop the Manono Project by issuing tenders for approximately US\$300M worth of pre-mining infrastructure packages. The tenders, which will be awarded once AVZ makes a final investment decision to mine Manono, included the process plants EPC package, the Kabondo-Dianda intermodal staging station, diesel storage facilities and supply packages, site buildings and enterprise resource systems.

Permis d'Exploitation Application

Documentation for the application to convert the current exploration licence (PR13359) to a mining licence, is underway. The DFS results, the ESIA reports (including the Social Development plan) and the draft Mine Closure Plan form the majority of this package of reports, that are required for the application to be submitted. The application is made jointly to the Department of Mines and the Department of Environment and anticipate several months for government approval to be received.

Special Economic Zone

In February 2020, 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”.

Progressing discussions on the SEZ provided some challenges during the early part of the June quarter due to travel ban imposed in the DRC due to the global COVID-19 pandemic. However, discussions with the DRC government are now progressing well and AVZ expects some of the applied taxes, customs and duties in the modelling to be waived or significantly reduced under the SEZ agreement that is currently being negotiated.

Extension of Surface Mineralisation to South West of Roche Dure

Results from surface exploration and sampling to the immediate south-west of Roche Dure, which involved soil sampling on wide spaced lines 400 metres apart, provided early positive results for the likely extension of the Roche Dure pegmatitic orebody along strike from the open pit (Figure 1).

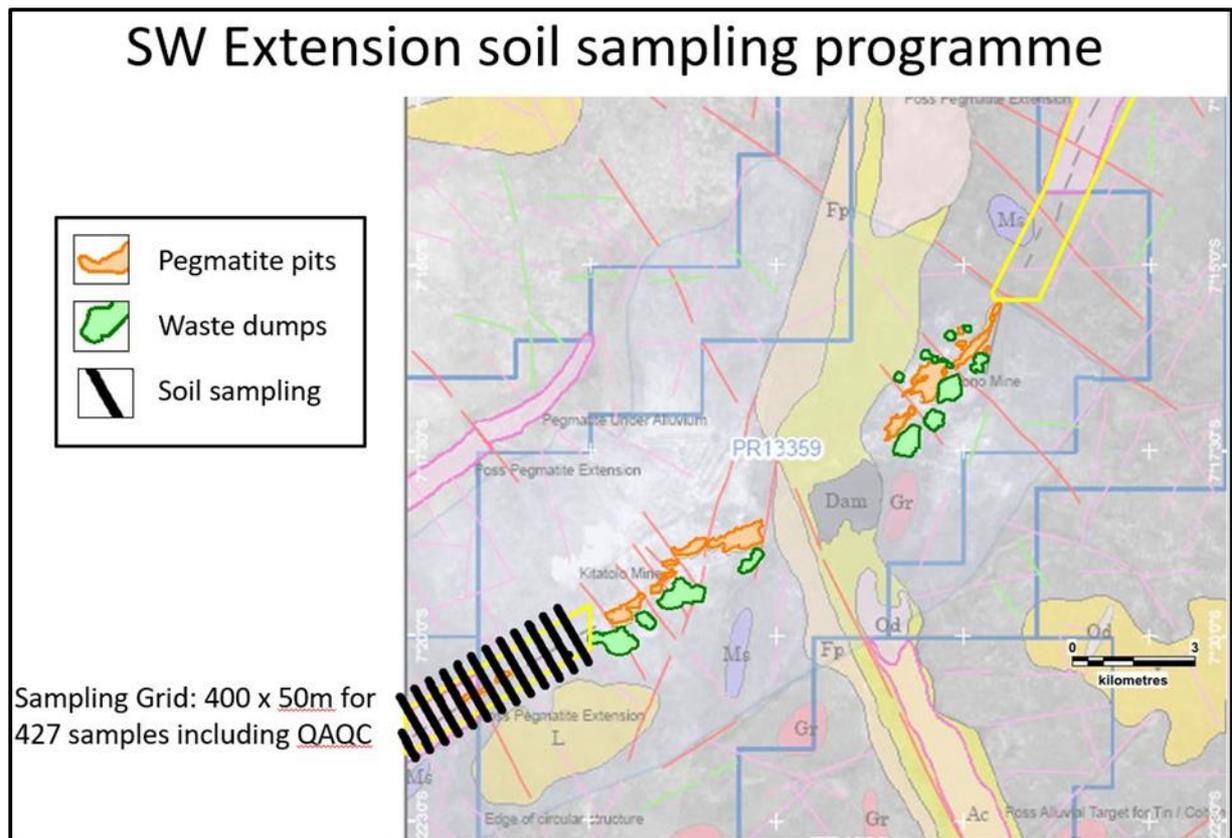


Figure 1: Surface sampling grid to the south-west of Roche Dure

The samples were collected across the concession boundary between PR13359 onto AVZ's 100% owned PR4030 and this has provided extra information on a 4.8km long corridor from Roche Dure along strike to the western edge of PR4030 (Figure 1).

The results have indicated at least five areas of elevated Li-Ind (Figure 2), which also correspond with high Ni values. These five areas, which extend to the eastern edge of PR4030, have generated areas of potential mineralisation requiring field inspection and infill soil sampling.

Areas of Interest (elevated Li_IDX values)

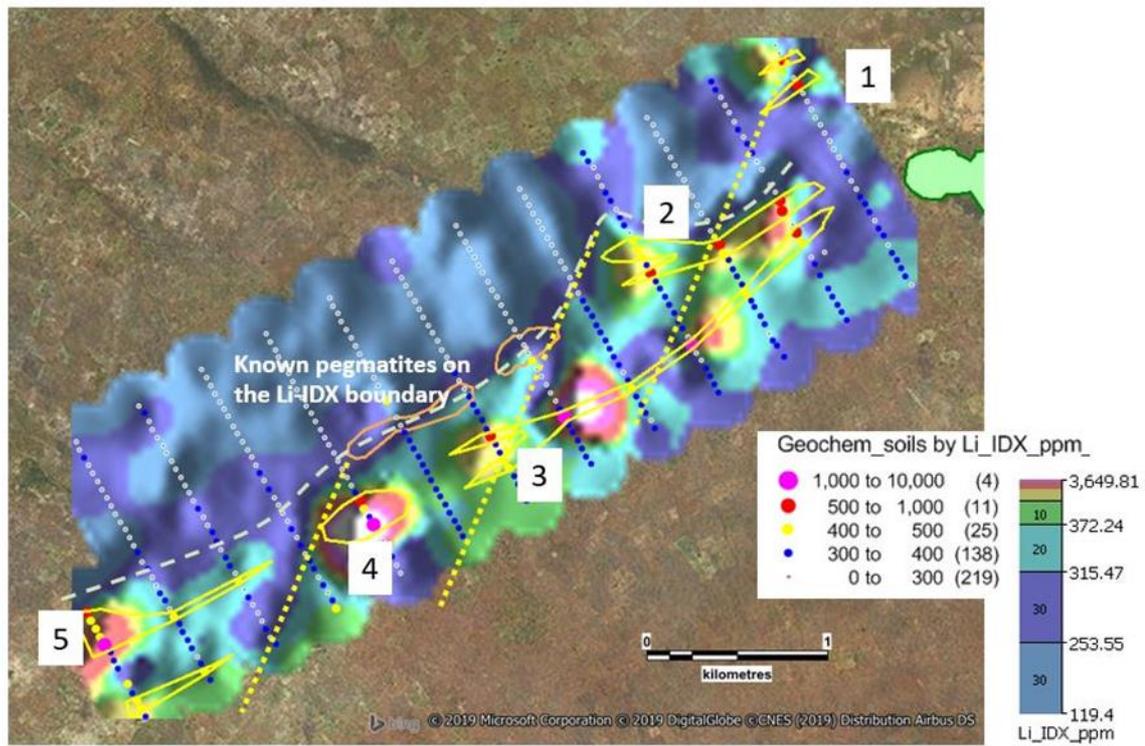


Figure 2: Surface anomalies to the south-west of Roche Dure

Metallurgical Test Work

Some test work on the substantial alluvial tin fields was included in the Definitive Feasibility Study for the Manono Project, however, AVZ purposely left any detailed work on the alluvial tin fields until a later stage in the project.

In late April, AVZ reported an outstanding set of results with regards to recovery of Tin, Tantalum and Niobium. They indicated:

- Effective liberation and separation show amenability to conventional metallurgical processing methods for tin and tantalum
- A high-grade, low impurity cassiterite concentrate can be produced grading 71.7% to 73.2% Sn (equating to 91% to 93% cassiterite)
- A separate high-grade tantalum product of between 17% to 21% Ta₂O₅ was also produced
- Tantalum product streams are predominantly coltan (columbite-tantalite) returning niobium grades of between 17% to 21% Nb₂O₅
- Tantalum product recoveries are between 62% to 67%, however a high proportion (20% to 31%) of tantalum and niobium reports to the cassiterite product stream which is expected to attract additional credits from tin smelters

Refer ASX Announcement dated 29 April 2020 titled "AVZ produces High Grade Cassiterite Concentrate"

Corporate

In May, the Company advised that Mr Hongliang Chen had resigned as a Non-Executive Director of AVZ Minerals. Mr Chen was a nominee of Huayou Cobalt Group, which had provided early support to the Manono Project with a \$13M placement in August 2017.

Major cash outflow during the quarter included:

- A\$1.789M on the Definitive Feasibility Study and other operating costs for the Manono Project;
- A\$1.451M final payment on the acquisition of the 60% interest in the Manono Project;
- A\$0.794M on payroll, administration and corporate costs (including A\$0.197M 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).

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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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 this 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 30 June 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 Ore Reserve Estimate

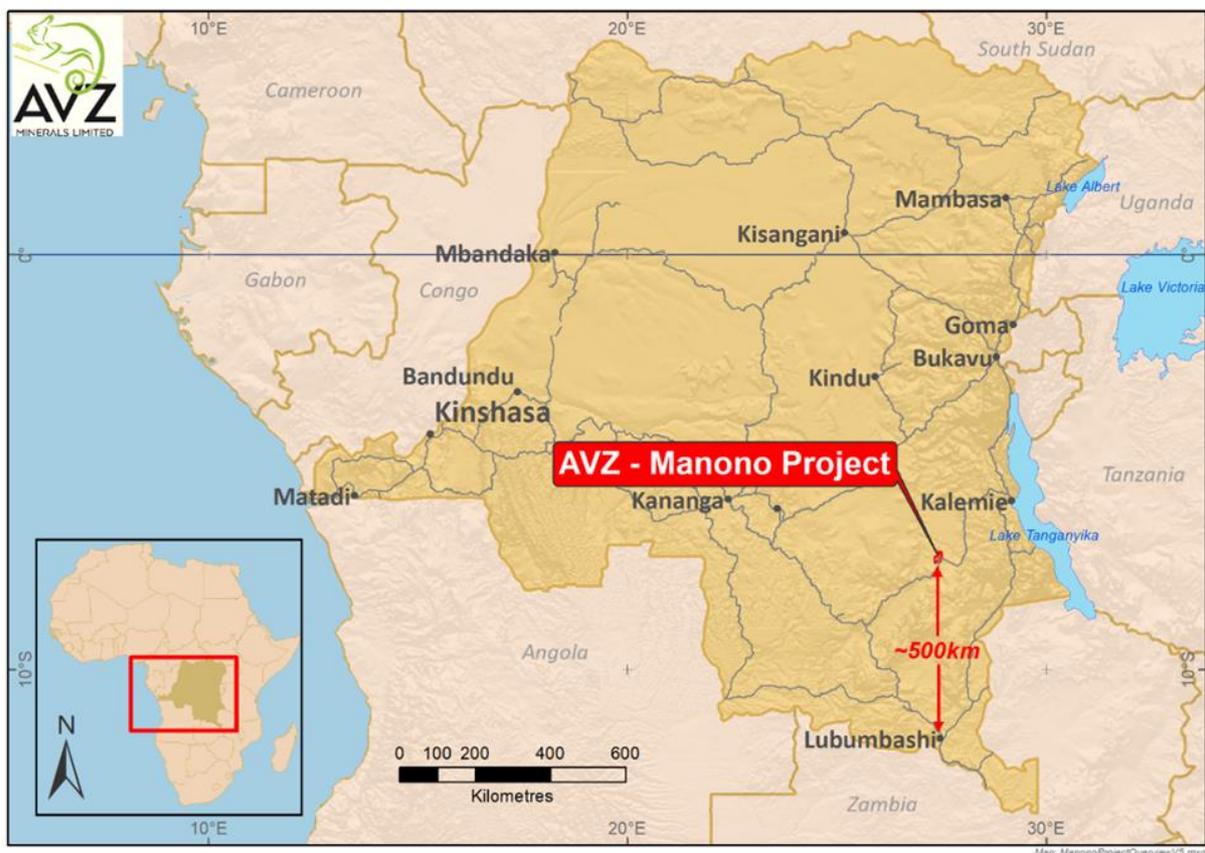
Reserve Category	Tonnes (Millions)	Grade Li ₂ O %	Contained Li ₂ O (Mt)	Grade Sn (g/t)	Contained Sn (kt)
Proved	44.6	1.62	0.72	958	42.7
Probable	48.5	1.54	0.75	1,016	49.3
Total	93.0	1.58	1.47	988	92.0

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". 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:

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



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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(273)	(957)
(e) administration and corporate costs	(521)	(1,629)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	15	77
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid	-	-
1.7 Deposit paid	-	-
1.8 COVID-19 Cashflow Boost government incentive	42	42
1.9 Net cash from / (used in) operating activities	(738)	(2,470)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(19)	(89)
(d) exploration & evaluation (if capitalised)	(1,790)	(8,849)
(e) investments	(1,451)	(2,163)
(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 (12 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	(3,260)	(11,101)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	14,143	14,143
3.2	Proceeds from issue of convertible debt securities	-	1,531
3.3	Proceeds from exercise of options	5,856	6,109
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,020)	(1,020)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings (convertible note)	(1,556)	(1,556)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (interest paid on convertible note)	(19)	(19)
3.10	Net cash from / (used in) financing activities	17,404	19,188

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,037	8,751
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(738)	(2,470)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,260)	(11,101)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	17,404	19,188

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 (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(241)	(166)
4.6	Cash and cash equivalents at end of period	14,202	14,202

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	4,138	983
5.2	Call deposits	10,064	54
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)	14,202	1,037

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

Current quarter \$A'000
197
-

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. 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. 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.	<div style="border: 1px solid black; height: 100px; width: 100%;"></div>	
N/A		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(738)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(1,790)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(2,528)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	14,202
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	14,202
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	5.6

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:

N/A

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: N/A

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: N/A

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: 31 July 2020

Authorised by: By the Board
(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.