

Equity Research

AVZ Minerals (AVZ)

A world class lithium project on a rapid path to production

AVZ Minerals (AVZ) is well advanced in the development of the Manono Lithium Project in the DRC, which contains the largest spodumene resource globally with 401Mt @ 1.65% Li₂O in situ. The deposit is world class and will be a long life, major player in the lithium battery supply chain. AVZ have submitted a Mining Licence application and is awaiting the DRC government to award this permit. We expect this to be granted in the near future and a cascade of positive news to follow including the release of the Bankable Feasibility Study (BFS).

Tier 1 Equity partner secured to fast-track development

In September 2021, AVZ entered into a transaction implementation agreement with Suzhou CATH Energy Technologies (CATH). CATH is owned by Mr. Pei Zhenhua and Contemporary Ampere Technology Co. Limited (CATL) the global leader in Lithium conversion and lithium-ion battery production. CATH will pay \$US240m for a 24% equity interest in the Manono Project to be used to fund capital development in addition to funding their equity portion of project CAPEX. This transaction is due to be completed in March with CATH waiving precedent conditions including award of the Mining Licence.

Expansion Scenario significantly increases the project scale

In September 2021, AVZ and CATH agreed to evaluate and progress a study to increase annual production capacity from a 4.5Mtpa throughput producing approximately 0.7 million tonnes of SC6, as contemplated by the DFS (April 2020) to a 10Mtpa throughput producing approximately 1.6 million tonnes of SC6. The expansion study combined with existing offtake agreements indicates the strong interest from downstream customers in securing future production capacity from AVZ.

Our updated forecasts and company valuation

Pre-production capital is now estimated at \$US900M with the CATH transaction and contribution expected to total \$US528M towards this. We anticipate first SC6 production in Q4 CY 2023. AISC for SC6 is forecasted to average US\$321/t and we have used a LT SC6 price of US\$1,200/t from FY 2027. EBITDA and FCF averages A\$2,069M and A\$1,178M over the LOM. The project has material potential upside in the form of tax reductions from the finalisation of a special economic zone, higher realised SC6 and PLS prices, significant exploration upside, and additional staged processing expansions.

We update our valuation on AVZ Minerals and maintain a BUY recommendation and target price of A\$1.21ps (28% upside).

If you would like to discuss the full report, please contact us directly using the details below.

Mining

12-month rating	BUY
Target Price (A\$ps)	1.21
Share Price (A\$ps)	0.95
Upside	28%

BBG: AVZ AU

Trading data & key metrics

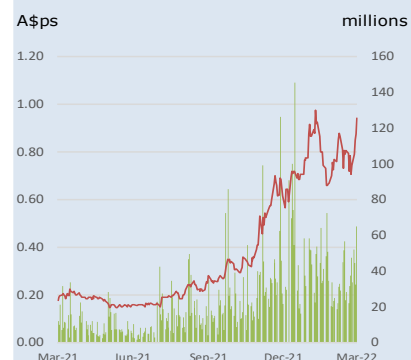
52-week range	0.14 - 0.995
Market Cap:	3,262
Shares on issue (m):	3,452
Avg daily volume (k):	22,725
Avg. daily volume -\$m	11.84

Directors:

John Clarke	CHAIR
Nigel Ferguson	MD
Graeme Johnston	TECH DIR
Rhett Brans	NED
Peter Huljich	NED

Substantials:

Yibin Tianyi Lithium	6.90%
Huayou International	6.29%



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