

# The Boatman Capital Research



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The Board of Directors  
AVZ Minerals Ltd.  
Level 2, 8 Colin Street,  
West Perth, WA 6005  
Australia

16 July 2019

Dear Sirs,

On 24 June 2019, AVZ Minerals announced that it would acquire an additional 5% of Dathcom Mining, a DRC-based entity that holds the license to explore the Manono lithium resource. AVZ will buy the shares from Dathomir Mining Resources for US\$5.5 million in cash.

Dathomir is currently AVZ's largest shareholder following a deal announced in February 2017, in which AVZ acquired a 60% stake in Dathcom from Dathomir.

Both the February 2017 and June 2019 transactions concern us.

We believe that AVZ may have benefited from a plan to seize the Manono license from its previous owners and reallocate it in a way that could benefit powerful individuals in the DRC. Considering the timeline of events, we think it is reasonable to ask whether AVZ and its Board of Directors were aware of this plan.

Neither Dathcom, which was set up just a few weeks before it was awarded the Manono license, or Dathomir Mining Resources have any obvious experience or track record in mining or exploration. And yet, Dathomir has received 260 million shares in AVZ; US\$750,000 in cash; and the proposed additional payment of US\$5.5 million.

This raises the question of who is benefiting from these deals? We note that Dathomir Mining Resources is 80% owned by Dathomir International, a Seychelles-based shell company. Dathomir International has a Swiss nominee director and an anonymous shareholder in Belize. This opaque structure therefore hides the ultimate beneficiaries of the deal with AVZ.

AVZ said when it announced the Manono deal in 2017 that it would conduct due diligence before completing the purchase. Given that knowing who you are transacting with is the most basic form of due diligence, we assume that AVZ's Board of Directors knows who the ultimate beneficiaries of Dathomir International are.

We are writing to ask the Board to make this information public.

The DRC is one of the most corrupt countries in the world and there are a number of "red flags" that lead us to believe that the Manono license may have been awarded corruptly. AVZ proceeded with the Manono deal despite these warning indicators.

We are therefore also asking that AVZ's Board of Directors provide an assurance to investors that their company has complied with all international laws in relation to its DRC transactions.

Our research report, "*AVZ Minerals: The Proceeds of Corruption?*" can be found at: [www.theboatmancapital.com](http://www.theboatmancapital.com).

Yours sincerely,

The Boatman Capital Research