

The Boatman Capital Research



AVZ Minerals: The Proceeds of Corruption?

Ticker: AVZ.AU
Date: July 2019
Price: \$0.05
Market Capitalisation: A\$116m

The main asset of AVZ Minerals is a license to explore the world's largest undeveloped lithium deposit, located in the Democratic Republic of Congo (DRC). It is our opinion that AVZ could have benefited from corruption in the award of this exploration license. As a result of this transaction, AVZ's largest shareholder is owned by an offshore vehicle with a Swiss nominee director and an anonymous shareholder in Belize.

We attribute zero value to AVZ on the basis that the provenance of its main asset is questionable and the beneficiaries of its largest shareholder are hidden behind an opaque corporate structure.

**Disclaimer: Important.
Please Read.**

This report has been prepared for information purposes only. It expresses the opinions of the authors and is being published because we believe it is in the public interest to do so.

This report, and the information it contains, should not be considered under any circumstances to be investment advice. By downloading and viewing this report, you agree that the information contained within shall not be construed as an offer, invitation, inducement or representation of any kind to buy or sell securities or any other financial instruments.

To the best of our ability and belief, all information contained in this report is accurate and reliable and is included in this report in good faith. Before taking action on any information contained in this report, the reader must do their own research and due diligence and reach their own conclusions. All expressions of opinion by the authors and The Boatman Capital Research are subject to change without notice and we do not undertake to update this report or the information, analysis or opinion within.

This report and the authors' opinions are based on publicly available facts, field research and information obtained during our due diligence process. To the best of our ability and belief, the information in this report has been obtained from public sources and is not from insiders or connected persons to the stock covered here.

By accessing the website of The Boatman Capital Research and/or viewing this report, you agree to hold The Boatman Capital Research and any individuals or entities associated with it blameless for losses that may result from the publication of information contained in this report. Under no circumstances will any individual or entity involved in the publication of this report be liable for direct or indirect trading losses.

The authors of this report and other individuals or entities directly related to The Boatman Capital Research do not have holdings in stocks or financial instruments related to the information contained in this report. This may change at any time after publication.

By viewing this report, you agree to all the terms of use outlined above.

Executive Summary

- **Based on the research presented in this report, we believe that AVZ Minerals' only significant asset, a licence to explore the Manono region of the Democratic Republic of Congo (DRC), may have been awarded corruptly.**
- **The timeline of events leading up to AVZ's acquisition of the Manono license leads us to question whether the company was aware of the plan to reallocate the license from its previous owners. And we question why AVZ proceeded with this deal given the "corruption red flags" identified in this report.**
- **As a result of the Manono transaction, AVZ's largest shareholder became Dathomir Mining Resources, which is 80% owned by a Seychelles-based entity called Dathomir International Corporation. AVZ's largest shareholder is therefore owned by a shell company operating in an offshore haven. The director of Dathomir International is a Swiss nominee and its shareholder is an anonymous entity in Belize. It is hard to imagine how the ultimate beneficial owners of Dathomir International could have organised a more opaque structure. Whoever stands to benefit from Dathomir International and the development of the Manono mine seems to have gone to extraordinary lengths to hide themselves from public scrutiny.**
- **Given the serious governance concerns we have regarding AVZ and the questions over the provenance of its main asset, we attribute zero value in the company.**
- **We urge Australian regulators to investigate AVZ's involvement in the DRC in order to ensure full compliance with international laws and to protect investors.**
- **We also call on AVZ to reveal who the beneficiaries of its largest shareholder are and confirm whether they have any connection to the corrupt regime of former president Joseph Kabila.**

In February 2017, AVZ announced it had acquired a license (PR13359) to explore a region of the DRC called Manono. Subsequent drilling has confirmed that Manono is the world's largest undeveloped lithium resource. The discovery comes as demand for lithium has soared due to the element's use in batteries for electric vehicles, phones etc. However, before AVZ acquired the rights to explore Manono there was a different mining license covering the same land. This license was called PE12202 and was owned by a company called Manono Minerals (aka Manomin). Manomin had its license withdrawn in November 2016 and the company has claimed this was done wrongly and there were no grounds for the revocation. It has taken the DRC Government to arbitration in Paris.

The manner in which PE12202 was revoked and subsequently awarded as PR13359 has raised our suspicions. On 29 July 2016, two days after Manomin learned that the DRC Government wanted to remove its license, a politically-connected deal maker called Cong Mao Huai

became the director of a recently established company called Dathomir Mining Resources. Given subsequent events, we do not think this was a coincidence. Cong is reportedly close to the Kabila regime and has been described in media reports as the “godfather” of Chinese mining deals in the DRC.

A few weeks later, AVZ (which had been run by Cong’s old business partner Klaus Eckhof) announced a deal to acquire two exploration licenses that surround the main Manono asset, despite the company’s previous focus on Namibia. This was a remarkably prescient deal given later events.

Four days after that transaction, on 23 September 2016, Cong met the head of Cominiere, the state-owned miner, in Kinshasa. The two men agreed a deal whereby Dathomir Mining Resources and Cominiere would form a joint venture called Dathcom Mining SAS, which would be owned 70:30 respectively. According to the minutes of a meeting between the parties, the Manono license would be included in the joint venture once it was “free from all third-party rights”. Cominiere then assured Cong that it was finalising the “administrative formalities” relating to the reallocation of the license to their joint venture.

The language – “administrative formalities” – indicates that the parties expected the rights to transfer no matter what the legal process required. In our opinion, this conversation demonstrates that as far as Dathomir and its state-owned partner were concerned, the allocation of the Manono license to their joint venture was a done deal. They agreed a deal for Manono even before the previous owners had a chance to challenge the revocation order.

In November 2016, AVZ acquired a random collection of exploration licenses in the Katanga region from Dathomir and Cominiere, without even visiting all the sites. These licenses have apparently been relinquished by AVZ, costing A\$500,000 of shareholder funds.

On 24 November 2016, Manomin was formally stripped of the license PE12202 and a new license, PR13359, was issued to Dathcom Mining covering exactly the same territory. Less than 40 days later, AVZ acquired a 60% stake in the joint venture company holding the new licence. The stake was bought from Dathomir Mining Resources and the new ownership structure mirrored that of the earlier Katanga deal (AVZ 60%; Dathomir 10%; Cominiere 30%).

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 was aware of this plan.

Dathcom Mining had existed for barely two months when it was awarded the new license PR13359. Its majority owner at the time, Dathomir Mining Resources, had been set up less

than a year before. Neither had any experience or track record in mining, nor any equipment, geologists or miners. Despite apparently contributing nothing to the exploration, drilling or surveying of the Manono area, Dathomir was paid US\$750,000 in cash by AVZ when it acquired the 60% stake in Dathcom. In addition, Dathomir received shares in AVZ equivalent to a 12.71% stake in the Australian company. As a result, Dathomir became AVZ's largest shareholder.

On 24 June 2019, AVZ announced that it would acquire a further 5% of Dathcom from Dathomir Mining Resources for US\$5.5 million in cash. We would like to know who will benefit from this payment?

According to our research, Dathomir Mining Resources is 80% owned by a Seychelles-based company called Dathomir International Corporation. Dathomir International was incorporated by a nominee director in Monaco who was subsequently replaced by a nominee director in Geneva. The shareholder appears to be an anonymous shell company based in Belize.

The DRC is one of the most corrupt countries in the world. According to NGOs and media reports, Joseph Kabila, who stepped down as president earlier this year, and his family have used their positions to profit from mining concessions, the oil industry, infrastructure and numerous other business ventures. Joseph Kabila has denied allegations of corruption by himself or his family.

The Kabila regime also has form when it comes to revoking a mining license in order to give it to a favoured party. The Canadian miner First Quantum had its Kolwezi mine seized in 2009 and the asset was subsequently sold to a company owned by Dan Gertler, who has been placed under economic sanctions by the US Department of Justice. Gertler is alleged to have paid DRC officials huge bribes to orchestrate this deal. Gertler then sold the asset to ENRC in a transaction that is currently under investigation by the UK Serious Fraud Office. Gertler has described the allegations against him as false and without basis. ENRC has denied any wrongdoing.

Based on anti-corruption guidelines produced by the Wolfsburg Group, which sets standards for the global banking industry, we believe that AVZ's involvement in the Manono project raises a number of "corruption red flags". These include:

- The poor reputation of the DRC for corruption and its reported track record in reallocating mining licenses to friends of the Kabila regime.
- The political connections between Cong Mao Huai and Zoe Kabila as well as Klaus Eckhof and Zoe Kabila. Zoe Kabila is the brother of former president Joseph Kabila and was the member of parliament for Manono. He is now the governor of the region.

- The apparent lack of mining experience or track record for Dathcom and Dathomir, and yet they were still awarded a mining license.
- The payments received by Dathomir despite apparently contributing nothing to the mining project.
- And the use of a shell company and other non-transparent corporate structures to obscure the ultimate beneficiaries of the Manono deal.

These red flags support our belief that the PR13359 license may have been awarded corruptly and that AVZ proceeded with the deal despite the warning indicators.

1. The Asset

AVZ Minerals' Manono project is located in the Democratic Republic of Congo (DRC), in the Tanganyika province. This region is in the south of the country and is accessed via poorly maintained roads or a 1.5-hour flight from Lubumbashi, which is roughly 500km away.



Source: AVZ announcement 02/02/17

The Belgians discovered tin at Manono in 1910 and the region was mined commercially between 1919 and 1982. Since then, artisanal miners have worked the area while exploration has been conducted by several international companies.

According to AVZ, the Manono pegmatite deposit extends for a strike length of at least 13.5km and the company's exploration license (PR13359) covers 188km². AVZ has reportedly spent two years drilling 27,500 meters of bore holes in the Roche Dure, a particularly rich deposit covering 2.7km of the main strike. The rest of the license area and surrounding land has not been well mapped geologically so the full extent of this region's resources are unknown. However, AVZ's initial drilling suggests enormous potential.

AVZ reported in May 2019 that Manono was likely to be the world's largest lithium resource and that the area also contained large deposits of tin. The lithium oxide resource at Manono

is estimated at 400 million tonnes with an average grade of 1.65%, of which 269 million tonnes is within the Roche Dure strike. Based on an annual throughput of 5 million tonnes, AVZ has estimated an NPV for the asset of US\$2.63 billion.

The company has taken to describing Manono as the “Escondida” of lithium – named after BHP Billiton’s giant copper mine in Chile.



Source: AVZ investor presentation 08/05/19

Nigel Ferguson, the managing director, said in May¹: “With Manono confirmed as the world’s largest lithium deposit, we are increasingly confident that the Project will continue to develop into production and potentially become a world leading source of lithium and tin.”

According to AVZ’s latest projections, the company plans to spend 2019 completing its testing programme and feasibility studies. It hopes to start mine construction next year and move into commissioning and production in 2021.

Although Manono appears to contain large quantities of tin and tantalum, which was what first attracted the attention of the Belgians in 1910, it is the region’s lithium that excites investors now. Demand for lithium is predicted to increase dramatically due its use in batteries, particularly for electric vehicles and electronic devices. AVZ has not been shy about reminding investors of this potential:

¹ AVZ statement 08/05/19



THE FUTURE



“Lithium will in the near future be one of the most sought-after raw materials on earth”



Volkswagen press release on the announcement of a long term supply agreement with Ganfeng, April 5 2019

Lithium: The Irreplaceable Element of the Electric Era

Why is lithium so important for the production of electric car batteries? And how will Volkswagen secure a sustainable supply chain? We answer the key questions.



Today, lithium ore is predominantly extracted in Australia.

“Long-term agreements such as the one we have now made with Ganfeng for the most important raw material, lithium, have decisive strategic importance for the implementation of our ‘e-Motion’”, says Dr. Steffen Soperer, Group Board of Management member for Components and Procurement at Volkswagen AG, thus formulating the extreme importance of the long-term lithium supply for the Volkswagen Group at the start of the electric era. The joint Memorandum of Understanding (MoU) with the Chinese lithium producer ensures security of supply in the key technology of the future – and makes a decisive contribution to implementing Volkswagen’s ambitious Group goal of launching the largest e-offensive in the automotive industry and has projected 22 million

offensive in the automotive industry and has projected 22 million e-vehicles worldwide by 2028.

The Volkswagen Group is pressing ahead with the fundamental system change in individual mobility and is consistently focusing on electric drives. Over the next ten years, the Group intends to launch almost 70 new e-models – instead of 30 as previously planned. This will also increase the number of e-vehicles to be built on the Group’s e-platforms in the next decade from 13 million to 22 million.

Source: AVZ investor presentation 08/05/19

We have no doubt that Manono is an incredible resource and it is being developed at an exciting time for lithium. AVZ has attracted a legion of small investors who have become fans of the stock and are vocal about their interest online. Their support helped push AVZ’s share price to 33c in early 2018 as the scale of the opportunity became apparent.



AVZ share price mid 2017-mid 2019

However, the shares have since collapsed in value and AVZ now trades at between 5c and 8c per share. As the good news pours out of AVZ, the share price seems stubbornly immune to the optimism, which was noted in a recent sponsored story in the West Australian newspaper².

² <https://thewest.com.au/business/public-companies/avz-sitting-on-lithium-mega-deposit-c-162901>

It said: “AVZ’s deposit is so large and its grades are so good that it is difficult to understand why AVZ’s name doesn’t instantly ring a bell with the lithium glitterati in the same way that the names Pilbara Minerals, Talison and Kidman Resources have become household names amongst the lithium enthusiasts.”

There are certainly legitimate concerns about the estimated \$400 million needed to put Manono into production and this could be depressing the price. There may also be concern about whether a mine located in the centre of Africa with poor infrastructure connections will be able to get its product to coastal ports without enormous cost and threat of disruption.

We think there is another reason for concern: the lingering stench of corruption that is attached to this project.

2. The Manono License

MMCS

Before the involvement of AVZ Minerals, the license to explore the Manono region was held by a company called **Manono Minerals (aka Manomin)**. This company was a joint venture between **MMCS Strategic 1 (MMCS)** and **La Congolaise d'Exploration Miniere Sprl (Cominiere)**. Cominiere is 90% owned by the DRC Government and 10% owned by a state pension fund³. Its role is to partner with international mining companies to develop local resource projects – often as a requirement of the licensing agreement.

Manomin's exploration license, number PE12202, was awarded in 2012 but four years later the DRC Government decided that the company had not fulfilled a number of its contractual obligations in developing the Manono field. According to subsequent litigation brought by MMCS, Manomin was told on 27 July 2016 that the DRC Ministry of Mines was planning to revoke its license. This can be seen in details of the litigation presented by AVZ in its stock market announcements⁴:

2. Manono Minerals SARL holds Exploitation Licence number 12.202 issued by the Ministry of Mining in the Democratic Republic of Congo.
3. On 27 July 2016 Ministerial Order 0378/CAB.MIN/MINES/01/2016 purported to revoke Exploitation Licence number 12.202.

Source: ASX Aware Letter published by AVZ Minerals on 14 March 2017

The proposed revocation was made official by the DRC Ministry of Mines on 29 August 2016 with the publication of ministerial order number 0378/CAB.MIN/MINES/01/2016⁵.

There is a small discrepancy in the date of revocation with MMCS stating it was in July while the official journal of the DRC stating it was August. It is likely that this can be attributed to a difference between when Manomin was initially told about the revocation order and when it was actually filed by the Ministry of Mines. Manomin sought to challenge the revocation order in September 2016.

Dathomir

A Seychelles-based company called **Dathomir International Corp.** set up a subsidiary in the DRC called Kibali-Ituri Resources on 29 January 2016. When Kibali was incorporated its

³ <http://cominiere.cd/presentation.html>

⁴ <https://www.asx.com.au/asxpdf/20170314/pdf/43gsj8d85x86s9.pdf>

⁵ <https://www.leganet.cd/Legislation/JO/2016/JO.15.12.2016.pdf>

director was a Chinese national called Min Guo Wei, a former executive at Sicominex. (Sicominex is a joint venture between a consortium of Chinese companies and the DRC Government and is reportedly one of the largest investments in Congo's history, worth more than \$3 billion⁶.)

On 29 July 2016, Kibali-Ituri Resources changed its name to **Dathomir Mining Resources** and Min Guo Wei was replaced as director by another Chinese national called Cong Mao Huai – one of the most powerful mining figures in the DRC, according to our sources and media reports. Cong has been described by Africa Intelligence as the “godfather” of Chinese mining deals in the DRC⁷ and his involvement in Dathomir came just two days after Manomin was told that its license would be revoked. Given subsequent events, we do not think that this was a coincidence.

DECLARATION DE MODIFICATION	
<input checked="" type="checkbox"/> de la PERSONNE MORALE	<input type="checkbox"/> d'un ETABLISSEMENT
<input type="checkbox"/> Caractéristiques,	<input type="checkbox"/> Activités, <input type="checkbox"/> Dirigeants, <input type="checkbox"/> Transfert, <input type="checkbox"/> Fermeture, <input type="checkbox"/> Dissolution
M2 AP Porto Novo 23/24 juin 1999	MODIFICATION RELATIVES A LA PERSONNE MORALE
1 LA PERSONNE MORALE MODIFIE N° RCCM de l'entreprise :CD/KIN/RCCM/16-B-9386	
2 Son SIEGE :Nouveau siège : à Kinshasa, AVENUE KAULA N°5573. DANS LA COMMUNE DE LA GOMBE, EN R.D.CONGO.....	
3 Ancien siège :.....RCCM N°.....Date.....	
4 Sa FORME JURIDIQUE : Nouvelle :.....S.A.R.L.....Ancien.....Date.....	
5 Son CAPITAL :Nouveau :..... 46.500.000 FCAncien :.....Date.....	
6 Son ACTIVITE : Activités supprimées.....Date.....	
7 Activités ajoutées.....	
8 Son NOM COMMERCIAL, ENSEIGNE,SIGLE Nouveau :..... DATHOMIR RESOURCES SARL	
Ancien : UELE ITURI RESOURCES SARLDate d'effet:.....	
9 AUTRE (préciser) : - Décisions Collectives Extraordinaire de l'Assemblée Générale du 29/07/2016 notarié le 04/08/2016 de la SOCIETE UELE ITURI RESOURCES SARL, ayant à l'ordre du jour et les résolutions suivantes ,- 1° Changement de la dénomination sociale de la société, - Ainsi l'article 3 des statuts a été modifié comme suit : La société prend la nomination sociale de : « DATHOMIR MINING RESOURCES SARL- 2° Nomination du nouveau Gérant, - La décision extraordinaire des associés de nommé pour une durée de quatre (4) ans, un nouveau Gérant en la personne de Mr. CONG MAOHUAI, - 3° Modification de la structure du capital social, - 4° Changement d'adress du siège social, - L'Approbation par les Associés du changement du siège social de la société qui devient désormais : - 5, Avenue des Ambassadeurs, Commune de la Gombe, en République Démocratique du Congo, -5° Pouvoirs et Mandat, -	
10 La personne est DISSOUTE(Indiquer les coordonnées du liquidateur à la rubrique « dirigeants ») Date du.....	
MODIFICATIONS RELATIVES A L'ETABLISSEMENT	

Source: Guichet Unique de Creation d'Entreprise, DRC corporate registry. Showing change of name and new director for Dathomir.

On 23 September 2016 a pivotal meeting took place in Kinshasa between Cong Mao Huai of Dathomir Mining Resources and Athanase Mwamba Misao, acting director general of Cominiere. At the meeting, a preliminary agreement was struck between Dathomir and state-owned Cominiere to form a joint venture to explore the Manono region.

The JV vehicle was called Dathcom Mining SAS and it was to be owned 70% by Dathomir Mining Resources and 30% by Cominiere. The new company would also hold exploration permits 12436, 12449, 12450, 12454, 12206, 12459 and 124bl in the provinces of Tanganyika and Haut-Lomami.

⁶ <https://foreignpolicy.com/2018/06/27/the-belt-and-road-bubble-is-starting-to-burst/>

⁷ <https://www.africaintelligence.com/ama/exploration--production/2018/06/26/the-rise-and-rise-of-the-chinese-miners-in-katanga,108314758-eve>

The details of this agreement appear in the minutes of a follow-up meeting held between Cominiere and Dathomir in November 2016. The minutes refer back to the September meeting and the decisions that had been made between the two parties. A copy of the minutes can be found on the DRC Ministry of Mines website⁸:

REPUBLIQUE DEMOCRATIQUE DU CONGO

PROCES-VERBAL DE NEGOCIATION

ENTRE

**LA CONGOLAISE D'EXPLOITATION MINIERE SA
(« COMINIÈRE SA »)**

ET

**DATHOMIR MINING RESOURCES SARL
(« DATHOMIR SARL »)**

The preliminary agreement states that in addition to the Tanganyika and Haut-Lomami licenses, the Manono permit (PE12202) would be included in the joint venture once it was “free from all third-party rights”. Cominiere, the state-owned miner, affirms to its partner that it is finalising “administrative formalities” relating to the reallocation of these mining rights to the joint venture.

⁸ <http://www.mines-rdc.cd/resourcecontracts/contract/ocds-591adf-0616740576/view#/pdf>

~~De même, aux termes du même Accord Préliminaire, les Parties en négociation s'étaient engagées de conclure, aussitôt que le périmètre ayant fait l'objet du Permis d'Exploitation 12202 sera libre de tous droits des tiers, un accord de joint-venture pour l'exploitation des Rejets des mines résultant de l'exploitation minière antérieurement réalisées par COMINIÈRE SA et les gisements naturelles se trouvant sur ou enfouies dans ledit périmètre par la Société Commune, (« Contrat de JV-Exploitation ») :~~

~~Après la déchéance de l'ancien titulaire du PE 12202, COMINIÈRE SA, Société Anonyme de droit congolais dont le capital social est détenu à 90% par la RDC et 10% par l'Institut National de Sécurité Sociale, a, conformément aux lettres référencées n°0621/MINPF/JDK/CM/LMM/2016 du 09 novembre 2016 et n° CAB. MIN/MINES/01/1592/2016 du 10 novembre 2016 respectivement de la Ministre du Portefeuille et du Ministre des Mines, bénéficié de la réattribution des droits miniers jadis couvert par le Permis d'Exploitation n° 12202 dont les formalités administratives sont en cours de finalisation auprès du Cadastre Minier :~~

Source: Minutes of Nov 2016 Meeting Between Dathomir and Cominiere

In other words, Cong and his opposite number at Cominiere agreed a deal to include PE12202 within their joint venture even before the revocation of this license had been formally completed. The language – “administrative formalities” – also indicates that the parties expected the rights to transfer no matter what the legal process required. In our opinion, this conversation demonstrates that as far as Dathomir and Cominiere were concerned, the allocation of the Manono license to their joint venture was a done deal.

The terms of the agreement required Dathomir to pay Cominiere \$6 million in four instalments over 36 months. In addition, Dathomir was responsible for financing infrastructure projects in the Manono region including an upgrade to the road between Lubumbashi and Manono and the Mpiano Mwanga hydroelectric power plant.

Five days after the meeting between Dathomir's Cong and Cominiere, Manomin filed a challenge to the DRC Ministry of Mines requesting that the revocation order be reviewed⁹. The company apparently did not realise that its fate had already been sealed and Cominiere had agreed terms with a new partner.

The DRC Ministry of Mines' final revocation order came on 24 November 2016 and Manomin was stripped of its Manono license¹⁰.

⁹ The review request is referenced in the revocation order issued on 24 November 2016.

¹⁰ https://www.mines-rdc.cd/fr/wp-content/uploads/documents/Arretes/2016/A0848_2016.pdf?x72899

République Démocratique du Congo



MINISTRE DES MINES

Le Ministre

0 8 4 8

**ARRETE MINISTERIEL N°.....2.4/8AB.MIN/MINES/01/2016 DU 2.4 NOV 2016
PORTANT ANNULATION DU PERMIS D'EXPLOITATION N° 12202
OCTROYE A LA SOCIETE MANONO MINERALS**

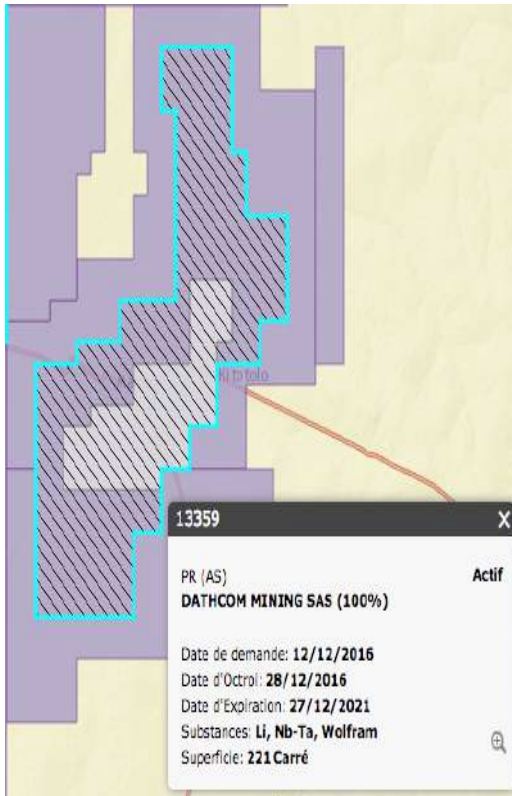
Source: DRC Ministry of Mines 25/11/16

The new joint venture vehicle, Dathcom Mining, was incorporated a few weeks after the September 23rd meeting and its registered address was the same as for the Kempinski Hotel Fleuve Congo in Kinshasa, whose owner is Cong Mao Huai¹¹.

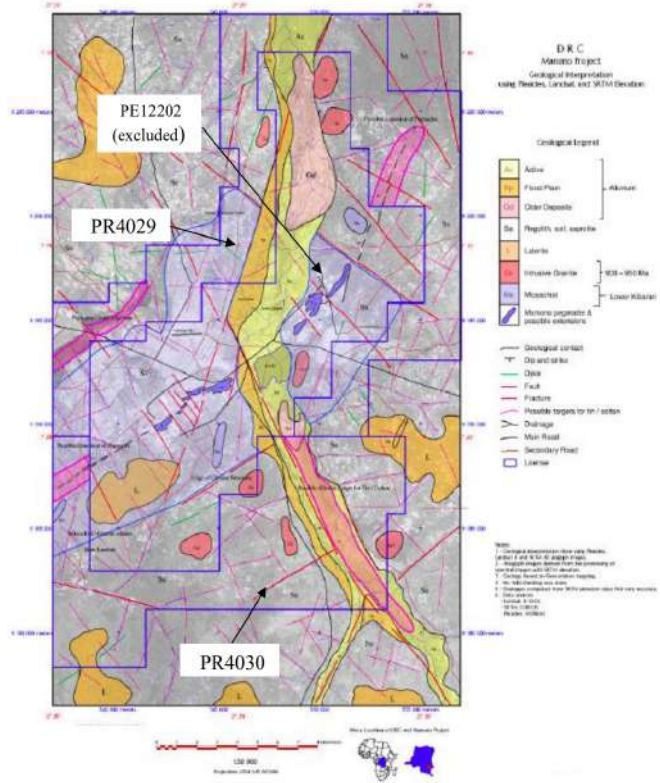
On 28 December 2016, the Ministry of Mines granted Dathcom Mining a new license called PR13359. It was a new name but maps show that it is exactly the same territory previously covered by Manomin's PE12202 license.

PE12202 vs PR13359:

¹¹ <https://www.hospitalitynet.org/news/4066447.html>

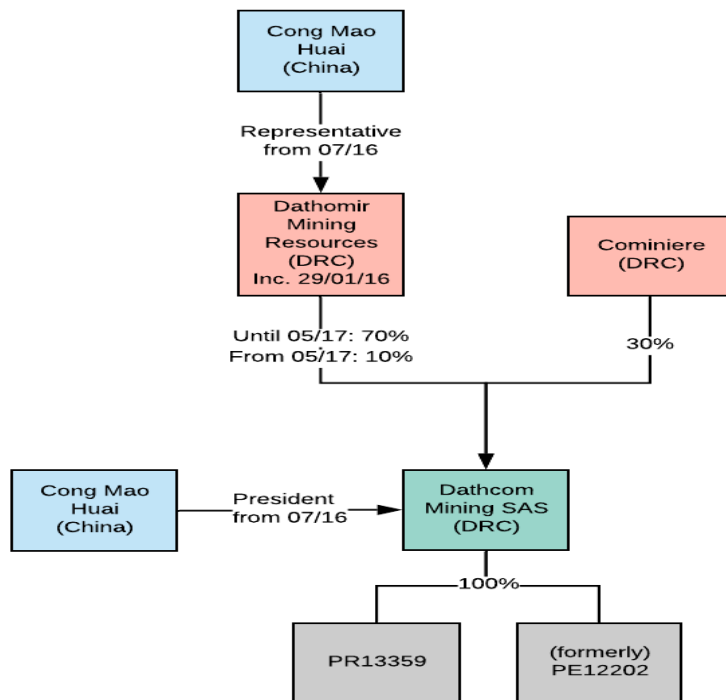


A: Source DRC Ministry of Mines



B: AVZ announcement before PR13359 created

At the end of 2016 the following structure was in place:

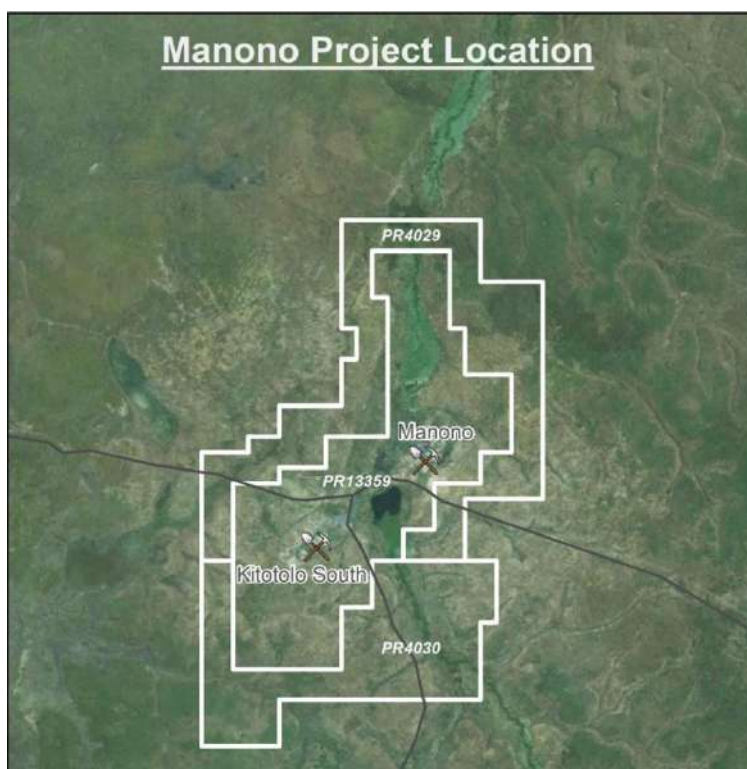


3. AVZ Involvement

According to early annual reports for **AVZ Minerals**, the Australian miner's activities before 2016 were focused on exploration work in Namibia. That all changed on 19 September 2016 when AVZ announced it had acquired rights to the Manono Extension Project in the DRC.

The extension project included two exploration licenses (PR4029 and PR4030) that covered an area of 242 square kilometres. AVZ paid US\$200,000 in cash plus 50 million shares for the licenses, which were bought from a Dubai-based company called Medidoc FZE¹².

As the map below shows, PR4029 and PR4030 completely surround the main Manono asset, which was still in the hands of Manomin at the time AVZ acquired these licenses. Given what would happen subsequently, AVZ's decision to buy these peripheral licenses looks remarkably prescient.



The revocation of Manomin's license PE12202 was formalised on 24 November 2016 and four days later, on 28 November, AVZ announced another deal in the DRC. The Australian company would acquire a share in seven licenses covering an area of 1,132 square kilometres in the Katanga region¹³.

¹² <https://www.asx.com.au/asxpdf/20160919/pdf/43b8qgs0ldsmbw.pdf>

¹³ <https://www.asx.com.au/asxpdf/20161128/pdf/43d83nkm6rv4m.pdf>

At a cost of A\$500,000, AVZ bought a 60% stake in these licenses from Cominiere and Dathomir Mining Resources – who retained stakes of 30% and 10% respectively. The licenses were held by Dathcom Mining and were the same ones that had been part of the joint venture agreed between Dathomir and Cominiere in September 2016.

When AVZ announced the acquisition of the Katanga licenses, the company admitted in its press release that it had only visited four of the seven license areas. Following the purchase, the licenses were barely mentioned but on 18 April 2019 the company issued its first quarter trading update, which indicated that the licenses had been relinquished¹⁴. This information was buried on page 22 of the 23-page report:

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	PR12436 PR12449 PR12450 PR12454 DRC – Katanga Regional	Relinquished	60%	0%

It seems that these assets were bought partially sight unseen and have since been dumped. The main beneficiaries of this transaction appear to be Dathomir and Cominiere and this raises the question as to whether this deal was done to gain access to something bigger...

The Manono Deal

As mentioned previously, after revoking the Manomin license the DRC Ministry of Mines issued a new permit (PR13359) to cover the Manono asset on 28 December 2016. This was issued to Dathcom Mining, which at the time was 70% owned by Dathomir Mining Resources and 30% by Cominiere.

Dathcom had owned the PR13359 license for less than 40 days when a new deal was struck and AVZ acquired a 60% stake in the joint venture company. As a result, the remainder of Dathcom would be owned 30% by Cominiere and 10% by Dathomir. This is exactly the same structure as the November deal to acquire the Katanga licenses and we therefore question whether some sort of understanding existed with AVZ in relation to Manono even before the previous owner's license had been officially revoked.

¹⁴ <https://www.asx.com.au/asxpdf/20190418/pdf/444fps0zsjf42l.pdf>

According to an AVZ press release issued on 2 February 2017, completion of the PR13359 deal was subject to various conditions including the successful completion of a due diligence review and regulatory approvals.

The terms of the deal required AVZ to pay Cominiere US\$6 million over a period of three years. The Australian company also paid Dathomir US\$750,000 in cash plus 260 million shares. According to the latest information provided by AVZ, those shares were equivalent to 12.71% of the company's stock - making Dathomir AVZ's largest single shareholder.

Substantial Shareholders

The names of the substantial shareholders:

Shareholder	Number	%
Dathomir Mining Resources Sarl	240,000,000	12.71%
Huayou International Mining (Hong Kong) Ltd	186,000,000	9.85%

Source: AVZ Annual Report 2018

[Note: As the above screenshot from the annual report illustrates, Dathomir is classified as a "Substantial Shareholder". The prospectus for a rights issue in February 2019 also confirms that Dathomir is AVZ's largest shareholder. However, the company's website gives a list of its top 20 shareholders and this does not include Dathomir¹⁵. Given there has been no announcement that Dathomir has left the share registry we assume that AVZ differentiates between "substantial shareholder" and "top shareholder" and has not included Dathomir on its website. The same differentiation can be seen on P59 of the annual report.]

A further 100 million shares were also given to Klaus Eckhof, the former executive chairman of the company, and 60 million shares were given to other individuals who had helped in "facilitating the transaction".

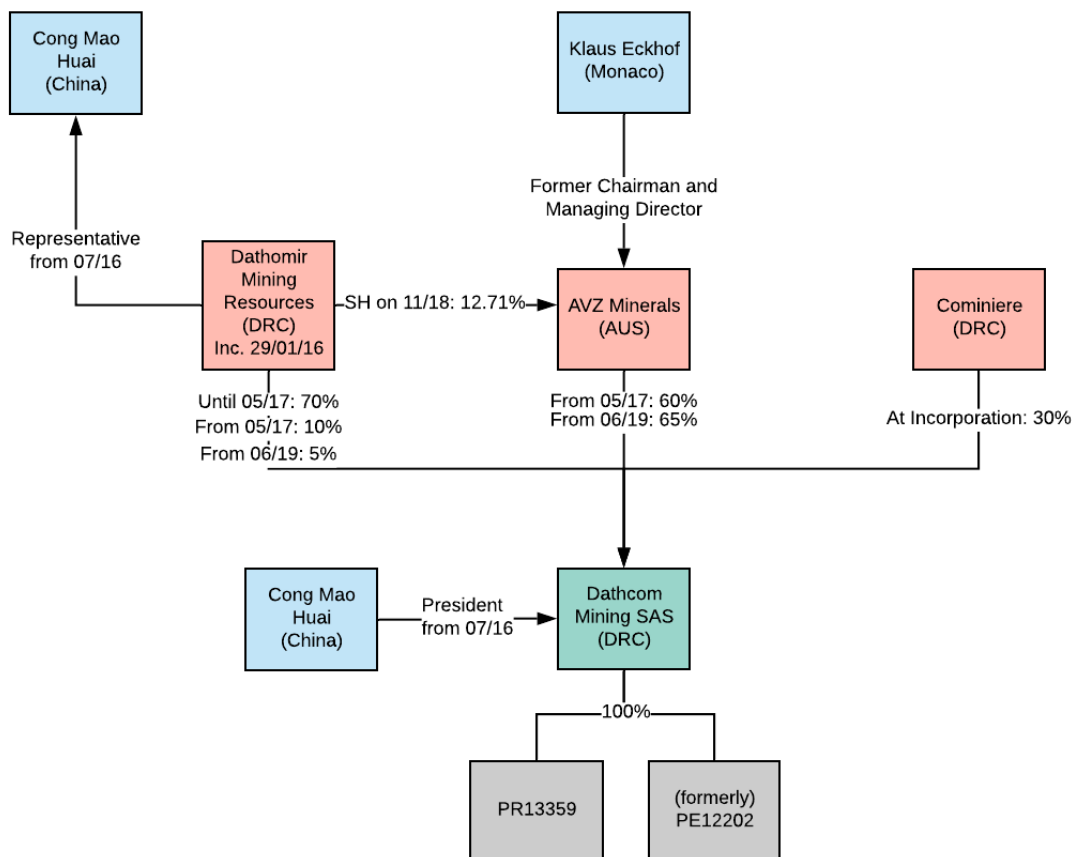
The deal closed on 23 May 2017, about two weeks after the DRC Supreme Court rejected a last appeal by Manomin against the revocation of its license.

On 24 June 2019, AVZ announced that it had agreed to buy a further 5% in Dathcom Mining (which holds the PR13359 license) from Dathomir Mining Resources¹⁶. The company will pay an initial US\$500,000 and then a further US\$5 million over the next 3 years. This will result in AVZ owning 65% of the Manono asset, Cominiere 30% and Dathomir 5%. The deal is expected to close in late July or August.

¹⁵ <https://avzminerals.com.au/top-20-shareholders>

¹⁶ <https://www.miningreview.com/battery-metals/avz-minerals-increase-equity-manono/>

The following chart gives the current ownership structure:



Litigation

AVZ's pivot from Namibia to the DRC appears to have been led by Klaus Eckhof, the former executive chairman. Eckhof and Cong Mao Huai, the director of Dathomir Mining Resources, have history working together at a company called Panex Resources. Eckhof had been the chief executive of Panex when it acquired shares in a DRC gold venture from Amani Consulting, which was run by Cong. Panex later acquired a controlling share in Amani and Cong joined the board of Panex.

Given the connection between Cong and Eckhof, we believe there is a strong possibility that AVZ may have been aware of moves by Cong and Cominiere to have the Manono license allocated to their joint venture. Manomin's owner, MMCS, apparently also felt that AVZ had stepped on its turf and launched legal proceedings against the Australian company in March 2017.

AVZ rejected MMCS's claim that it had misled investors over ownership of the Manono asset and insisted that its license was valid and legitimate. The West Australian courts subsequently

rejected the MMCS case and recent media reports¹⁷ suggest that the company has switched focus and is taking Cominiere to the International Chamber of Commerce in Paris to seek redress.

Echidna Equities published a research note¹⁸ in May 2018 that highlighted the fortuitous timeline of events in 2016 that led to AVZ gaining the Manono asset at MMCS's expense. It questioned whether AVZ's subsidiary, Dathcom Mining, was the rightful owner of the Manono license and whether it would continue to face litigation issues.

We do not question the legitimacy of AVZ's ownership of the PR13359 license. Rather, we are concerned that AVZ may have benefited from a plan to seize the original license PE12202 from its owners and reallocate it in a way that might benefit powerful individuals in the DRC.

To summarise the events:

- Two days after Manomin learned that the DRC Government wanted to remove its license, a politically-connected deal maker called Cong Mao Huai took over a recently established DRC company.
- Out of the blue, AVZ Minerals (run by Cong's old business partner Klaus Eckhof) bought the two exploration licenses that surround the main Manono asset despite the company's previous focus on Namibia.
- Days later, Cong and the state-owned miner, Cominiere, agreed a deal to include the Manono asset in their joint venture, even before the previous owners had a chance to challenge the revocation decision.
- AVZ then bought a series of random exploration licenses in Katanga from Cong and Cominiere, without even visiting them all. Meanwhile, Cong's joint venture with Cominiere was awarded a new license for Manono that covered exactly the same territory as the license previously held by Manomin.
- Less than 40 days later, AVZ bought 60% of the JV entity established by Cong and Cominiere. The new ownership structure was the same as the earlier Katanga deal.

Considering this timeline of events, we think it is reasonable to ask whether AVZ may have been aware of the plan to reallocate the Manono license and why it proceeded with a deal that appears to raise so many "corruption red flags".

¹⁷ <https://www.africaintelligence.com/ama/exploration--production/2019/03/05/mmcs-fights-for-its-right-to-avz-s-manono-lithium-in-paris,108347396-art>

¹⁸ The website www.echidnaequities.com is no longer available.

4. Who Is Dathomir?

Dathomir Mining Resources was incorporated in the DRC in January 2016 and appears to have done nothing until July of that year, when it was renamed and Cong Mao Huai took over as director. Within two months, Cong had struck a joint venture agreement with the state-owned miner Cominiere that assumed they would soon take over ownership of the Manono asset.

Sure enough, within weeks this had happened and, shortly after, AVZ acquired a 60% stake in the joint venture vehicle Dathcom Mining. As a result of that transaction, Dathomir Mining Resources became AVZ's largest shareholder with a 12.7% stake despite contributed nothing obvious to the project. This raises an important question: who is Dathomir?

According to DRC corporate records, Dathomir Mining Resources is 80% owned by Dathomir International and 20% owned by the Winner Group.

ACTE CONSTITUTIF

ENTRE LES SOUSSIGNEES :

1. **La société Dathomir International Corp.**, société de droit de Seychelles, dont le siège est situé à Mahé, Victoria, suite 205, 2nd Floor, Capital City, Indépendance Avenue-PO Box 903, Immatriculée au Registre sous le numéro 138868, ci représentée par Monsieur MIN GUOWEI, dument mandaté, d'une part ;

ET

2. **La Société WINNERS GROUP Sarl**, société de droit Congolais, ayant son siège social au n°2020, 14^{ème} rue Limete Industriel, dans la Commune de Limete, immatriculée au Nouveau Registre de Commerce et de Crédit Mobilier de Kinshasa sous RCCM CD/KIN/RCCM/14-B-3844, et enregistrée sous Id. Nat 01-93-N60841J, agissant ici par son Gérant, **Madame BOBO ELITE Linda**;

Source: Certified Dathomir Mining Resource filings

The DRC corporate records show that Dathomir International is based in the Seychelles, an offshore haven with limited transparency requirements. The company was incorporated in January 2014 and its director at this time was Patrick Edmond Lecourt, whose signature is on the incorporation certificate.



According to our research, Edmond Lecourt (born September 1962) is the honorary consul general of the Grand Duchy of Luxembourg in Monaco¹⁹. Lecourt runs a Monaco-based corporate services provider called Getad and has numerous directorships around the world²⁰ – including more than two dozen in another offshore haven, Panama.

Lecourt was described as a “man of a thousand companies” in a recent article by Africa Intelligence:

HOME > CORRIDORS OF POWER

FOCUS MONACO CONGO-K GABON BURKINA FASO SENEGAL Africa Intelligence dated 17/06/2019

Lecourt family rent Monaco letter boxes to African oligarchs

The Lecourt family, which has been established on the Rock of Monaco for the last two generations, began in the soap business before going on to build up a profitable agricultural trading business and then a cleaning business of a non-corporal sort, registering companies in Monaco for third parties. This latter service is particularly appreciated by the wealthy, notably in Africa. [...]

¹⁹ <https://en.gouv.mc/Policy-Practice/Monaco-Worldwide/Diplomacy-and-International-Presence/bilateral-relations/All-the-countries/Luxembourg>

²⁰ <https://www.africaintelligence.com/corridors-of-power/2019/06/17/lecourt-family-rent-monaco-letter-boxes-to-african-oligarchs,108361532-ge0>

The DRC documents show that Lecourt was replaced almost immediately as the director of Dathomir International by Leo Gassmann. Gassmann is the manager of Gesco Fiduciaire, a Geneva-based provider of fiduciary services, and holds numerous directorships, presumably in client companies.

REGISTER OF DIRECTORS

COMPAGNY: DATHOMIR INTERNATIONAL CORP.

Date of Appointment	Full Name	Address	Date of Ceasing of Appointment	Officer Position
January 8 th , 2014	LECOURT Edmond Patrick	34 Boulevard d'Italie, MC 98000 Monaco	June 16 th , 2014	Director/President
June 16 th , 2014	GASSMANN Léo	Chemin des Princes 27 -- CH 1244 CHOULEX		Director/President

Given that both Edmond Lecourt and Leo Gassmann appear to be nominee directors for hire, we do not think it is likely that either is the ultimate beneficial owner (UBO) of Dathomir International. This raises the question, who are the beneficiaries?

Unfortunately, corporate documents only reveal that the nominated shareholder of Dathomir International is Foster Services Ltd of Belize, which appears to be an a shell company.

Name of the Company: DATHOMIR INTERNATIONAL CORP.

Registration Number: 138868

REGISTER OF MEMBERS

Guichet Unique de Création d'Entreprises
POUR PHOTOCOPIE CERTIFIÉE
CONFORME A L'ORIGINAL
Fait à Kinshasa le 01 JANV 2014

Shareholder's Names and Addresses (If bearer shares, state "Issued to Bearer")	Share Certificate		Total Number of Shares Issued	Class and Series	Consideration or Amount paid for shares	Date of transfer	Transferee
	Nr.	Date					
FOSTER SERVICES LTD. of 60 Market Square, PO. Box 364, Belize City, Belize.	1	January 8 th , 2014.	1,000,000				



In other words, AVZ's largest shareholder is owned by a company operating in an opaque offshore haven. Its director is a Swiss nominee and its shareholder is an anonymous entity based in Belize. It is hard to imagine how the ultimate beneficial owner (UBO) of Dathomir could have organised a more opaque corporate structure. Whoever stands to benefit from Dathomir and the development of the Manono asset seems to have gone to extraordinary lengths to hide themselves from public scrutiny.

The announcement on 24 June 2019 that AVZ would acquire an additional 5% of Dathcom Mining means that the Australian company will pay US\$5.5 million to Dathomir Mining Resources. AVZ shareholders can have no certainty as to where this money will then go and who will benefit from it.

Guy Loando

The other 20% of Dathomir Mining Resources is owned by a DRC entity called Winners Group. According to company filings, 75% of Winners Group was owned until recently by Guy Loando Mboyo, the founding partner of a Kinshasa-based law firm called GLM & Associates. Until recently, Loando was a board member of AVZ as a representative of Dathomir.

The other 25% of Winners Group is owned by Linda Bobo Elite, who shares an address with Loando in the corporate documents.

In November 2018, Winners Group changed its name to Widal Investments, or Wivest. Guy Loando and Linda Bobo Elite also divested their shareholdings to Guy Loando’s three children. The children (all aged under 10) now own 30% each of Wivest while Loando and Bobo Elite retain 5% each.

ASSOCIES	CAPITAL SOCIAL EN CDF	PARTS SOCIALES	POURCENTAGE
LOANDO MBOYO Winner	3.000.0000	30	30
Davina MARIE LOANDO	3.000.000	30	30
LOANDO ISAACK Kevin	3.000.0000	30	30
Guy LOANDO MBOYO	500.000	5	5
BOBO ELITE Linda	500.000	5	5
Total	10.000.000	100	100

Source: DRC corporate registry, Wivest filings

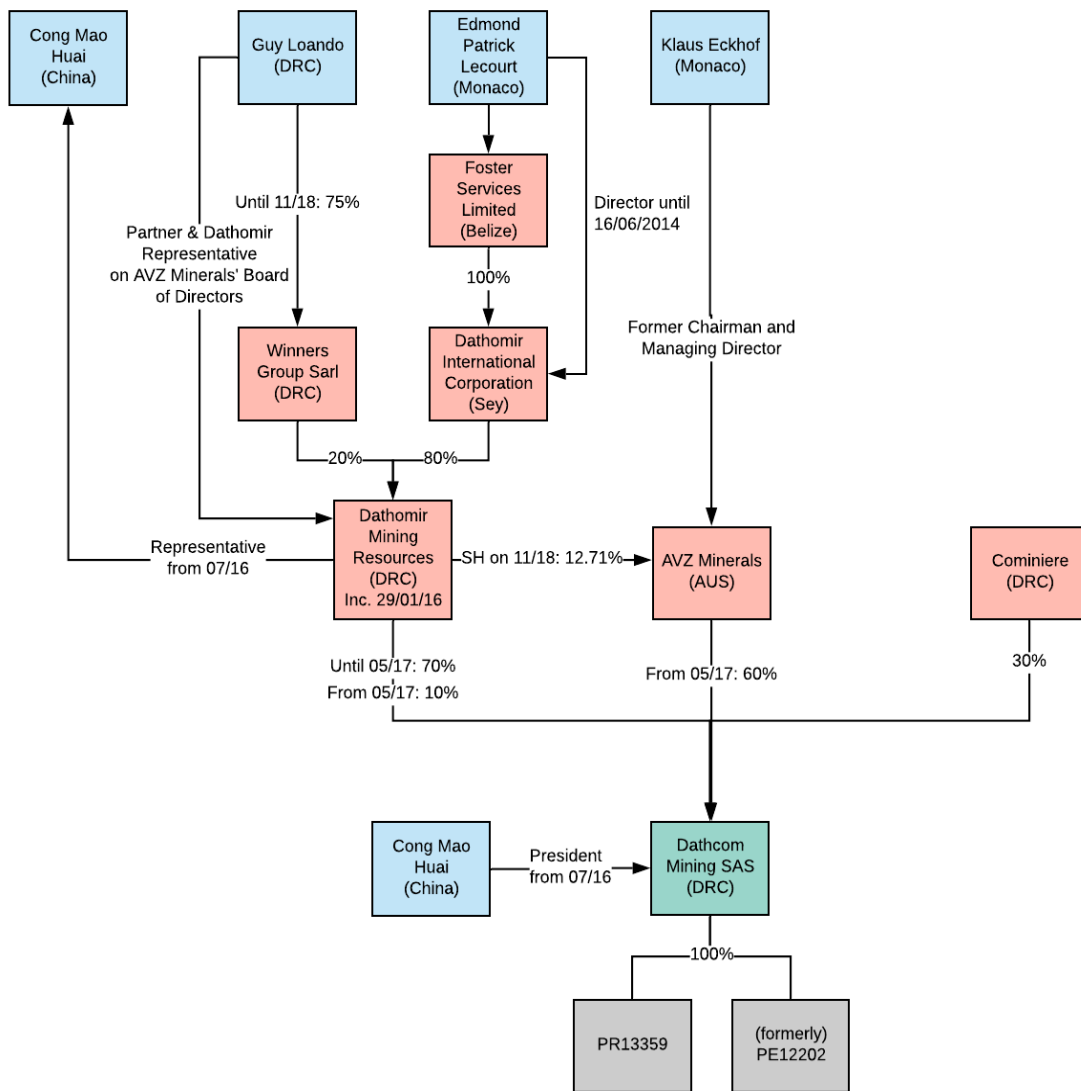
The reason for this change in the Wivest shareholding structure may be linked to an announcement on 2 May 2019 that Guy Loando would be stepping down from the board of AVZ and Dathcom. This was because he had become a Senator in the DRC parliament on 29 April 2019. AVZ said that this political role was “constitutionally incompatible with a directorship of a public company”²¹.

Loando was elected as a representative of Tshuapa on behalf of the PPRD, which is the former president Joseph Kabila’s party²².

The following chart shows the full ownership structure of Dathcom and Dathomir:

²¹<https://static1.squarespace.com/static/5934d2ae6b8f5beeb5ba23f3/t/5cca38f0e79c7006d075ebce/1556756721773/20190501+Board+Update.pdf>

²² <https://www.radiookapi.net/2019/03/31/actualite/politique/grand-equateur-la-majorite-de-senateurs-elus-sont-du-fcc>



5. Corruption in the DRC

The Democratic Republic of Congo is one of the most corrupt countries in the world, ranking 161st out of 180 countries by Transparency International²³. Many NGOs have pointed the finger of blame for the endemic corruption in the DRC at the country's political rulers - and Joseph Kabila in particular.

Kabila became president of the DRC in 2001 after his father, Laurent Kabila, was assassinated. Joseph ignored constitutional requirements to step down for years but did eventually give up the presidency in January 2019. He was replaced by Félix Tshisekedi but Kabila continues to hold the reins of power²⁴.

According to NGOs and media reports, Kabila and his family members have used their positions to profit from mining concessions, the oil industry, infrastructure and numerous other business ventures. An investigation by Bloomberg²⁵ into the Kabila family's wealth said: "Joseph Kabila and his relatives have built a network of businesses that reaches into every corner of Congo's economy."

The value of this business empire is reportedly enormous and spans more than 70 companies. South Africa's Sunday Independent said²⁶: "According to a report recently released by the Congo Research Group, companies owned by the Kabila family are estimated to have generated revenue worth hundreds of millions of dollars since 2003, and relatives are believed to own assets worth tens of millions of dollars."

Joseph Kabila denied corruption by his family members in an interview with the BBC last year²⁷. He said: "I hope someone will come up with something tangible instead of them being allegations left and right."

The extent of this alleged corruption was laid bare by the US Department of Justice's criminal action against Och-Ziff for violations of the US Foreign Corrupt Practices Act²⁸. The DoJ found that Och-Ziff had used a middleman in the DRC, reported to be Dan Gertler, to secure access to investment opportunities by paying bribes to government officials. The US authorities fined Och-Ziff a total of \$412 million for its part in the corruption scandal.

²³ 2018 TI Perceptions of Corruption Index

²⁴ <https://www.nytimes.com/2019/01/14/world/africa/congo-kabila-tshisekedi-election.html>

²⁵ <https://www.bloomberg.com/news/features/2016-12-15/with-his-family-fortune-at-stake-congo-president-kabila-digs-in>

²⁶ <https://www.iol.co.za/sundayindependent/analysis/kabila-and-family-getting-rich-at-drcs-expense-10768956>

²⁷ <https://www.bbc.co.uk/news/av/world-africa-46527265/congo-s-president-kabila-on-elections-corruption-and-his-future>

²⁸ <https://www.justice.gov/opa/pr/och-ziff-capital-management-admits-role-africa-bribery-conspiracies-and-agrees-pay-213>

Another example of corruption in the DRC shows some parallels with what happened to Manomin. The Canadian miner First Quantum was developing a copper and cobalt mine at Kolwezi when it fell afoul of the Kabila regime and had its licenses stripped from it.

The Kolwezi Project's exploitation permit (No.652) was owned through a joint-venture called Kingamyambo Musonoi Tailings SARL ("KMT") in which First Quantum held a 65% stake. The Industrial Development Corporation of South Africa held 10%, the World Bank held 7.5%, Gecamines held 12.5%, and the Government of the DRC held the remaining 5%.²⁹

A review by the DRC Government concluded that First Quantum had not fulfilled its obligations at Kolwezi and, on 21 August 2009, the company was told that its license would be revoked.³⁰ The Ministry of Mines issued a new exploration permit to Gecamines, a state-owned miner that is similar in structure and purpose to Cominiere. The new license covered the same land as the First Quantum license.³¹

Gecamines awarded the new license to the Highwinds Group, which was controlled by Dan Gertler. In August 2010, ENRC acquired a 50.5% stake in Camrose, which in turn owned 70% of the Highwinds Group. It subsequently emerged that ENRC, a Kazakh miner that was listed in London at the time, had agreed to loan the Highwinds Group \$60 million to cover a "signature bonus" for license.

Dan Gertler has been placed under economic sanctions by the US DoJ but he has denied any wrongdoing. Gertler has reportedly said³² that the allegations against him are "false and without any basis whatsoever". ENRC's involvement in Kolwezi is under investigation by the UK Serious Fraud Office³³. The company has denied any wrongdoing.

In a letter to ENRC shareholders, Global Witness said³⁴: "The above suggests that ENRC promised the Highwinds Group financing even before Gecamines sold on its stake in Kolwezi. This suggests that ENRC may have colluded with Dan Gertler in the secret sale of Kolwezi and enriched a group of offshore companies whose beneficiaries are unknown and could include corrupt Congolese officials."

Zoe Kabila

²⁹ <https://www.first-quantum.com/Media-Centre/Press-Releases/Press-Release-Details/2009/First-Quantum-Minerals-Suspends-Construction-at-Kolwezi-Project/default.aspx>

³⁰ <http://www.marketwired.com/press-release/first-quantum-minerals-provides-update-on-the-kolwezi-mining-contract-revisitation-1037024.htm>

³¹ https://s1.q4cdn.com/857957299/files/doc_news/NR_09-30.pdf

³² <https://www.theguardian.com/news/2018/jan/28/paradise-papers-businessman-african-bribery-inquiry-dan-gertler>

³³ <https://www.sfo.gov.uk/cases/enrc/>

³⁴

https://www.globalwitness.org/documents/10871/global%20witness%20memo%20to%20enrc%20shareholders%2012.6.12_1.pdf

Joseph Kabila’s younger brother Zoe is one of the family members closely associated with DRC business interests. According to an investigation by Bloomberg³⁵, Zoe Kabila controls at least 13 companies that have “built roads, sold diamonds, printed driving licenses, developed a copper project and contracted with Ivanhoe [a large Canadian miner]”.

Bloomberg the Company & Its Products | Bloomberg Anywhere Remote Login | Bloomberg Terminal Demo Request

Q Search **Bloomberg** Sign In

Politics

Diggers, Drivers, Diamonds: How Congo’s Zoe Kabila Makes Money

By [Thomas Wilson](#)
19 July 2017, 00:00 BST Updated on 19 July 2017, 14:09 BST

- ▶ President’s brother has stakes in at least 12 Congo businesses
- ▶ Holdings add to Kabila family’s interest in more than 70 firms



In addition to his sizeable business interests, Zoe Kabila has also been the member of parliament for the Manono district since 2011. In April, Zoe was elected governor of Tanganyika³⁶, a region in the south of the country that includes Manono. (We note that Zoe Kabila’s new finance director in Tanganyika is Robert Muyela³⁷, who may be the same Robert Muyela who was the finance director of Cominiere.)

According to media reports³⁸, Dathomir’s director Cong Mao Huai is reportedly “particularly close” to Zoe Kabila and they have done business together in the past. As previously mentioned, we also know that Cong previously worked with Klaus Eckhof, the former executive chairman of AVZ. And it appears that Eckhof also has connections to Zoe Kabila.

According to the Bloomberg story, Zoe Kabila owns an investment vehicle called Cosha Investment, which acquired 90% of a company called La Generale Industrielle et Commerciale au Congo Sarl (GICC) in 2007.

Shortly after, a Toronto-listed company called Moto Goldmines hired GICC to assist in obtaining “all relevant government approvals and consents to enable the development” of the Kibali gold deposit. Bloomberg said that at the time, Moto was “engaged in a complicated contract-review process led by the DRC government”.

³⁵ <https://www.bloomberg.com/news/articles/2017-07-18/diggers-drivers-diamonds-how-congo-s-zoe-kabila-makes-money>

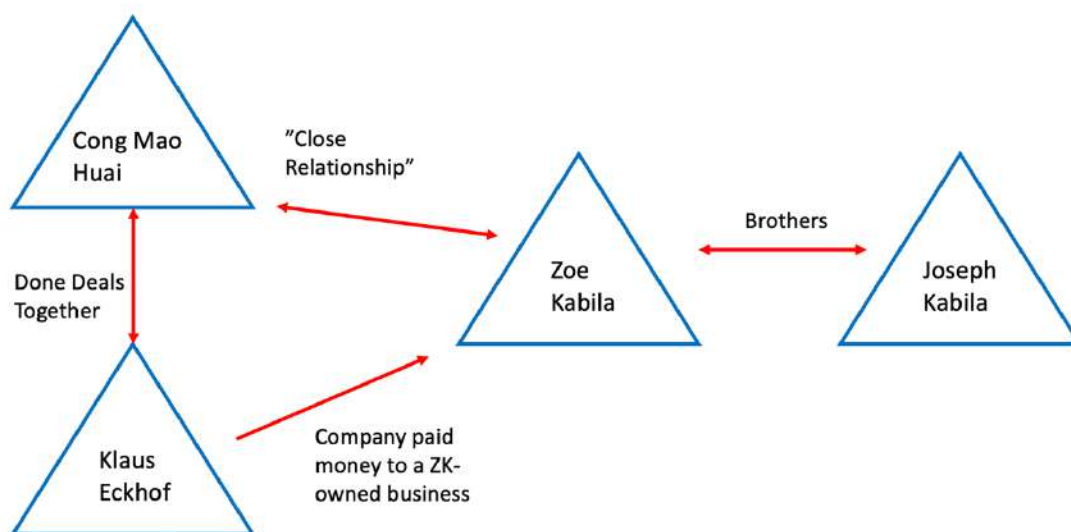
³⁶ <https://www.msn.com/en-us/news/world/backers-of-dr-congos-kabila-sweep-governorship-polls/ar-BBVOdpm>

³⁷ <http://www.diacenco.com/tanganyika-zoe-kabila-publie-son-gouvernement-de-9-ministres/>

³⁸ <https://www.africaintelligence.com/corridors-of-power/2019/06/17/lecourt-family-rent-monaco-letter-boxes-to-african-oligarchs,108361532-ge0>

After Moto's rights were upheld, GICC was paid \$2 million for its services. In March 2009, GICC was awarded a further payment equivalent to 1.11% of Moto's stock. When Randgold Resources acquired the Moto assets seven months later, Zoe Kabila's company received a \$4.4 million windfall.

Klaus Eckhof was the founder of Moto Goldmines and its chief executive until 31 December 2007, the day the GICC contract was signed. According to our sources, he remained close to Moto and was involved in the sale of the company to Randgold in 2009.



Given these links to the DRC's political elite; given the reputation of the DRC as one of the world's most corrupt countries; and given the precedent of the Kabila regime revoking licenses in order to re-award them to favoured parties, we think it is only right that we ask who the beneficiaries of the Manono deal have been and whether AVZ was aware of any corrupt activity related to this transaction.

6. Corruption Red Flags

There are various “red flags” that can indicate to a company and its executives that the deal they are entering into may be corrupt. Managers working in developing countries are often given training on these red flags so they can spot the warning signs and avoid problems before they emerge.

We have assessed the events surrounding AVZ’s involvement in the DRC using the Wolfsburg Group’s guidelines on corruption³⁹. The Wolfsburg Group is an association of global banks that sets standards on issues such as anti-money laundering and anti-corruption for the finance industry.

- **“Flawed background or reputation (including, for example, prior corruption or a negative reputation for integrity).”**

As discussed in the previous section, the DRC is one of the most corrupt countries in the world and the regime of Joseph Kabila has reportedly enriched itself through connections to business. The Kabila regime also has form when it comes to stripping a company of its mining license in order to award the asset to more favoured parties.

- **“Close business, personal or family relationship with a Public Official who has discretionary authority over the business or transaction at issue.”**

Both Cong Mao Huai (Dathomir) and Klaus Eckhof (AVZ) have links to Zoe Kabila, the former president’s brother and former member of parliament for the Manono region.

- **“Little or no relevant experience regarding the services to be provided.”**

Dathcom Mining had existed for barely two months when it was awarded the new license PR13359. It had no experience or track record. Neither did its parent company, Dathomir Mining Resources, which had existed for less than one year when PR13359 was awarded to its subsidiary. Dathcom and Dathomir had no diggers, geologists, miners or engineers. Their only asset appears to have been Cong’s political connections.

- **“Anticipates payments that cannot plausibly be commercially justified vis-à-vis the role undertaken.”**

³⁹ <https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/wolfsberg-standards/3.%20Wolfsberg-Group-ABC-Guidance-June-2017.pdf>

Dathomir received US\$750,000 in cash when it sold a 60% stake in Dathcom to AVZ. It also received a 12.71% stake in the Australian company, worth about A\$10 million at current prices. It received these payments despite contributing nothing to the exploration, drilling or surveying of the Manono area. It was little more than a middleman used to facilitate new ownership of the Manono license. Now Dathomir stands to make a further US\$5.5 million by selling AVZ another 5% stake in Dathcom Mining.

- **“Use of a shell company or some other non-transparent corporate structure.”**

The ultimate beneficial owner of Dathomir International is hidden behind an offshore jurisdiction, nominee directors and a nominee shareholder. It is therefore impossible to know who has benefited from the payments by AVZ.

Based on the Wolfsburg guidelines, we believe there are good reasons why investors may be concerned about possible corruption surrounding AVZ’s purchase of the Manono license. AVZ said that it would conduct a due diligence exercise prior to completing the Dathcom transaction in 2017. Given the corruption red flags identified here, we would like to know what due diligence was carried out and what conclusions were drawn.

Annex

Timeline of Events

2012

MMCS Strategic 1 (MMCS) joint venture with Cominiere to explore the Manono region under license PE12202. MMCS becomes a 68% shareholder in Manono Mineral (Manomin).

8 January 2014

Dathomir International Corp. incorporated in the Seychelles. Its director is Edmond Lecourt and its shareholder is listed as Foster Services Ltd in Belize.

29 January 2016

Kibali-Ituri Resources incorporated as a subsidiary of Dathomir International Corp.

27 July 2016

The DRC government gives notice to Manomin that it will revoke its license.

29 July 2016

Kibali-Ituri Resources changes its name to Dathomir Mining Resources. Cong Mao Huai becomes its director.

29 August 2016

Manomin's license is revoked by Ministry of Mines order 0378.

19 September 2016

AVZ Minerals acquires rights to the Manono Extension Project from Medidoc FZE.

23 September 2016

Cong Mao Huai of Dathomir Mining Resources meets with Athanase Mwamba Misao, acting director general of Cominiere. They agree to establish a joint venture called Dathomir Mining SAS, which would be 70% owned by Dathomir Mining Resources and 30% by Cominiere.

28 September 2016

Manomin challenges the Ministry of Mines order to revoke its licence PE12202.

October/November 2016

Dathcom Mining SAS incorporated. Its registered address is the Kempinski Hotel in Kanshasa, which is owned by Cong Mao Huai.

24 November 2016

The DRC Ministry of Mines enforced the revocation of Manomin's license PE12202.

28 November 2016

AVZ Minerals acquires a 60% interest in several mining licenses collectively called the Katanga Regional Project. It acquires the licenses from Dathomir and Cominiere for A\$500,000, who retain 10% and 30% stakes in the licenses respectively.

28 December 2016

A new exploration license called PR13359 is issued to Dathcom Mining. It covers the same the area previously under license PE12202.

2 February 2017

AVZ Minerals announces it will acquire a 60% stake in Dathcom Mining. It will buy the shares from Dathomir for US\$750,000 plus 260 million shares.

23 May 2017

AVZ acquisition of the Dathcom shares is completed. This follows the rejection of an appeal by Manomin by the DRC Supreme Court.

January 2019

Transfer of power from President Joseph Kabila to Felix Tshilombo.

24 June 2019

AVZ agrees to buy a further 5% of Dathcom Mining from Dathomir for US\$5.5 million.

End of Report