AVZ Minerals Limited

ABN 81 125 176 703

Annual Report 2014

Contents

Corporate Directory

Directors
Patrick Flint (Non-Executive Chairman)
Klaus Eckhof (Managing Director)
Gary Steinepreis (Non-Executive Director)

Company Secretary
Gary Steinepreis

Principal Place of Business & Registered Office
Level 1
33 Ord Street
WEST PERTH
Western Australia 6005
Telephone: (08) 9420 9300
Facsimile: (08) 9420 9399

Share Registry
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
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Email: registrar@securitytransfer.com.au

Auditors
BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008
Telephone: (08) 6382 4600

Securities Exchange Listing
Australian Securities Exchange
(Home branch: Perth, Western Australia)
ASX Code: **AVZ**

Website Address
www.avonleaminerals.com.au

Your directors submit their report on the consolidated entity consisting of AVZ Minerals Limited (ASX: AVZ) ("AVZ") and the entities it controlled for the financial year ended 30 June 2014. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

1. Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Patrick Flint	Non-Executive Chairman (Appointed 12 May 2014)
Klaus Eckhof	Managing Director (Appointed 12 May 2014)
Gary Steinepreis	Non-Executive Director
Roger Steinepreis	Non-Executive Chairman (Resigned 12 May 2014)
David Riekie	Non-Executive Director (Resigned 12 May 2014)

2. Company Secretary

The Company Secretary is Gary Steinepreis.

3. Principal Activities

The principal activity of the consolidated entity during the financial year was mineral exploration. There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

4. Operating Results

The loss of the consolidated entity attributable to the owners of the company after providing for income tax amounted to $1,031,442 (2013: $2,413,002 loss).

5. Dividends Paid or Recommended

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

6. Review of Operations

During the year, AVZ continued its business of mineral exploration in Namibia and as part of a broader strategic review, AVZ is seeking, together with its current projects, new opportunities in the exploration and mining sector.

Activities undertaken in Namibia during the year involved planning, on-going reporting and applying for a number of licence renewals. A strategic review of the package of granted licences and applications was commenced to determine the best approach to optimise the value of the Namibian assets.

On 12 May 2014, the Company announced a capital raising to provide additional funds for ongoing exploration activities, working capital and new opportunities and changes to the Board. The capital raising comprised a share placement of 62.5m new ordinary fully paid shares at 0.8 cents per share to raise a total of $500,000. Firm commitments were received from sophisticated and professional investors pursuant to Section 708 of the Corporations Act. The placement occurred in two tranches as follows:

- Tranche 1 - 53.5 million shares at 0.8 cents to raise $428,000 under the Company's placement capacity, pursuant to ASX Listing Rule 7.1 and Listing Rule 7.1A; and
- Tranche 2 - 9 million shares at 0.8 cents to raise $72,000 being the participation of the new Directors, which was approved by shareholders, pursuant to ASX Listing Rule 10.11.

The Company is primarily engaged in mineral exploration in Namibia. The Company's financial position, financial performance and use of funds information for the financial year is provided in the financial statements that follow this Directors' Report.

As an exploration entity, the Company has no operating revenue or earnings and consequently the Company's performance cannot be gauged by reference to those measures. Instead, the Directors' consider the Company's performance based on the success of exploration activity, acquisition of additional prospective mineral interests and, in general, the value added to the Company's mineral portfolio during the course of the financial year.

Whilst performance can be gauged by reference to market capitalisation, that measure is also subject to numerous external factors. These external factors can be specific to the Company, generic to the mining industry and generic to the stock market as a whole and the Board and management would only be able to control a small number of these factors.

6. Review of Operations (continued)

The Company's business strategy for the financial year ahead and, in the foreseeable future, is to continue exploration activity on the Company's existing mineral projects, identify and assess new mineral project opportunities and review development strategies where individual projects have reached a stage that allows for such an assessment. Due to the inherent risky nature of the Company's activities, the Directors are unable to comment on the likely results or success of these strategies.

The Company's activities are also subject to numerous risks, mostly outside the Board's and management's control. These risks can be specific to the Company, generic to the mining industry and generic to the stock market as a whole. The key risks, expressed in summary form, affecting the Company and its future performance include but are not limited to:

- geological and technical risk posed to exploration and commercial exploitation success;
- security of tenure including licence renewal (no assurance can be given that the licence renewals and licence applications that have been submitted will be successful), and inability to obtain regulatory or landowner consents;
- change in commodity prices and market conditions;
- environmental and occupational health and safety risks;
- government policy changes;
- retention of key staff; and
- capital requirement and lack of future funding.

This is not an exhaustive list of risks faced by the Company or an investment in it. There are other risks generic to the stock market and the world economy as whole and other risks generic to the mining industry, all of which can impact on the Company.

7. Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the group to the date of this report, not otherwise disclosed in this report.

8. Significant Events After Balance Date

On 1 September 2014, the Company lodged a Prospectus for a 1 for 3 entitlement issue at 0.5 cents per share to raise $609,854 (gross proceeds based on the Company's expanded issued capital). The offer closed fully subscribed and on 23 September 2014 the Company issued 121,970,028 shares.

Other than as disclosed in this report, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

- the group's operations in future financial years, or
- the results of those operations in future financial years, or
- the group's state of affairs in future financial years.

9. Likely Developments and Expected Results of Operations

The group will continue its mineral exploration activity at and around its exploration projects as well as seeking new opportunities in the exploration and mining sector with the objective of identifying commercial resources. Further information on likely developments in the operations of the group and the expected results of operations have not been included in the annual report because the directors believe it would be likely to result in unreasonable prejudice to the group. Therefore, this information has not been presented in this report.

10. Environmental Regulation

The group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

11. Information on Directors and Company Secretary (including Director's interests at the date of this report)

Patrick Flint	Independent Non-Executive Chairman	
Qualifications	B.Com, CA, MAICD	
Experience	Mr Flint has been involved in the resources sector as a director or company secretary of ASX and Toronto Stock Exchange listed companies with mineral projects in Australia, Africa and Asia for the last 20 years. He is a Chartered Accountant and has significant experience with project acquisitions, joint venture negotiations and management, fundraisings and corporate matters.	
Interest in Securities	Fully Paid Ordinary Shares	4,000,000
	Performance Rights	4,000,000
Directorships in last 3 years	Mount Magnet South Limited (since 15 April 2011) Nemex Resources Ltd (since 8 September 2010) Explaurum Limited (since 28 November 2013) **Former Directorships in the Last Three Years:** Erongo Energy Limited (23 November 2006 to 17 February 2012)	
Klaus Eckhof	Managing Director	
Qualifications	Dip. Geol. TU, AusIMM	
Experience	Mr Eckhof is a geologist with more than 20 years of experience identifying, exploring and developing mineral deposits around the world. Mr Eckhof worked for Mount Edon Gold Mines Ltd as Business Development Manager before it was acquired by Canadian mining company Teck. In 1994, he founded Spinifex Gold Ltd and Lafayette Mining Ltd, both of which successfully delineated gold and base metal deposits. In late 2003, Mr Eckhof founded Moto Goldmines which acquired the Moto Gold Project in the Democratic Republic of the Congo. There, Mr Eckhof and his team delineated more than 20 million ounces of gold and delivered a feasibility study within four years from the commencement of exploration. Moto Goldmines was subsequently acquired by Randgold Resources who poured first gold in September 2013.	
Interest in Securities	Fully Paid Ordinary Shares	8,000,000
Directorships in last 3 years	Burey Gold Ltd (since 6 February 2012) Carnavale Resources Ltd (appointed 1 January 2008) Panex Resources Inc. (appointed 30 May 2006) Cardinal Resources Limited (appointed 1 February 2013) **Former Directorships in the Last Three Years:** Explaurum Limited (24 August 2011 to 4 October 2013) Kilo Goldmines Limited (13 April 2009 – 31 December 2011)	
Gary Steinepreis	Non-Executive Director / Company Secretary	
Qualifications	B.Com, CA	
Experience	Mr Steinepreis is a Chartered Accountant and holds a Bachelor of Commerce Degree from the University of Western Australia.	
Interest in Securities	Fully Paid Ordinary Shares	20,495,533
Directorships in last 3 years	Monto Minerals Ltd (since 16 June 2009) Norseman Gold Plc (since 3 December 2007) New Horizon Coal Ltd (since 4 June 2010) Intercept Minerals Ltd (since 8 April 2014) **Former Directorships in the Last Three Years:** Minerals Corporation Limited (17 February 2011 to 14 October 2011) WAG Limited (2 November 2006 to 23 May 2013) Agri Energy Limited (22 June 2009 to 11 June 2012)	

11. Information on Directors and Company Secretary (including Director's interests at the date of this report) (continued)

Former Directors:

Roger Steinepreis	Non-Executive Director
Qualifications	B.Juris, LLB
Experience	Mr Steinepreis graduated from the University of Western Australia where he completed his law degree. He was admitted as a barrister and solicitor of the Supreme Court of Western Australia in 1987 and has been practising as a lawyer for over 20 years. Mr Steinepreis is the legal advisor to a number of public companies on a wide range of corporate related matters. His areas of practice focus on company restructures, initial public offerings and takeovers.
David Riekie	Non-Executive Director
Qualifications	B.Ec, Dip Acc, CA, MAICD
Experience	Mr Riekie was previously an Executive Director of a boutique corporate advisory company for over 13 years. During this time has held a variety of non-executive board position with both resource and industrial companies. He has a significant level of experience in capital raising initiatives (public and private), and corporate matters strategies, both in Australia and overseas. David is a Chartered Accountant, a Member of the Institute of Company Directors and holds a Bachelor of Economics Degree and a Diploma of Accounting.

12. Audited Remuneration Report

This report details the nature and amount of remuneration for all key management personnel of AVZ Minerals Limited and its subsidiaries. The information provided in this remuneration report has been audited as required by section 308(C) of the *Corporations Act 2001*. For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

The individuals included in this report are:

Patrick Flint	Non-Executive Chairman (Appointed 12 May 2014)
Klaus Eckhof	Managing Director (Appointed 12 May 2014)
Gary Steinepreis	Non-Executive Director
Roger Steinepreis	Non-Executive Chairman (Resigned 12 May 2014)
David Riekie	Non-Executive Director (Resigned 12 May 2014)

All of the key management personnel held their positions for the entire financial year and up to the date of the report except as noted above.

(a) Remuneration Policy

The remuneration policy of AVZ Minerals Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. By providing components of remuneration that are indirectly linked to share price appreciation (in the form of options), executive, business and shareholder objectives are aligned. The board of AVZ Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders. The board's policy for determining the nature and amount of remuneration for board members is as follows:

(a) Remuneration Policy (continued)

(i) Executive Directors & Other Key Management Personnel

The remuneration policy and the relevant terms and conditions has been developed by the full Board of Directors as the company does not have a Remuneration Committee due to the size of the Company and the Board. In determining competitive remuneration rates, the Board reviews local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Reviews are performed to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

If entitled, the executive directors and other key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9.25% and do not receive any other retirement benefits.

The Company is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry.

The Managing Director, Mr Eckhof, is responsible for completing the strategic review of the Company's mineral projects in Namibia, as well as identifying new project opportunities. Mr Eckhof will receive annual remuneration of $180,000 through a consulting letter agreement with an entity which will provide his services. The arrangement can be terminated by either party on a month's notice. At this stage due to the size of the Company, no remuneration consultants have been used. The Board's remuneration policies are outlined below:

Fixed Remuneration

All executives receive a base cash salary which is based on factors such as length of service and experience as well as other fringe benefits. If entitled, all executives also receive a superannuation guarantee contribution required by the government, which is currently 9.25% and do not receive any other retirement benefits.

Short-term Incentives (STI)

Under the group's current remuneration policy, executives can from time to time receive short-term incentives in the form of cash bonuses. However, as the company is currently undertaking a strategic review, there are currently no short-term incentives anticipated and therefore no key performance targets determined. Pending the strategic review, the Board will determine the criteria of eligibility for short-term incentives and set key performance indicators to appropriately align shareholder wealth and executive remuneration.

Long-term Incentives (LTI)

Executives are encouraged by the Board to hold shares in the company and it is therefore the Group's objective to provide incentives for participants to partake in the future growth of the group and, upon becoming shareholders in the Company, to participate in the group's profits and dividends that may be realised in future years.

The Board considers that this equity performance linked remuneration structure is effective in aligning the long-term interests of group executives and shareholders as there exists a direct correlation between shareholder wealth and executive remuneration.

(ii) Non-Executive Directors

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. In determining competitive remuneration rates, the Board review local and international trends among comparative companies and the industry generally. Typically the Company will compare non-executive remuneration to companies with similar market capitalisations in the exploration and resource development business group.

These on-going reviews are performed to confirm that non-executive remuneration is in line with market practice and is reasonable in context of Australian executive reward practices. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and from time to time, non-executive's may receive options or performance rights subject to shareholder approval, to further align directors' interests with shareholders.

(a) Remuneration Policy (continued)

The non-executive remuneration is set at $3,000 per month for the Chairman, $2,000 per month for Directors and a daily rate is payable on additional work performed.

(b) Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

No relationship exists between the Company performance, earnings, shareholder wealth and Directors' and Executive Remuneration for this financial period and the previous 4 financial periods. As at the date of the report, the Company is currently undergoing a strategic review. With the exception of the Managing Director, no executive is receiving any base remuneration however, this will be reassessed upon completion of the strategic review. Given the review, no remuneration is currently performance related.

Voting and comments made at the company's 2013 Annual General Meeting

At the 2013 Annual general Meeting the Company remuneration report was passed by the requisite majority of shareholders (100% by a show of hands).

(b) Details of Key Management Personnel Remuneration

2014	**Short term employee benefits**		**Post-employment benefits**	
Name	**Salary**	**Consulting fees**	**Superannuation**	**Total**
	$	**$**	**$**	**$**
Executive Director:				
Klaus Eckhof [2]	-	25,000	-	25,000
Non-Executive Directors:				
Roger Steinepreis [1]	-	20,000	-	20,000
David Riekie [1]	-	20,000	-	20,000
Gary Steinepreis	-	24,000	-	24,000
Patrick Flint [2]	4,517	-	418	4,935
TOTAL	**4,517**	**89,000**	**418**	**93,935**

1: Mr David Riekie and Mr Roger Steinepreis resigned as Non-Executive Directors on 12 May 2014.
2: Mr Klaus Eckhof and Mr Patrick Flint were appointed on 12 May 2014.

(b) Details of Key Management Personnel Remuneration (continued)

2013	Short term employee benefits		Post-employment benefits	
Name	**Salary**	**Consulting fees**	**Superannuation**	**Total**
	$	**$**	**$**	**$**
Executive Director:				
David Riekie [2]	38,175	-	3,435	41,610
Non-Executive Directors:				
Roger Steinepreis	-	14,000	-	14,000
David Riekie [2]	-	24,000	-	24,000
Gary Steinepreis [4]	-	24,000	-	24,000
David Macoboy [1]	3,822	-	344	4,166
Hamish Halliday [3]	-	-	-	-
Stephen Parsons [3]	-	-	-	-
Key Executives:				
Alex Aitken	69,350	-	6,241	75,591
TOTAL	**111,347**	**62,000**	**10,020**	**183,367**

1: Mr David Macoboy was appointed Non-Executive Chairman on 22 September 2011 and resigned on 3 August 2012.
2: Mr David Riekie resigned as Managing Director on 3 August 2012, however remains as a non-executive director.
3: Mr Hamish Halliday and Mr Stephen Parsons resigned as Non-Executive Directors on 30 November 2012.
4: Mr Gary Steinepreis was appointed on 30 November 2012.

(d) Details of Share Based Payments

There have been no options issued to current directors and executives as part of their remuneration.

On 8 August 2014, 4,000,000 Performance Rights were issued to Mr Flint. The Performance Rights vest if the closing price of Shares on the ASX is $0.015 or higher (as adjusted) for 10 consecutive Business Days. These Performance Rights have a period of 3 years from the date of issue to vest or they will lapse.

(e) Employment Contracts of Directors and Senior Executives

The Managing Director, Mr Eckhof, is responsible for completing the strategic review of the Company's mineral projects in Namibia, as well as identifying new project opportunities. Mr Eckhof will receive annual remuneration of $180,000 through a consulting letter agreement with an entity which will provide his services. The arrangement can be terminated by either party on a month's notice. There were no performance bonuses paid during the year ended 30 June 2014.

(f) Key Management Personnel Compensation

(i) Options provided as remuneration and shares issued on exercise of such options
No options were provided as remuneration during the year. All options held by key management personnel of the group at the start of the current year expired during the financial year.

(ii) Loans to key management personnel
No loans were made to any director or other key management personnel of the group, including their personally related parties during the financial year.

(iii) Other transactions with key management personnel
Transactions with Director Related Parties
The following transactions occurred with related parties:

(f) Key Management Personnel Compensation (continued)

	Consolidated 2014 $	2013 $
Purchases from director related entities		
Payments for shared services costs to Gryphon Minerals Limited	-	29,481
Payments for shared services costs to Venture Minerals Limited	-	19,291
Payment to Steinepreis Paganin for legal fees	200	28,030
Payment to Ascent Capital – rent	26,250	30,000
Outstanding balances arising from recharges/purchases with Director Related Parties		
Current payables (purchases)	3,045	-

Terms and conditions of related party transactions
Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

(iv) Option holdings
The number of options over ordinary shares in the company held during the financial year by each director of AVZ Minerals Limited and other key management personnel of the group, including their personally related parties, are set out below. Directors and other key management personnel did not hold options in the period if they are not stated below:

	Balance at start of the year	Granted as remuneration	Exercised	Other changes	Balance at end of the year	Vested and exercisable
2014 Directors of AVZ Minerals Limited						
Roger Steinepreis	1,500,000	-	-	(1,500,000)	-	-
David Riekie	14,000,000	-	-	(14,000,000)	-	-

(v) Ordinary shareholdings
The number of shares in the company held during the financial year by each director of AVZ Minerals Limited and other key management personnel of the group, including their personally related parties, are set out below. There were no shares granted during the period as remuneration.

	Balance at the start of the year	Received on exercise of options	Other Changes	Balance at the end of the year
2014				
Directors of AVZ Minerals Limited				
Patrick Flint [1]	-	-	-	-
Klaus Eckhof [1]	-	-	-	-
Roger Steinepreis [2]	24,051,442	-	(24,051,442)	-
David Riekie [2]	16,365,696	-	(16,365,696)	-
Gary Steinepreis	15,371,649	-	-	15,371,649

[1] Patrick Flint and Klaus Eckhof were appointed on 12 May 2014.
[2] Roger Steinepreis and David Riekie resigned on 12 May 2014.

This is the end of the audited remuneration report.

13. Meetings of Directors

The number of directors' meetings held during the financial year and the number of meetings attended by each director is:

	Directors Meetings	
Director	Number Eligible to Attend	Meetings Attended
P Flint	1	1
K Eckhof	1	1
G Steinepreis	3	3
D Riekie	2	2
R Steinepreis	2	2

The company does not have a formally constituted audit committee as the board considers that the company's size and type of operation do not warrant such a committee.

14. Insurance of Officers

During the financial year, AVZ Minerals Limited paid a premium of $13,140 (2013: $17,820) to insure the directors and secretary of the company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

15. Shares under Option

Unissued ordinary shares of AVZ Minerals Limited under option at the date of this report are as follows:

Date options granted	Expiry Date	Exercise Price	Number under Option
31 Jan 11	30 Nov 14	20.0 cents	2,000,000
4 Nov 11	31 Oct 14	11.0 cents	1,500,000
12 Jan 12	31 Oct 14	11.0 cents	400,000

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

16. Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of these proceedings. The company was not a party to any such proceedings during the year.

17. Auditor's Independence Declaration

Section 307c of the *Corporations Act 2001* requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 11 and forms part of this directors' report for the year ended 30 June 2014.

18. Non-Audit Services

No fees were paid or payable to the auditors for non-audit services performed during the year ended 30 June 2014 (2013: nil).

Signed in accordance with a resolution of the Board of Directors.

G Steinepreis

Gary Steinepreis
Non-Executive Director

West Perth, 26 September 2014

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DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF AVZ MINERALS LIMITED

As lead auditor of AVZ Minerals Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AVZ Minerals Limited and the entities it controlled during the period.

Brad McVeigh

Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2014

For the Year Ended 30 June 2014

	Note	Consolidated 2014 $	2013 $
Revenue from continuing operations	3	42,619	30,753
Other income	3	-	40,089
Administrative costs		(29,118)	(135,380)
Consultancy expenses		(94,282)	(56,100)
Employee benefits expense		(46,975)	(68,571)
Occupancy expenses		(57,000)	(63,033)
Compliance and regulatory expenses		(56,741)	(70,639)
Insurance expenses		(9,855)	(18,081)
Depreciation expense	9	(9,421)	(26,502)
Exploration impaired	10	(770,669)	(2,045,538)
Loss before income tax		**(1,031,442)**	**(2,413,002)**
Income tax expense	6	-	-
Loss for the year		**(1,031,442)**	**(2,413,002)**
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		(123,877)	24,632
Other comprehensive income		(123,877)	24,632
Total comprehensive loss for the year		**(1,155,319)**	**(2,388,370)**
Loss for the year is attributable to:			
Owners of AVZ Minerals Limited		(902,725)	(2,308,824)
Non-controlling interests		(128,717)	(104,178)
		(1,031,442)	**(2,413,002)**
Total comprehensive loss for the year attributable to:			
Owners of AVZ Minerals Limited		(1,020,406)	(2,270,413)
Non-controlling interests		(134,913)	(117,957)
		(1,155,319)	**(2,388,370)**
Basic and diluted loss per share (cents per share)	16	(0.33)	(1.20)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	Consolidated 2014 $	2013 $
Current Assets			
Cash and cash equivalents	7	1,986,678	1,834,742
Trade and other receivables	8	29,978	28,925
Total Current Assets		2,016,656	1,863,667
Non Current Assets			
Property, plant and equipment	9	5,763	15,607
Exploration & evaluation expenditure	10	-	867,567
Total Non Current Assets		5,763	883,174
Total Assets		**2,022,419**	**2,746,841**
Current Liabilities			
Trade and other payables	11	57,017	25,152
Total Current Liabilities		57,017	25,152
Total Liabilities		**57,017**	**25,152**
Net Assets		**1,965,402**	**2,721,689**
Equity			
Contributed equity	12	13,340,115	12,941,083
Reserves	14	642,268	759,949
Accumulated losses		(11,736,425)	(10,833,700)
Capital and reserves attributable to owners of AVZ Minerals Ltd		2,245,958	2,867,332
Non-controlling interests		(280,556)	(145,643)
Total Equity		**1,965,402**	**2,721,689**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

Consolidated	Contributed Equity $	Accumulated Losses $	Option Reserve $	Foreign Currency Translation Reserve $	Total $	Non-controlling Interests $	Total Equity $
Balance at 1 July 2013	**12,941,083**	**(10,833,700)**	**1,310,448**	**(550,499)**	**2,867,332**	**(145,643)**	**2,721,689**
Total comprehensive income for the year:							
Loss for the year	-	(902,725)	-	-	(902,725)	(128,717)	(1,031,442)
Exchange differences on translation of foreign operations	-	-	-	(117,681)	(117,681)	(6,196)	(123,877)
	-	(902,725)	-	(117,681)	(1,020,406)	(134,913)	(1,155,319)
Contributions of equity (net of transaction costs)	399,032	-	-	-	399,032	-	399,032
	399,032	-	-	-	399,032	-	399,032
Balance at 30 June 2014	**13,340,115**	**(11,736,425)**	**1,310,448**	**(668,180)**	**2,245,958**	**(280,556)**	**1,965,402**
Balance at 1 July 2012	**11,115,614**	**(8,524,876)**	**1,310,448**	**(588,910)**	**3,312,276**	**(27,686)**	**3,284,590**
Total comprehensive income for the year:							
Loss for the year	-	(2,308,824)	-	-	(2,308,824)	(104,178)	(2,413,002)
Exchange differences on translation of foreign operations	-	-	-	38,411	38,411	(13,779)	24,632
	-	(2,308,824)	-	38,411	(2,270,413)	(117,957)	(2,388,370)
Contributions of equity (net of transaction costs)	1,825,469	-	-	-	1,825,469	-	1,825,469
	1,825,469	-	-	-	1,825,469	-	1,825,469
Balance at 30 June 2013	**12,941,083**	**(10,833,700)**	**1,310,448**	**(550,499)**	**2,867,332**	**(145,643)**	**2,721,689**

The accompanying notes form part of these financial statements.

For the Year Ended 30 June 2014

	Note	Consolidated 2014 $	2013 $
Cash Flows from Operating Activities			
Payments to suppliers and employees (inclusive of GST)		(219,480)	(705,148)
Interest received		42,619	30,753
Net cash outflow from operating activities	17	**(176,861)**	**(674,395)**
Cash Flows from Investing Activities			
Payments for (proceeds from) property, plant and equipment		-	26,023
Payments for exploration and evaluation		(70,236)	(139,851)
Credit card deposit returned		-	30,000
Net cash outflow from investing activities		**(70,236)**	**(83,828)**
Cash Flows from Financing Activities			
Proceeds from issue of shares and other equity securities		428,000	1,967,062
Share issue transaction costs		(28,967)	(141,593)
Net cash inflow from financing activities		**399,033**	**1,825,469**
Net increase in cash and cash equivalents		**151,936**	**1,067,246**
Cash and cash equivalents at the start of the year		1,834,742	767,496
Cash and cash equivalents at the end of the year	7	**1,986,678**	**1,834,742**

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements present the financial information for AVZ Minerals Limited as a consolidated entity consisting of AVZ Minerals Limited and the entities is controlled throughout the year ('group' or 'consolidated entity').

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Accounting Interpretations and the *Corporations Act 2001*.

(i) Statement of Compliance

The financial report complies with Australian Accounting Standards which include International Financial Reporting Standards as adopted in Australia. Compliance with these standards ensures that the consolidated financial statements and notes as presented comply with International Financial Reporting Standards (IFRS).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets.

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of AVZ Minerals NL as at 30 June 2014 and the results of all subsidiaries for the year then ended. AVZ Minerals NL and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Joint arrangements

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

(iii) Joint operations

The group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

(iv) Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet

(c) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

1. Summary of Significant Accounting Policies (continued)

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the business activities as follows:

(i) Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(e) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(g) Impairment of assets

At each reporting date the group assesses whether there is any indication that an asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

For the purpose of presentation of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

1. Summary of Significant Accounting Policies (continued)

(i) Trade and other receivables

Trade and other receivables are initially recognised initially at fair value and subsequently measured at amortised costs using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days. Collectability of trade receivables is reviewed on an ongoing basis. Amounts that are known to be uncollectible are written off by reducing the carrying amount directly.

(j) Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- Such costs are expected to be recouped through successful development and exploitation or from sale of the area: or
- Exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(k) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on Australian assets is calculated using the straight line method (Namibian assets using diminishing value) to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment - office	40.0%
Furniture and equipment - office	20.0%
Plant and equipment – field (Australia)	20.0%
Plant and equipment – field (Namibia)	22.5%
Motor Vehicles (Namibia)	22.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(m) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

1. Summary of Significant Accounting Policies (continued)

(n) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as other payables.

(ii) Long service leave

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

The company provides benefits to employees (including directors) of the company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The fair value is determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of shares of AVZ Minerals Limited ('market conditions').

(o) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(p) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the company excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with the dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Goods and services tax (GST) and Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Revenue, expenses and assets incurred in Namibia are recorded inclusive of VAT and no receivable or payable is recorded as the recoverability of the VAT from the relevant taxation authority is uncertain.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

1. Summary of Significant Accounting Policies (continued)

(r) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is AVZ Mineral's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- Income and expenses for the statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised as a separate component of comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(s) New accounting standards and interpretations

The accounting policies have been consistently applied by the Consolidated Group and are consistent with those applied in the previous financial year and those of the corresponding interim reporting period, except the following:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 13 Fair Value Measurement
- AASB 119 Employee benefits
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

Adoption of new and revised accounting standards

In the year ended 30 June 2014, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013. It has been determined by the Company that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Company accounting policies.

No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

(t) Parent Entity Financial Information

The financial information for the parent entity, AVZ Minerals Limited, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and judgements may differ from the related actual results and may have a significant effect on the carrying amount of assets and liabilities within the next financial year and on the amounts recognised in the financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of deferred exploration and evaluation expenditure
Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. The Board and Management have assessed the carrying value of the Exploration and Evaluation Expenditure to be impaired. Refer to the accounting policy stated in note 1(j) and to note 11 for movements in the exploration and evaluation expenditure balance.

(b) Share based payment transactions
The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

		Consolidated 2014 $	2013 $
3.	**Revenue**		
(a)	From continuing operations		
	Interest received	42,619	30,753
(b)	Other income		
	Refund of VAT	-	21,539
	Proceeds from sale of plant and equipment	-	18,550
	Total revenue from other revenue	42,619	40,089
4.	**Loss for the Year**		
(a)	Depreciation of non-current assets		
	Plant and equipment - office	2,778	12,209
	Plant and equipment - field	6,643	13,825
	Motor vehicle	-	468
	Total depreciation	9,421	26,502
(b)	Asset write-down expense		
	Write-down of fixed assets	-	1,313
	Total asset write-down expense	-	1,313
(c)	Foreign exchange loss		
	Net foreign exchange loss	-	3,224
	Total foreign exchange loss	-	3,224
5.	**Auditor's Remuneration**		
(a)	Remuneration of the auditors of the consolidated entity for:		
	Auditing or reviewing the financial statements:		
	- BDO Audit (WA) Pty Ltd	32,698	33,000
	Non-assurance services	-	-
	Total remuneration of auditors	32,698	33,000

		Consolidated 2014 $	2013 $
6.	**Income Tax Expense**		
(a)	Income tax expense		
	Current tax	-	-
	Deferred tax	-	-
	Total income tax expense	-	-
	Deferred income tax expense included in income tax expense comprises:		
	Decrease/(Increase) in deferred tax assets (note 6(c))	-	-
	Increase/(Decrease) in deferred tax liabilities (note 6(d))	-	-
		-	-
(b)	Numerical reconciliation of income tax expense to prima facie tax payable		
	Loss from continuing operations before income tax expense	(1,031,442)	(2,413,002)
	Tax at the tax rate of 30.0% (2013: 30.0%)	(309,433)	(723,901)
	Tax effect of amounts which are not deductible in calculating taxable income:		
	Exploration written off	231,200	607,297
	Share based payments	-	-
	Other non-deductible amounts	13,257	29,098
	Differences in overseas tax rates	-	4,444
	Unrecognised tax losses	64,976	83,062
	Income tax expense/(benefit)	-	-
(c)	Deferred tax asset not recognised		
	Tax losses	1,654,138	1,605,478
	Exploration and expenditure	1,281,824	316,444
	Other	7,031	7,198
	Net deferred tax recognised	2,942,993	1,929,120

1: The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

		Consolidated 2014 $	2013 $
7.	**Cash & Cash Equivalents**		
(a)	Cash & cash equivalents		
	Cash at bank & in hand	1,986,678	1,834,742
	Total cash & cash equivalents	1,986,678	1,834,742

(b) Cash at bank and in hand

Cash on hand is non-interest bearing. Cash at bank bears interest rates between 0.00% and 2.25% (2013: 0.00% and 3.50 %). Refer to note 15 for the group's exposure to interest rate and credit risk.

		Consolidated 2014 $	2013 $
8.	**Trade & Other Receivables**		
(a)	Current		
	Other receivables	29,978	28,925
	Total current trade & other receivables	29,978	28,925

(b) Past due and impaired receivables
As at 30 June 2014, there were no other receivables that were past due or impaired (2013: nil).

(c) Effective interest rates and credit risk
Information concerning effective interest rates and credit risk of both current and non-current trade and other receivables is set out in note 15.

	Consolidated Motor Vehicles $	Plant & Office Field $	Plant & Office Equipment $	Total $
9. Property, Plant & Equipment				
(a) Year ended 30 June 2014				
Opening net book amount	-	11,068	4,539	15,607
Additions	-	-	-	-
Disposals/write-offs/adjustments	-	(423)	-	(423)
Depreciation charge	-	(6,643)	(2,778)	(9,421)
Closing net book amount	-	4,002	1,761	5,763
At 30 June 2014				
Cost	-	58,896	28,544	87,440
Disposals/write-offs/adjustments	-	2,188	-	2,188
Accumulated depreciation	-	(57,082)	(26,783)	(83,865)
Net book amount	-	4,002	1,761	5,763
(b) Year ended 30 June 2013				
Opening net book amount	30,878	21,819	16,748	69,445
Additions	-	-	-	-
Disposals/write-offs/adjustments	(30,410)	3,074	-	(27,336)
Depreciation charge	(468)	(13,825)	(12,209)	(26,502)
Closing net book amount	-	11,068	4,539	15,607
At 30 June 2013				
Cost	-	58,896	28,544	87,440
Accumulated depreciation	-	(47,828)	(24,005)	(71,833)
Net book amount	-	11,068	4,539	15,607

	Consolidated 2014 $	2013 $
10. Exploration & Evaluation Expenditure		
Exploration and evaluation phase		
Opening balance	867,567	2,752,038
Exploration and acquisition costs	-	139,851
Impairment expense[1]	(770,669)	(2,024,322)
Foreign Exchange Movement	(96,898)	-
Closing balance	-	867,567

[1] Board and Management have assessed the carrying value of the Exploration and Evaluation Expenditure to be impaired and have provided for an impairment expense to reduce the carrying value to the expected recoverable amount.

The value of the group's interest in exploration expenditure is dependent upon:

- the continuance of the company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

	Consolidated 2014 $	2013 $
11. Trade & Other Payables		
Current		
Trade Payables	57,017	25,152
Total current trade & other payables	57,017	25,152

The group's exposure to foreign currency risk is noted in note 15.

	Consolidated 2014 Shares	2013 Shares	Consolidated 2014 $	2013 $
12. Contributed Equity				
(a) Contributed Equity				
Ordinary shares - fully paid	356,912,482	303,412,482	13,340,115	12,941,083
Total Contributed Equity	356,912,482	303,412,482	13,340,115	12,941,083

(b) Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Options

Information relating to options including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 15.

(d) Performance incentive shares

All performance incentive shares have lapsed as the conditions were not met in the required timeframe.

12. Contributed Equity (continued)

	Date	Number of Shares $	Issue Price $	Total $
(e) Movements in contributed equity				
Opening Balance 1 July 2012		121,706,241		11,115,614
Issue of shares: Placement	23 Oct 12	18,250,000	$0.015	273,750
Issue of shares: Placement	29 Jan 13	151,706,241	$0.01	1,517,062
Issue of shares: Placement	23 Oct 12	18,250,000	$0.015	273,750
Less: Transaction costs arising on share issues				(141,593)
Closing Balance at 30 June 2013		303,412,482		12,941,083
Opening Balance 1 July 2013		303,412,482		12,941,083
Issue of shares: Placement	21 May 2014	53,500,000	$0.008	428,000
Less: Transaction costs arising on share issues				(28,968)
Closing Balance at 30 June 2014		356,912,482		13,340,115

13. Share Options

(a) 2014 unlisted share option details

Expiry date	Exercise price	Balance at start of year	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance at end of the year
31 Aug 13	15.0 cents	3,250,000	-	-	3,250,000	-
31 Aug 13	20.0 cents	2,500,000	-	-	2,500,000	-
31 Aug 13	25.0 cents	2,500,000	-	-	2,500,000	-
31 Aug 13	30.0 cents	2,500,000	-	-	2,500,000	-
31 Aug 13	45.0 cents	2,500,000	-	-	2,500,000	-
14 Nov 13	15.0 cents	6,000,000	-	-	6,000,000	-
31 Mar 14	10.0 cents	400,000	-	-	400,000	-
22 May 14	20.0 cents	7,125,000	-	-	7,125,000	-
22 May 14	30.0 cents	7,125,000	-	-	7,125,000	-
22 May 14	45.0 cents	7,125,000	-	-	7,125,000	-
31 May 14	11.0 cents	400,000	-	-	400,000	-
31 May 14	20.0 cents	2,500,000	-	-	2,500,000	-
31 May 14	25.0 cents	2,500,000	-	-	2,500,000	-
30 Nov 14	20.0 cents	2,000,000	-	-	-	2,000,000
31 Oct 14	11.0 cents	1,900,000	-	-	-	1,900,000
		49,925,000	-	-	46,025,000	3,900,000

(b) 2013 unlisted share option details

Expiry date	Exercise price	Balance at start of year	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance at end of the year
31 Aug 13	15.0 cents	3,250,000	-	-	-	3,250,000
31 Aug 13	20.0 cents	2,500,000	-	-	-	2,500,000
31 Aug 13	25.0 cents	2,500,000	-	-	-	2,500,000
31 Aug 13	30.0 cents	2,500,000	-	-	-	2,500,000
31 Aug 13	45.0 cents	2,500,000	-	-	-	2,500,000
14 Nov 13	15.0 cents	6,000,000	-	-	-	6,000,000
31 Mar 14	10.0 cents	400,000	-	-	-	400,000
22 May 14	20.0 cents	7,125,000	-	-	-	7,125,000
22 May 14	30.0 cents	7,125,000	-	-	-	7,125,000
22 May 14	45.0 cents	7,125,000	-	-	-	7,125,000
30 Nov 14	20.0 cents	2,000,000	-	-	-	2,000,000
31 May 14	11.0 cents	400,000	-	-	-	400,000
31 May 14	20.0 cents	2,500,000	-	-	-	2,500,000
31 May 14	25.0 cents	2,500,000	-	-	-	2,500,000
31 Oct 14	11.0 cents	1,500,000	-	-	-	1,500,000
		49,925,000	-	-	-	49,925,000

		Consolidated 2014 $	Consolidated 2013 $
14.	**Reserves**		
(a)	Unlisted option reserve		
	Opening balance	1,310,448	1,310,448
	Unlisted options issued as remuneration during the year	-	-
	Closing balance	1,310,448	1,310,448

The unlisted option reserve records items recognised on valuation of director, employee and contractor share options as well as share options issued during the course of a business combination. Information relating to the details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 13.

		2014 $	2013 $
(b)	Foreign Currency Translation Reserve		
	Opening balance	(550,499)	(588,910)
	Exchange difference arising on translation of foreign operations	(117,681)	38,411
	Closing balance	(668,180)	(550,499)

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities. The exchange differences arising are recognised in other comprehensive income as detailed in note 1(r) and accumulated within a separate reserve within equity. The cumulative amount is reclassified to the statement of profit or loss or other comprehensive income when the net investment is disposed of.

		2014 $	2013 $
(c)	Total reserves		
	Unlisted option reserve	1,310,448	1,310,448
	Foreign currency translation reserve	(668,180)	(550,499)
	Total reserves	642,268	759,949

15. Financial Instruments, Risk Management Objectives and Policies

The consolidated entity's principal financial instruments comprise cash and cash equivalents. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the company. The consolidated entity also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the year under review, it has been the consolidated entity's policy not to trade in financial instruments. The main risks arising from the consolidated entity's financial instruments are interest rate risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest Rate Risk

The group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

Consolidated	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest	Non-interest bearing	Total
	%	$	$	$	$
2014					
Financial assets					
Cash and cash equivalents	2.25%	1,986,678	-	-	1,986,678
Trade & other receivables - current	0.00%	-	-	29,978	29,978
		1,986,678	-	29,978	2,016,656
Financial Liabilities					
Trade and other payables - current	0.00%	-	-	57,017	57,017
		-	-	57,017	57,017

15. Financial Instruments, Risk Management Objectives and Policies (continued)

Consolidated	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest	Non-interest bearing	Total
2013					
Financial assets					
Cash and cash equivalents	3.50%	1,834,742	-	-	1,834,742
Trade & other receivables - current	0.00%	-		28,925	28,925
		1,834,742	-	28,925	1,863,667
Financial Liabilities					
Trade and other payables - current	0.00%	-	-	25,152	25,152
		-	-	25,152	25,152

The maturity date for all cash, current receivables and trade and other payable financial instruments included in the above tables is one year or less from balance date. The maturity for the non-current receivables is between 1 and 3 years from balance date.

(i) Sensitivity analysis
The group's main interest rate risk arises from cash equivalents with variable and fixed interest rates. At 30 June 2014 and 30 June 2013, the group's exposure to interest rate risk is not deemed material.

(b) Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the group's maximum exposure to credit risk. All cash equivalents are held with financial institutions with a credit rating of A1+ or above, with the exception of cash on hand of $NIL (2013: $NIL) which is not rated.

(c) Foreign Currency Risk
The group is exposed to fluctuations in foreign currencies arising from exploration commitments in currencies other than the group's presentational currency (Australian Dollars).

The group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the Namibian Dollar (NAD). The group has not formalised a foreign currency risk management policy, however it monitors its foreign currency expenditure in light of exchange rate movements, and retains the right to withdraw from the foreign exploration commitments after the minimum expenditure targets have been met.

(i) Sensitivity analysis
The group's main foreign currency risk arises from cash equivalents held in foreign currency denominated bank accounts and other payable amounts denominated in currencies other than the group's functional currency. At 30 June 2014 and 30 June 2013, the group's exposure to foreign currency risk is not deemed material as the cash held in overseas financial institutions is not considered material to the group.

15. Financial Instruments, Risk Management Objectives and Policies (continued)

(d) Liquidity risk

The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the group aims at ensuring flexibility in its liquidity profile by maintaining the ability to undertake capital raisings. The current trade and other payables are due and payable within 3 to 6 months.

Contractual maturities of financial liabilities	Less than 6 months $	6-12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cashflows $	Carrying amount liabilities $
At 30 June 2014							
Trade and other payables	57,017	-	-	-	-	57,017	57,017
At 30 June 2013							
Trade and other payables	25,152	-	-	-	-	25,152	25,152

(e) Net fair value

The carrying value and net fair values of financial assets and liabilities at balance date are:

Consolidated	2014 Carrying Amount $	2014 Net fair Value $	2013 Carrying Amount $	2013 Net fair Value $
Financial assets				
Cash and cash equivalents	1,986,678	1,986,678	1,834,742	1,834,742
Trade & other receivables - current	29,978	29,978	28,925	28,925
	2,016,656	2,016,656	1,863,667	1,863,667
Financial Liabilities				
Trade and other payables - current	57,017	57,017	25,152	25,152
	57,017	57,017	25,152	25,152

(f) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

i) Quoted prices in active markets for identical assets or liabilities (level 1)
ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (level 2); and
iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Due to their short term nature, the carrying amount of the current receivables and current payables is assumed to approximate their fair value.

	Consolidated 2014 $	Consolidated 2013 $
16. Earnings per Share		
(a) Earnings/(Loss)		
Earnings/(loss) used in the calculation of basic EPS	(1,031,442)	(2,413,002)
(b) Weighted average number of ordinary shares ('WANOS')		
WANOS used in the calculation of basic earnings per share:	309,422,071	204,239,388
Diluted earnings per share is equal to basis loss per share as the company is in a loss position.		

		Consolidated 2014 $	Consolidated 2013 $
17.	**Cash Flow Information**		
(a)	Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax:		
	Loss for the year	(1,031,442)	(2,413,002)
	Depreciation	9,421	26,502
	Asset write-down expense	-	1,313
	Exploration impaired	770,669	2,024,322
	Other	43,679	24,632
	Changes in assets and liabilities:		
	(Increase) in operating receivables & prepayments	(1,053)	58,756
	(Decrease) in trade and other payables	31,865	(396,918)
	Net cash outflows from Operating Activities	**(176,861)**	**(674,395)**
(b)	Non-cash investing and financing activities		
	There are no non-cash investing and financing activities during the year (2013: nil).		

18. Segment Information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. For the purposes of segment reporting the chief operating decision maker has been determined as the board of directors. The board monitors the entity primarily from a geographical perspective, and has identified two operating segments, being exploration for mineral reserves within Africa and the corporate/head office function.

(b) Segment information provided to the board of directors

The segment information provided to the board of directors for the reportable segments for the year ended 30 June 2014 as follows:

	Africa $	Corporate $	Total $
2014			
Total segment revenue	-	42,619	42,619
Interest revenue	-	42,619	42,619
Depreciation and amortisation expense	-	9,421	9,421
Exploration impairment expense	770,669	-	770,669
Total segment loss before income tax	815,512	215,930	1,031,442
Total segment assets	29,081	1,993,338	2,022,419
Total segment liabilities	1,049	55,968	57,017

18. Segment Information (Continued)

(b) Segment information provided to the board of directors (continued)

(c)

	Africa $	Corporate $	Total $
2013			
Total segment revenue	-	30,753	30,753
Interest revenue	-	30,753	30,753
Depreciation and amortisation expense	930	25,572	26,502
Exploration impairment expense	2,024,322	-	2,024,322
Total segment loss before income tax	2,083,569	329,433	2,413,002
Total segment assets	900,567	1,846,274	2,746,841
Total segment liabilities	1,160	23,992	25,152

Measurement of segment information

All information presented in part (b) above is measured in a manner consistent with that in the financial statements.

(d) Segment revenue

No inter-segment sales occurred during the current or previous financial year. The entity is domiciled in Australia. No revenue was derived from external customers in countries other than the country of domicile. Revenues of $42,619 (2013: $30,753) were derived from one Australian financial institution during the period. These revenues are attributable to the corporate segment.

(e) Reconciliation of segment information

Total segment revenue, total segment profit/loss before income tax, total segment assets and total segment liabilities as presented in part (b) above, equal total entity revenue, total entity profit/loss before income tax, total entity assets and total entity liabilities respectively, as reported within the financial statements.

19. Commitments and Contingencies

There are no commitments or contingent liabilities outstanding at the end of the year.

20. Subsidiaries and non-controlling entities

(a) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding[1] 2014	2013
			%	%
Northam Resources Ltd[2]	Australia	Ordinary	100	100
Himba Iron Exploration (Pty) Ltd	Namibia	Ordinary	95	95
Eris Mining (Pty) Ltd	Namibia	Ordinary	95	95
Tumba Base Metals X (Pty) Ltd	Namibia	Ordinary	95	95

1: The proportion of ownership interest is equal to the proportion of voting power held.
2: Company is dormant.

20. Subsidiaries and non-controlling entities (continued)

(b) Non-controlling entities

The following table sets out the summarised financial information for each subsidiary that has non-controlling interests that are material to the group. Amounts disclosed are before intercompany eliminations (AASB 12.B11)

Summarised statement of Financial Position	Himba Iron Exploration (Pty) Ltd 30 June 2014	Himba Iron Exploration (Pty) Ltd 30 June 2013	Tumba Base Metals X (Pty) Ltd 30 June 2014	Tumba Base Metals X (Pty) Ltd 30 June 2013	Eris Mining (Pty) Ltd 30 June 2014	Eris Mining (Pty) Ltd 30 June 2013
	$'000	$'000	$'000	$'000	$'000	$'000
Current Assets	-	-	-	-	25	29
Non-current Assets	-	1,332	-	1	81	1,465
Total Assets	-	1,332	-	1	106	1,494
Current Liabilities	1,205	1,332	26	29	2,496	2,692
Non-current Liabilities	-	-	-	-	-	-
Total Liabilities	1,205	1,332	26	29	2,496	2,692
Net Assets	(1,205)	-	(26)	(27)	(2,390)	(1,198)
Accumulated NCI	(60)	-	(1)	(1)	(119)	(60)

Summarised statement of Profit or Loss and Other Comprehensive Income	Himba Iron Exploration (Pty) Ltd 30 June 2014	Himba Iron Exploration (Pty) Ltd 30 June 2013	Tumba Base Metals X (Pty) Ltd 30 June 2014	Tumba Base Metals X (Pty) Ltd 30 June 2013	Eris Mining (Pty) Ltd 30 June 2014	Eris Mining (Pty) Ltd 30 June 2013
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	-	-	-	-	-	21
Profit for the period	(1,205)	-	(1)	-	(1,368)	(2,084)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	(1,205)	-	(1)	-	(1,368)	(2,084)
Profit/(Loss) allocated to NCI	(60)	-	-	-	(68)	(104)
Dividends paid to NCI	-	-	-	-	-	-

Summarised cash flows	Himba Iron Exploration (Pty) Ltd 30 June 2014	Himba Iron Exploration (Pty) Ltd 30 June 2013	Tumba Base Metals X (Pty) Ltd 30 June 2014	Tumba Base Metals X (Pty) Ltd 30 June 2013	Eris Mining (Pty) Ltd 30 June 2014	Eris Mining (Pty) Ltd 30 June 2013
	$'000	$'000	$'000	$'000	$'000	$'000
Cash flows from operating activities	-	-	-	-	(1)	-
Cash flows from investing activities	-	-	-	-	-	-
Cash flows from financing activities	-	-	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	-	-	-	-	(1)	-

21. Related Party Information

(a) Parent entity
The ultimate parent entity within the group is AVZ Minerals Limited.

(b) Subsidiaries
Interests in subsidiaries are set out in note 20.

(c) Key management personnel
Disclosures relating to key management personnel are set out in Directors' Report.

	2014 $	2013 $
Key Management Personnel Compensation		
Summary remuneration		
Short-term employee benefits	93,517	173,347
Post-employment benefits	418	10,020
Long-term benefits	-	-
Share-based payments	-	-
Total key management personnel compensation	93,935	183,367

Details of remuneration disclosures are provided within the audited remuneration report which can be found on pages 5 to 9 of the directors' report.

22. Share Based Payments

The Directors have not issued any options as remuneration during the current year (2013: nil).

		Company 2014 $	2013 $
23.	**Parent Entity Information**		
(a)	Assets		
	Current assets	1,991,577	1,835,091
	Non-current assets	1,761	878,749
	Total assets	1,993,338	2,713,840
(b)	Liabilities		
	Current liabilities	55,967	23,992
	Total liabilities	55,968	23,992
(c)	Equity		
	Contributed equity	13,340,115	12,941,083
	Accumulated losses	(12,713,193)	(11,561,683)
	Option reserve	1,310,448	1,310,448
	Total equity	1,937,370	2,689,848
(d)	Total Comprehensive loss for the year		
	Loss for the year	(1,151,510)	(2,353,755)
	Other comprehensive income for the year	-	-
	Total comprehensive loss for the year	(1,151,510)	(2,353,755)

The parent entity has not guaranteed any loans for any entity during the year. The parent entity does not have any contingent liabilities, or capital commitments.

24. Significant Events After Balance Date

On 1 September 2014, the Company lodged a Prospectus for a 1 for 3 entitlement issue at 0.5 cents per share to raise $609,854 (gross proceeds based on the Company's expanded issued capital). The offer closed offer closed fully subscribed and on 23 September 2014 the Company issued 121,970,028 shares.

Other than as disclosed in this report, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

- the group's operations in future financial years, or
- the results of those operations in future financial years, or
- the group's state of affairs in future financial years.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 12 to 33 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

(b) the audited remuneration disclosures set out on pages 5 to 9 of the directors' report comply with section 300A of the Corporations Act 2001; and

(c) at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.

Gary Steinepreis
Non-Executive Director

West Perth, Western Australia
26 September 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of AVZ Minerals Limited

Report on the Financial Report

We have audited the accompanying financial report of AVZ Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a)(i), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of AVZ Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of AVZ Minerals Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a)(i).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of AVZ Minerals Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh

Director

Perth, 30 September 2014

Shareholder Information

Shareholding

The distribution of members and their holdings of equity securities in the holding company as at 25 September 2014 was as follows:

Number Held as at 25 September 2014	Class of Equity Securities Fully Paid Ordinary Shares
1- 1,000	15
1,001 - 5,000	18
5,001 - 10,000	61
10,001 - 100,000	156
100,001 and over	188
Total	324

Holders of less than a marketable parcel: 250

Substantial Shareholders

The names of the substantial shareholders as at 25 September 2014.

Shareholder	Number	%
Ranchland Holdings Pty Ltd	32,068,590	6.57

Voting Rights - Ordinary Shares

In accordance with the holding company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at 25 September 2014 are as follows:

Shareholder	Number	% Held of Issued Ordinary Capital
JP Morgan Nominees Australia Ltd	36,785,863	7.54%
HSBC Custody Nominees Australia Ltd	21,603,752	4.43%
Oakhurst Enterprises Pty Ltd	20,495,533	4.20%
Leilani Inv Pty Ltd <Rice Fam Inv a/c>	20,089,276	4.12%
Ranchland Holdings Pty Ltd <RC Steinepreis fam>	19,235,256	3.94%
Seventy Three Pty Ltd <King s/f no 3 a/c>	17,920,308	3.67%
N&J Mitchell Holdings Pty Ltd <Second s/f a/c>	15,162,199	3.11%
Wilhaja Pty Ltd <Riekie fam a/c>	11,228,814	2.30%
J & J Brady Nominees Pty Ltd <J&J Bandy s/f a/c>	11,120,308	2.28%
Merrill Lynch Aust Nom Pty Ltd	10,290,131	2.11%
Blueknight Pty Ltd	9,333,334	1.91%
Aviemore Cap Pty Ltd	8,994,638	1.84%
Talltree Holdings Pty Ltd <D Steinepreis fam>	8,445,920	1.73%
Manuela Reitmeier	8,333,400	1.71%
Pershing Australia Nominees Pty Ltd	8,000,000	1.64%
Calama Holdings Pty Ltd	7,983,334	1.64%
Symorgh Inv Pty Ltd <Symorgh a/c>	7,210,000	1.48%
Talltree Holdings Pty Ltd <Nerd fam s/f a/c>	7,152,229	1.47%
Axino Investments Gmbh	7,000,000	1.43%
Piat Corp Pty Ltd	6,002,206	1.23%
	262,386,501	53.78%

Corporate Governance

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered.

Recommendation		Section
Recommendation 1.1	Functions of the Board and Management	1.1
Recommendation 1.2	Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 1.3	Reporting on Principle 1	1.1 and 1.4.10
Recommendation 2.1	Independent Directors	1.2 and 1.3
Recommendation 2.2	Independent Chairman	1.2 and 1.3
Recommendation 2.3	Role of the Chairman and CEO	1.2 and 1.3
Recommendation 2.4	Establishment of Nomination Committee	2.3
Recommendation 2.5	Evaluation of Board, Committees and Directors	1.4.10
Recommendation 2.6	Reporting on Principle 2	1.2, 1.4.6, 1.4.10, 2.3.1 and the Directors' Report
Recommendation 3.1	Code of Conduct	3
Recommendation 3.2	Diversity Policy	3.2
Recommendation 3.3	Reporting on Principle 3	3.3
Recommendation 3.4	Disclosure of Diversity	3.4
Recommendation 4.1	Establishment of Audit Committee	2.1
Recommendation 4.2	Structure of Audit Committee	2.1.1
Recommendation 4.3	Audit Committee Charter	2.1
Recommendation 4.4	Reporting on Principle 4	2.1
Recommendation 5.1	Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2	Reporting on Principle 5	1.4.4
Recommendation 6.1	Communications Strategy	1.4.8
Recommendation 6.2	Reporting on Principle 6	1.4.8
Recommendation 7.1	Policies on Risk Oversight and Management	2.1.3
Recommendation 7.2	Managing and Implementing Risk Management	2.1.3
Recommendation 7.3	Attestations by CEO and CFO	2.1.3
Recommendation 7.4	Reporting on Principle 7	2.1.3
Recommendation 8.1	Establishment of Remuneration Committee	2.2
Recommendation 8.2	Statement of Remuneration Committee	2.2.1
Recommendation 8.3	Executive and Non-Executive Director Remuneration	2.2.3.1 and 2.2.3.2
Recommendation 8.4	Reporting on Principle 8	1.2, 2.2.1 and 2.2.3.2

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, the Company has adopted a Charter. A copy is available for inspection on the Company's website.

1.2 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer.

The Board currently comprises of three Directorsand only Mr Flint is considered independent, therefore the Company does not have a majority of independent directors. Due to the size of the Company and the experience of the Directors, the Company believes that the current composition of the Board remains appropriate.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving budgets and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection on the Company's website.

1. Board of Directors (continued)

1.4 Board Policies

1.4.1 Conflicts of Interest
Directors must:
- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments
Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality
In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure
The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The Company has a Continuous Disclosure Policy which is available for inspection on the Company's website.

1.4.5 Education and Induction
It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:
- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice
The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, to assist them to carry out their responsibilities.

1. Board of Directors (continued)

1.4.7 Related Party Transactions
Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication
The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:
- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. The Company has a Shareholder Communication Policy which is available for inspection on the Company's website.

1.4.9 Trading in Company Shares
The Company has had a formal Share Trading Policy in place since May 2007 and subsequently reviewed and updated in December 2010. A copy of the policy is available for inspection on the Company's website.

1.4.10 Performance Review/Evaluation
It is the policy of the Board to conduct annual evaluations of its effectiveness and that of individual Directors. Each Directors performance is appraised personally by the Chairman and in a meeting led by the other independent Director, the Chairman's performance is assessed.
The evaluation process in the current year was overseen by the Chairman. The evaluation process of the Chairman was led by the other independent Director in conjunction with the Managing Director. The objective of this evaluation is to provide best practice corporate governance to the Company.

2. Board Committees

2.1 Audit Committee
Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. As the full Board undertakes the role of the Audit Committee, no formal Charter has been adopted however below is a summary of the role and responsibilities of an Audit Committee.

2.1.1 Role
The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

As the whole Board only consists of three (3) members, the Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis.

In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

2.1.2 Responsibilities
The Audit Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee or is also responsible for establishing policies on risk oversight and management.

2. Board Committees (continued)

2.1.3 Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole.

A risk management plan has been developed and implemented by AVZ. The plan provides a framework for systematically understanding and identifying the types of business risks threatening AVZ as whole and specific business activities within the Company. A risk register has been developed through the implementation and review of the risk management plan which has identified material business risk of the Company. The risk register also provides the controls in place to mitigate the material business risks and management's assessment of residual risk.

The board believes that it has a thorough understanding of the Company's key risks and is managing them appropriately. The board is responsible for reviewing annually its risk management system. This includes reviewing operational, financial, compliance, systems and risk management procedures. A copy of the company's risk management statement is available from the corporate governance section of the company's website.

The Board takes responsibility for the declaration in accordance with S295A of the Corporations Act signed by the CEO and CFO that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole Board only consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. As the full Board undertakes the role of the Remuneration Committee, no formal Charter has been adopted however below is a summary of the role and responsibilities of a Remuneration Committee.

2.2.2 Responsibilities

The responsibilities of a Remuneration Committee, or the full Board include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

2.2.3 Remuneration Policy

Directors' Remuneration was approved by the Board.

2.2.3.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

The value of shares and options granted to senior executives are calculated using the Black and Scholes method.

2. Board Committees (continued)

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders. The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

2.2.3.2 Non-Executive Director Remuneration Policy
Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses however they do participate in option schemes as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves. Non-Executive Directors are entitled to but not necessarily paid statutory superannuation. Non-Executive Directors are not provided with any retirement benefits other than superannuation.

2.2.4 Current Director Remuneration
Full details regarding the remuneration of Directors, is included in the Directors' Report.

2.3 Nomination Committee
2.3.1 Role
The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills and diversity are present in Directors on the Board at all times.

As the whole Board only consists of three (3) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. As the full Board undertakes the role of the Nomination Committee, no formal Charter has been adopted however below is a summary of the role and responsibilities of a Nomination Committee. The Company has adopted a Diversity Policy and is available for inspection on the Company's website.

2.3.2 Responsibilities
The responsibilities of a Nomination Committee include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

2.3.3 Criteria for selection of Directors
Directors are appointed based on the specific governance skills required by the Company. Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

3. Diversity

3.1 Diversity and inclusion
AVZ and all its related bodies corporate are committed to workplace diversity in relation to genders, age, ethnicity and background. The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

3.2 Diversity Policy
The Company has developed a Diversity Policy during the current period which was formally adopted in June 2012. A copy of the policy is available for inspection on the Company's website.

3.3 Measurable Objectives for Gender Diversity
Due to the size and nature of the company's operations, AVZ has yet to establish measurable objectives for gender diversity.

3.4 Proportion of women employees and board members
As at 30 June 2014, the Group had a total of four employees and board members. The proportion of women on the Board and in senior management positions was nil. The proportion of women in our workplace was 0%.

4. Company Code of Conduct

The Company has had a formal Code of Conduct which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company. A copy of the Code of Conduct is available for inspection on the Company's website.

Schedule of Mineral Tenements

Project	Tenement	Interest	Status
Tumba	EPL 4436	95%	Granted
	EPL 4437	95%	Granted (renewal lodged)
	EPL 4438	95%	Granted (renewal lodged)
	EPL 4439	95%	Granted (renewal lodged)
	EPL 4440	95%	Granted (renewal lodged)
Himba	EPL 4286	95%	Granted (renewal lodged)
	EPL 4283	95%	Application
	EPL 4284	95%	Application
	EPL 4285	95%	Application
Brandberg	EPL 4788	95%	Application
Hammerhead/Thresher	EPL 5503	95%	Application
Abenab	EPL 5502	95%	Application

Key
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