AVZ Minerals Limited
ABN 81 125 176 703

MINERALS LIMITED

Annual Report 2018

Contents

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Dear Shareholders,

It is with great pleasure that I present to you AVZ Minerals Limited's Annual Report for financial year 2018, a period in which a great deal was achieved in progressing our flagship Manono Lithium and Tin project in the Democratic Republic of Congo.

AVZ Minerals Limited (AVZ) originally acquired the Manono Project licences in Democratic Republic of Congo (DRC) to develop and mine a world class tin asset. This asset was first discovered by the Belgians in 1910, with mining and transportation of product to Europe from 1919 to 1982. That the Belgians developed a world class mine and delivered product to market at a time when the transport challenges were far greater than today, demonstrates the quality and economics of the asset.

The potential for lithium at Manono was identified in three separate United States Geological Service reports dating from the 1970s, as well as a Belgian Government Metallurgical study (1980) and historical test work that produced a 6.82% lithium concentrate – well above industry standards of today. Given the strategic and structural shift we have seen in demand for lithium, driven primarily by Chinese-led electric vehicle battery growth, Manono has proven to be a truly world-class lithium and tin deposit. China's Ministry of Land and Resources has recognised unique qualities of AVZ's Manono project and dubbed it the "Escondida of Lithium".

The maiden JORC Mineral Resource Estimate for our Manono Lithium Project was completed in early August 2018. Using only drilling results from half of the Roche Dure pegmatite's strike length – one of six massive pegmatites at Manono – we have today a total Measured, Indicated and Inferred Resource of 259.9 million tonnes grading 1.63% Li_2O (spodumene), 844ppm Sn (tin) and 43ppm Ta_2O_5 (tantalum) for 4.25 million tonnes of contained lithium oxide (Li_2O), 219,000t of contained tin and 11.2Kt of contained tantalum. This estimate includes Measured Resources of 43 million tonnes grading 1.71% Li_2O, 871ppm Sn and 42ppm Ta_2O_5. Drilling to date has only focused on a small part of the total strike length, so there is enormous potential for this project to grow.

In 2017, AVZ engaged SRK Consulting to independently review Manono for its lithium potential and stated in their conclusion that the project has "enormous potential". The maiden JORC Mineral Resource Estimate confirmed Manono as the largest hard rock spodumene deposit in the world. AVZ has achieved its Maiden Resource with only a fraction of the drilling & other costs typical of other Australian Securities Exchange (ASX) listed lithium companies due to the homogenous nature of the Manono deposit. AVZ's Roche Dure Pegmatite lithium seams are on average 20 times thicker than the seams found in lithium projects in Australia or Canada.

There is considerable advantage in having a significant tin component to the resource in that it is likely to help reduce operating costs by providing a valuable by-product credit. Test work to date has shown deleterious elements are all low, which is a further significant positive for project development. As part of mine planning, AVZ is likely to have a supplementary focus on high grade tin concentration areas in the early years of mining to materially improve early cashflow generated by the project.

The importance of low deleterious elements cannot be over-emphasised and is fast-becoming a basic requirement for new battery formulations such as 8-2-2, 8-1-1 batteries and lithium solid state batteries.

We are focused on developing Manono to be a world-leading source of lithium. Our next milestone will be completion of a Scoping Study to examine capital and operating cost estimates based on a typical hard rock spodumene concentrate process flowsheet. This will include a high-level review of options to upgrade the spodumene concentrate, while also working to optimise transport costs. The Scoping Study aims to progress Manono to production as quickly as possible and it is expected to be completed in September.

AVZ completed several large capital raisings during 2018 and the Company is well funded to progress Manono, finishing the financial year as we did with more than $16 million cash at bank. I would like to take this opportunity to thank new and existing shareholders for your support in those capital raisings and more broadly. Your belief that AVZ can deliver on its goals is something that we value greatly.

Finally, I would also like to thank my fellow Board members, our management team, staff and consultants for their efforts over the past year. We have another busy year ahead as we seek to transition into a lithium producer with a genuinely world-class operation, and I look forward to sharing that journey with you all.

Nigel Ferguson
Managing Director

Review of Operations

Overview

AVZ Minerals Limited is developing the Manono Lithium Project in the Democratic Republic of Congo (DRC) in central Africa. The project hosts the historic Manono tin mine, also prospective for lithium and tantalum. AVZ secured a 60% interest in the project in January 2017, following its acquisition of 100% of the Manono Extension Project, surrounding the historic Manono mine, which is prospective for lithium, rare earths and base metals. AVZ also has a 60% interest in the Tanganyika Regional Project, which comprised seven licences prospective for lithium, rare earths and base metals. An initial seven-hole due diligence drilling program at the Manono Project demonstrated the immense size of a lithium pegmatite and further outstanding results were received from early drilling.

During 2018, AVZ's focus has been on completing an initial 20,000m of resource definition drilling at Manono. The Company announced a maiden JORC Mineral Resource Estimate for the Roche Dure Pegmatite at Manono subsequent to year-end as detailed below.

AVZ has commenced a Scoping Study to fast-track development of the project, intending to progress to production as quickly as possible. The Scoping Study is scheduled for completion in September 2018.

Manono Project, DRC (AVZ 60%)

AVZ Minerals holds a 60% interest in PR13359, which covers approximately 188km^2 and includes the historic Manono and Kitotolo Mines, in southern DRC. It also holds 100% interests in licences PR4029 and PR4030 that surround PR13359 and provide an additional 242.25km^2 of prospective area.

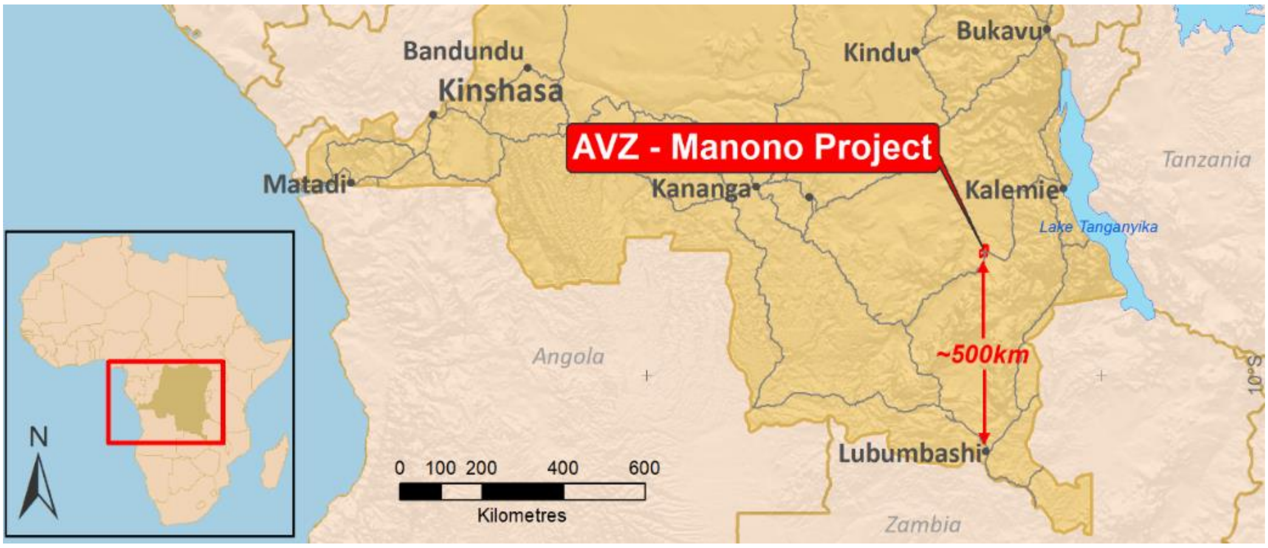

Figure 1: Location Plan of Manono Lithium Project

Mineral Resource

Post year-end, on 2 August 2018, AVZ announced a maiden Mineral Resource Estimate for the Roche Dure pegmatite at Manono, confirming the project as the world's largest lithium deposit.

Roche Dure has total Measured, Indicated and Inferred Resources of 259.9Mt grading 1.63% Li_2O (Spodumene) containing 4.25 million tonnes of lithium oxide (Li_2O), 219Kt of tin as cassiterite grading 844ppm Sn and 11.2Kt Tantalum grading 43ppm Ta_2O_5 (Tantalum). This estimate confirmed Manono as the world's largest hard rock spodumene deposit.

There are Measured Resources of 43Mt grading 1.71% Li_2O, 871ppm Sn and 42ppm Ta_2O_5 and Indicated Resources of 104.7Mt grading 1.64% Li_2O, 844ppm Sn and 43ppm Ta_2O_5.

In addition to tin, tantalum and lithium oxide, independent consultant The MSA Group estimated iron oxide, a potentially deleterious element, at an average of 0.88%, which when compared to other hard rock lithium deposits owned by ASX-listed companies, is one of the lowest reported based on raw assay data used for resource calculations. The Mineral Resource was also estimated by The MSA Group.

The initial Mineral Resource was estimated on an approximate 980m strike length, or 50% of the Roche Dure pegmatite's strike, utilising assay data from 31 drill holes and geological data from 42 drill holes. The balance of the assay data will be incorporated into the next Mineral Resource estimate.

Fresh Pegmatite Category	Tonnes (Millions)	Li_2O %	Sn ppm	Ta_2O_5 ppm	Fe_2O_3 %	SG
Measured	43.0	1.71	871	42	0.96	2.73
Indicated	104.7	1.64	844	43	0.85	2.73
Inferred	112.2	1.60	834	43	0.88	2.73
Total	**259.9**	**1.63**	**844**	**43**	**0.88**	**2.73**

Table 1: Manono Roche Dure – Mineral Resource at a 0.5% Li_2O cut-off

Scoping Study

In June 2018, AVZ announced it had engaged Perth-based independent engineering group CPC Engineering ("CPC") to complete a Scoping Study for the Manono Lithium Project.

The Scoping Study aims to prepare initial capital and operating cost estimates based on a typical hard rock spodumene concentrate process flowsheet starting at a rate of two million tonnes per annum (mtpa) and options for a 4mtpa and a 10mtpa plant.

A second high-level review will investigate opportunities to produce a cassiterite (SnO_2) concentrate as a secondary product stream. The estimate will capture the process plant, process and non-process infrastructure as detailed below.

A review of the preliminary characterisation test-work results indicated that the Manono project process plant would consist of the following processing stages:

- Three-stage crushing circuit
- Screening circuit (0.5 mm)
- Reflux classification for mica removal
- Dense media separation (DMS)
- De-sliming (38 µm)
- Grinding and flotation
- Concentrate handling.

Process infrastructure would include:

- Water supply from bore fields local to the process plant
- Power generation for the process plant (diesel power station selected as the base case)
- Process plant offices, workshop, and associated infrastructure, within the process plant.

Non-process infrastructure would include:

- Accommodation camp
- Communication systems
- Sewage/waste disposal.

The Scoping Study is expected to be complete in September 2018 after additional requirements were added to the planned work.

Drilling

AVZ completed an initial due diligence drill program in June 2017 to evaluate the potential of the Manono and Kitotolo pegmatites to contain economically significant lithium (Li) mineralisation. The program comprised seven diamond drill holes for 1,749m of core and tested four of the six large pegmatites at the Manono Project (Figure 2).

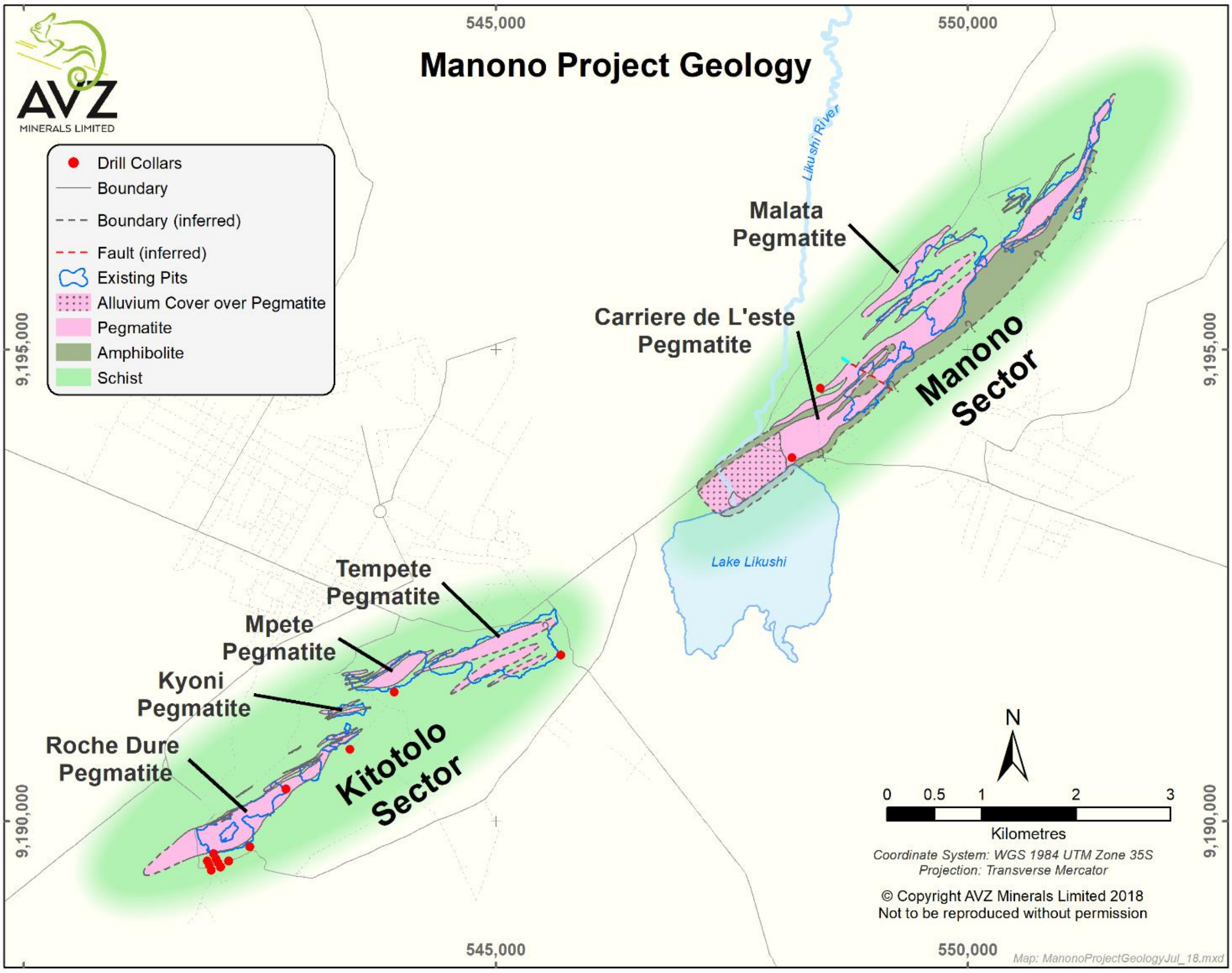

Figure 2 Pegmatite at Manono Project

In all cases, thick intervals of pegmatite were intersected and spodumene was present within all the pegmatites. Drill-holes MO17DD001 to MO17DD006 were completed in the Kitotolo Sector, and MO17DD007 completed in the Manono Sector. Drill-core samples were prepared in the DRC and submitted to ALS Global Perth for assay.

Drill-holes MO17DD001 and MO17DD002 (400m north east of MO17DD001) tested the Roche Dure Pegmatite and returned 235.03m at 1.66% Li_2O and 1001 ppm Sn (MO17DD001) and 202.8m* at 1.57% Li_2O and 1078ppm Sn (MO17DD002). Drill-holes MO17DD004 (1.5km northeast of MO17DD001) and MO17DD003 (2.1km northeast of MO17DD001) passed through the Roche Dure Pegmatite entirely within the weathered zone above fresh rock and did not return significant assays for lithium. However, drill-hole MO17DD004 established that the Roche-Dure Pegmatite is likely to have a true thickness of about 78m at its location. This drilling demonstrated the Roche Dure pegmatite had a length of about 2,100m.

Drill-hole MO17DD005 tested the Mpete Pegmatite, which has a strike length of at least 1km. The drill hole intersected 45.74m* at 1.59% Li_2O and 1230 ppm Sn and is potentially a large source of lithium mineralisation within the Kitotolo sector.

The Tempete Pegmatite, with a strike length 1.5km, is also potentially a significant source of lithium mineralisation within the Kitotolo sector. Tempete was tested by drill-hole MO17DD006, intersecting 65.86m* at 1.51% Li_2O.

MO17DD007 was drilled to test the Carriere De l'Est Pegmatite, the largest pegmatite in the Manono sector. Assay results from this hole confirmed the mineralisation distribution and tenor evident from the spodumene present in the drill-core, returning an intercept of 250.93m* at 1.48% Li_2O and 913ppm Sn. Sampling commenced at 1.9m from which depth the pegmatite is unweathered. Drilling results suggested the thickness of the pegmatite may be 280m.

The drilling results demonstrated that four of the largest pegmatites at Kitotolo contain a large proportion of spodumene and that in the unweathered, unaltered pegmatite the lithium mineralisation seems to have a typical grade of about 1.5% Li_2O, with significant tin mineralisation.

AVZ commenced a 20,000m drilling program at the Manono Lithium Project in early February and engaged an additional drilling contractor. Four drilling rigs were operational on site by mid-March with a fifth rig mobilised from South Africa.

The drilling rig was set up approximately 90m east of drill hole MO17DD001 on line 7,000mN, at the Roche Dure Pegmatite in the Kitotolo Sector. This allowed drilling beneath MO17DD001 to test depth extensions and thickness of the Roche Dure Pegmatite.

Drill-holes MO18DD003, 004, 006 and 007 confirmed the thickness of the Roche Dure pegmatite, intersecting 313.88m*, 276.77m*, 284.30m* and 273.20* of pegmatite respectively, and all holes contained a high proportion of spodumene within the pegmatite. Results from drilling reported in the second half of the year included:

Hole Id	Thickness	From (m)	% Li_2O	ppm Sn
MO18DD001	295.03m*	62.0m	1.75	856
MO18DD002	283.06m*	63.1m	1.59	807
MO18DD003	13.1m*	59.01m	1.11	496
MO18DD003	289.58m*	83.3m	1.63	845
MO18DD004	276.72m*	54.0m	1.61	947
MO18DD006	284.47m*	76.81m	1.52	846
MO18DD007	272.65m*	93.7m	1.56	631
MO18DD008	71.8m*	149.5m	1.25	1113
MO18DD010	263.24m*	52.22m	1.52	950
MO18DD011	248.22m*	144.05	1.72	685

In late June, AVZ announced a record pegmatite intersection from drilling of 341.62m* including an upper interval of weathered rock and beneath this a fresh-rock intersection of 302.10m* at 1.54% Li_2O and 875ppm Sn from hole MO18DD009.

Adjacent drill-hole MO18DD012 intersected 299.88m* of the Roche Dure pegmatite with the fresh-rock interval being 268.75m* at 1.55% Li_2O and 751 ppm Sn.

MO18DD015 intersected 303.16m* of the Roche Dure pegmatite with the fresh-rock interval being 278.96m* at 1.58% Li_2O and 1053 ppm Sn.

In early July, AVZ reported assay results from MO18DD014 which confirmed the continuity of the Roche Dure orebody to the southwest of the open pit. The hole intercepted 67.15m* at 1.45% Li_2O and 1256ppm Sn within unweathered pegmatite and included significant tin concentrations in weathered pegmatite including 30.15m* at 1256ppm Sn.

The intersections achieved by MO18DD013, MO18DD014 and MO18DD016 provided full sectional coverage across the Roche Dure pegmatite because there was no impediment to drilling imposed by the Roche Dure pit, which is northeast of the section. AVZ determined the full extent of the weathered zone as about 35-40m of weathered pegmatite overlying the unweathered ('fresh') pegmatite.

However, the depth of weathering is known to vary locally and is influenced by the presence of faults, with zones of highly fractured rock potentially being weathered to greater depths. This appears to be the case with MO18DD014, where mild weathering extends to 68m but is restricted to fracture zones. The significant grades of tin mineralisation present within the weathered pegmatite is likely to be of economic importance.

* *Down-hole depth. Additional drilling is required to confirm the true thicknesses of the pegmatites.*

Other exploration

In the December 2017 quarter, AVZ collected 12 rock-chip samples southwest of the MO17DD007 drill hole in the spillway of the Likushi dam. Further collection was not possible without extensive earthmoving. Assay results for the rock-chip samples ranged between 1.43% and 4.46% Li_2O, with an average of 3.11% Li_2O, representing very encouraging results for potential additional tonnages of high-grade lithium mineralisation within the extensions areas.

Results from a further 18 samples at Carriere de l'Est yielded many high-grade lithium and tin assay results. The presence of high tin grades in the weathered rock is a positive factor, as the value of the tin in the weathered material may compensate for the expected lithium depletion of the weathered material. A significant number of the samples were minimally weathered and the presence of a large volume of unweathered rock at (or near) surface is highly favourable.

The encouraging results supported the Company's intention to follow resource-definition drilling of the Roche Dure pegmatite with drilling of the Carriere de l'Est pegmatite as a secondary but very significant target.

Exploration Target

AVZ reported an Exploration Target of between 1.0Bt to 1.2Bt of 1.25% to 1.5% Li_2O for the entire Manono Lithium Project, including between 300Mt and 400Mt of 1.25% to 1.5% Li_2O for the Roche Dure Pegmatite alone. It has also reported an Exploration Target for a 1,200m strike portion of the Carriere de l'Est Pegmatite of between 200Mt and 00Mt of 1.25% to 1.5% Li_2O. AVZ's drill assessment focused on the two main pegmatite sectors with a primary focus on Roche Dure and Carriere De l'Est.

The potential quantity and grade of the Exploration Target as stated, is conceptual in nature as there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Reserve.

Outlying occurrences of pegmatite are also recorded about 5km north of Manono and also to the south, offering further potential.

Characterisation test work

AVZ commenced an initial mineral characterisation study for the Roche Dure pegmatite in the September 2017 quarter to enable a precise knowledge of the mineral species and understand the concentrations of deleterious elements within the pegmatite, particularly the concentrations of iron, phosphorus and fluorine. This was important in its work to define a Mineral Resource for Roche Dure.

AVZ tested 444 samples of pegmatite from drill-holes MO17DD001 and MO17DD002, which passed through the full thickness of Roche Dure Pegmatite and mostly intersected fresh rock. Of the 444 samples of pegmatite, 426 samples were of fresh (i.e. unweathered) pegmatite and their assay results were interrogated to determine the mean concentration of iron (expressed as iron (iii) oxide, Fe_2O_3) and phosphorus (expressed as phosphorus (v) oxide, P_2O_5).

From the pulps of the 426 samples of fresh pegmatite, every fifth pulp sample was selected to be submitted for analysis of Fluorine (F) content, resulting in a total of 85 assays of pegmatite for F content. A single sample of greisen peripheral to the Roche Dure Pegmatite was also assayed for F content.

In addition, 11 of the pulps of fresh pegmatite samples, as well as the one sample of greisen peripheral to the Roche Dure Pegmatite, were selected for determination of mineralogy by Quantitative XRD analysis. The 11 pegmatite samples were selected to represent subtly different components of the Roche Dure Pegmatite and thus attain a more comprehensive assessment of the mineralogy of the entire pegmatite.

The Quantitative XRD determinations confirmed the impression gained through inspection of the drill core that lithium mineralisation is comprised entirely of spodumene, although lepidolite (a lithium mica) was identified in the sample of greisen. Most of the pegmatite sampled in this initial characterisation work (from drill holes MO17DD001 and MO17DD002 in the Roche Dure pegmatite) had the following approximate composition:

- 32% quartz,
- 30% albite feldspar,
- 5% microcline feldspar,
- 8% muscovite mica,
- 20% spodumene and
- 5% “amorphous material”.

This provided evidence of the following characteristics at Roche Dure:

- The lithium within the pegmatite is entirely (or almost entirely) contained within spodumene.
- The general composition of the pegmatite is restricted to a small number of minerals, i.e. a relatively simple composition.
- The pegmatite is a homogenous LCT Albite-spodumene pegmatite having a low mica content.
- The mean concentration of Li_2O is high and accompanied by significant Sn.

The mean concentrations of “penalty” elements (F, Fe_2O_3 and P_2O_5) are low.

Metallurgical Test Work

Results from initial and preliminary metallurgical test work undertaken in the June 2018 quarter were encouraging. The test work, completed at Nagrom Laboratories in Perth on two samples of coarse assay sample reject material from drill holes MO17DD001 and MO17DD002, allowed AVZ to identify several potential processing routes to produce a spodumene concentrate product of +6% Li_2O at recoveries of 73% Dense Media Separation (DMS) to 94% Flotation.

The preliminary test work indicated a +6% spodumene concentrate could be produced at 3.35mm crush size, with a high overall recovery utilising standard whole-of-ore Flotation or several variations of a combined DMS and Flotation process.

Infrastructure

The Manono Lithium Project is approximately 600km north of Lubumbashi, the capital of the Katanga Province, in the south of the DRC. Lubumbashi is the mining capital of the DRC, acting as a hub for many of the country's biggest mining companies. Manono can be accessed from Lubumbashi by 1.5-hour flight or by road.

Dathomir Mining Resources SARL, one of AVZ's joint venture partners at the Manono Lithium Project, agreed to facilitate the rehabilitation of the road from Lubumbashi to Manono.

AVZ received notification of an agreement between a Chinese affiliated investor group (CIG) and the DRC Ministry of Infrastructure, Public Works and Reconstruction, pursuant to which the CIG will fund rehabilitation and sealing of the road from Luambo to Manono, covering 466km of road. This infrastructure project forms part of the "One Belt and One Road" initiative as proposed by China's President Xi Jinping. The road from Lubumbashi to Luambo has previously been sealed. The estimated cost to complete the works is US$285 million.

CREC, the China Railway Engineering Company, commenced work with an initial investigation of the first 250km of road heading north from the junction with the Lubumbashi – Kolwezi road. This sector of the road includes several bridges which will be upgraded and strengthened to accommodate trucks of up to 40 tonnes. Additional work and inspections were undertaken on the 200km stretch on Manono side of the road. Remedial work was undertaken in the town.

AVZ initiated investigation of the railway access and possible use for exporting product either through the traditional southern "copper cathode" route of Lubumbashi to South Africa or north through Kalemie and to the Dar es Salaam port in Tanzania. Upon further work we now have additional economic options available to us.

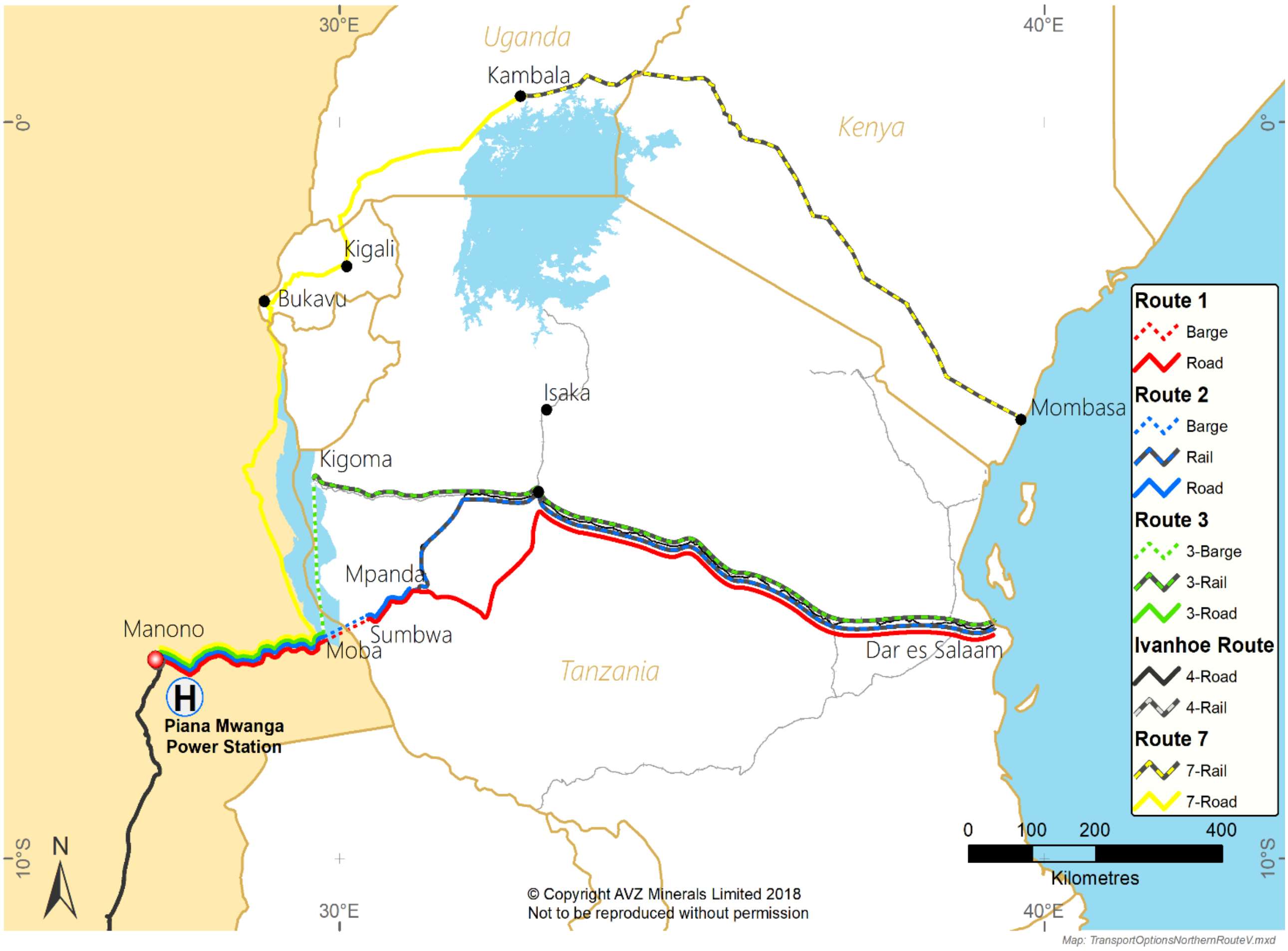

Figure 3 Transportation Route Options

CORPORATE

Capital Raising

In August 2017, AVZ announced a $15 million placement that included a $13.02 million investment by Huayou International Mining (HONGKONG) Limited (Huayou) to acquire an 11% interest in AVZ. Huayou is a wholly-owned subsidiary of Zhejiang Huayou Cobalt Co., Ltd. (Huayou Cobalt). Huayou Cobalt is the largest cobalt chemicals producer at present in China and is listed on the Shanghai Stock Exchange. Huayou Cobalt is implementing a strategy to become a leader in the lithium battery sector.

The placement to Huayou comprised 186 million shares at an issue price of 7 cents per share, and 186 million attaching options exercisable at 10 cents and expiring 15 April 2019.

In the second tranche, AVZ raised a further $1.98 million in October 2017, following receipt of shareholder approval, from institutional and sophisticated investors by issuing 28,285,714 shares at an issue price of 7 cents per share, together with 28,285,714 attaching options exercisable at 10 cents and expiring 15 April 2019.

The placement funds were used for the planned drilling and initial metallurgical testwork programs at the Manono Lithium Project as well as ongoing corporate and administration costs.

During the March 2018 quarter, AVZ completed a $15 million placement to a North American institutional client of Cantor Fitzgerald Canada Corporation. A total of 60 million shares at an issue price of 25 cents per share, together with 30 million attaching options exercisable at 30.5 cents, expiring 24 months from the date of issue, were issued under the placement.

Funds were used for AVZ's 20,000m Phase 2 drilling and pre-feasibility programs at the Manono Lithium Project, as well as ongoing corporate and administration costs. The securities were issued under AVZ's existing placement capacity in accordance with Listing Rule 7.1.

Board and Management Changes

In August 2017, AVZ announced the appointment to the Board of Mr Hongliang Chen (as a nominee of Huayou) and Mr Guy Loando (as a nominee of AVZ's largest shareholder, Dathomir Resources SARL).

Mr Gary Steinepreis resigned as a director and company secretary. Mr Mathew O'Hara was appointed company secretary.

In February 2018, AVZ appointed senior technical specialist, Nigel Ferguson as Managing Director and Mr Rhett Brans as a Non-Executive Director.

Nigel transitioned from the role of Technical Director to Managing Director to be responsible for managing the daily operations of AVZ, with a focus on advancing the Manono Lithium Project.

Rhett is an experienced director and civil engineer with more than 45 years' project development experience. He has strong experience in guiding feasibility work followed by planned development and commissioning to help AVZ drive the Manono project forward.

In March 2018, Patrick Flint resigned as a Non-Executive Director.

In June 2018, Klaus Eckhof resigned as Executive Chairman of the company. AVZ is seeking a suitable candidate to replace Mr Eckhof in the role and expand the Board by enhancing the skillsets available to the Company.

Post year-end in July 2018, AVZ announced the appointment of Graeme Johnston as Technical Director. Graeme is a geologist with over 30 years' experience operating Australia, the Middle East, Romania, Malaysia and recently the DRC. Qualifying with a BSc in Geology from Glasgow University and an MSc in Structural Geology from the Royal School of Mines, London, he emigrated to Western Australia in 1986 and worked on various gold projects before joining Rio Tinto (Hamersley Iron) at their Tom Price iron mine as the Site Geotechnical Engineer.

Following this, Graeme was part of the Rio Tino mine development team that opened up the Yandicoogina, fines iron ore mine before leaving Rio Tinto after 5 years' service, to diversify his experience.

Working mainly in orebody development and near mine-site investigations, Graeme's technical experience is focused on the transition between orebody delineation and mine opening. In this regard he has worked on over five projects that resulted in new mines being commissioned.

Graeme was the Principal Geologist with Midwest Corporation in 2005 during its sale to Sinosteel Corporation for US$1.4 billion and was their first local Chief Geologist. In mid-2006, Graeme assisted in founding ASX listed Ferrowest Limited, where he was the Technical Director for 9 years until the end of 2016. During this time, he contributed to the successful completion of the Feasibility Study for the Yalgoo Pig Iron Project east of Geraldton.

Graeme joined the AVZ team in May 2017 as Project Manager in charge of the day to day operations at the Manono Lithium Project managing four drill rigs and a team of up to 75 personnel.

Conversion of Options and Performance Rights

During the September quarter, AVZ issued 55,115,438 ordinary shares following the exercise of listed options (at 3 cents each).

AVZ also issued 7,500,000 ordinary shares following the conversion of performance rights.

In the December quarter, AVZ issued 24,697,411 ordinary shares following the exercise of listed options (at 3 cents each) and 6,857,141 ordinary shares following the exercise of unlisted options (at 10 cents each).

During the March quarter, AVZ issued 14,183,997 ordinary shares following the exercise of listed options (at 3 cents each).

In the June quarter, AVZ issued 2,346,666 ordinary shares following the exercise of listed options (at 3 cents each).

Following the appointment of Mr Ferguson and Mr Brans and subject to shareholder approval, AVZ proposed to issued Mr Ferguson (or his nominee) 12 million Performance Rights and Mr Brans (or his nominee) 4.5million Performance Rights to vest in three tranches upon certain milestones being achieved. However, in the June quarter, the Board proposed that the vesting conditions of these proposed Performance Rights above be changed to be aligned with the Company's objective which is to increase the value of the Project.

The new proposed Performance Rights shall vest in four equal tranches upon the following milestones being achieved:

1) Tranche 1 shall vest upon definition of a 150Mt Measured and Indicated Mineral Resource in accordance with JORC Guidelines (as that term is defined for the purposes of JORC Guidelines for lithium) of lithium oxide (Li_2O) that meets the agreed minimum specification of greater than 1% lithium oxide (Li_2O) being delineated within the Manono Project Area (being the licence area of PR13359) within 12 months of the date of issue of the Employee Performance Rights.
2) Tranche 2 shall vest upon the completion of Feasibility Study on the Manono Lithium Project.
3) Tranche 3 shall vest upon executing an offtake agreement for at least 25% of the product from the Manono Lithium Project.
4) Tranche 4 shall vest upon the completion of the Manono Lithium Project financing.

AVZ also proposed that Mr Brans' Performance Rights amount be increased from 4.5 million to 6 million reflecting Mr Brans' increased involvement with the Company's operations.

In addition, subject to shareholders' approving the Company's Employee and Contractor Incentive Plan ("Plan"), the Board has agreed to issue 18.8 million Performance Rights to current and new employees and contractors of the Company. The Performance Rights will be issued under the Plan and shall vest in four equal tranches with the same vesting conditions as detailed above. The proposed Performance Rights above will expire 3 years from the date of issue.

The Board recognises the importance of providing incentives not only to motivate but also to retain and attract employees and contractors.

Agreement with JNS Capital Corp

The Company entered into an agreement with JNS Capital Corp for the provision of marketing and promotional services in North America for an initial six-month term with a further six-month period on execution of a renewal agreement.

Airguide contract renewed

AVZ re-engaged Airguide International Pte Ltd as its Strategic Advisor for China for an additional 12 months.

Legal

In March 2017, AVZ was served with a writ of summons filed in the Supreme Court of Western Australia by MMCS Strategic 1 (MMCS) seeking certain declarations regarding the granting and ownership of the Manono licence (MMCS Claim). MMCS is a shareholder of Manono Minerals S.A.R.L. (Manomin), which previously held an exploitation licence over the Manono Project.

In July 2017, MMCS abandoned the MMCS Claim, and filed an amended claim (Amended Claim) seeking an order pursuant to the ASIC Act and the Corporations Act requiring AVZ to make announcements to the market to correct what MMCS claims were misleading or deceptive announcements (or announcements which were likely to mislead or deceive) made by AVZ concerning the Manono licence.

AVZ firmly denies that any of its past announcements concerning the Manono licence were misleading or deceptive or likely to mislead or deceive, and AVZ will strenuously defend the claims made by MMCS under the Amended Claim.

Cash Balance

At 30 June 2018, AVZ's cash balance was approximately $16.3 million.

Competent Persons Statement

The information in this document to which this statement is attached that relates to the estimation and reporting of the Roche Dure Mineral Resource at the Manono Lithium Project, is based upon information compiled by Mr Anton Geldenhuys. Mr Geldenhuys (BSc Hons, MEng) who is a geologist with 17 years' experience in exploration and mining as well as Mineral Resource evaluation and reporting. He is a Principal Mineral Resource Consultant with The MSA Group (an independent consulting company), is a member in good standing with the South African Council for Natural Scientific Professions (SACNASP 400313/04) and is a Member of the Geological Society of South Africa (GSSA 965136). Mr Geldenhuys has the appropriate relevant qualifications and experience to be considered a Competent Person for the activity being undertaken as defined in the 2012 edition of the JORC Code. Mr Geldenhuys consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

The information in the document to which this statement is attached that relates to the geology of the Roche Dure pegmatite is based upon information compiled by Mr Michael Cronwright, who is a fellow of The Geological Society of South Africa and Pr. Sci. Nat. (Geological Sciences) registered with the South African Council for Natural Professions. Mr Cronwright is a Principal Consultant with The MSA Group (Pty) Ltd (an independent consulting company). Mr Cronwright has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the JORC Code. Mr Cronwright consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled by Mr. Peter Spitalny, a Competent Person whom is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Spitalny is a full-time employee of Hanree Holdings Pty Ltd. Mr Spitalny has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Spitalny consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Your directors submit their report on the consolidated entity consisting of AVZ Minerals Limited (AVZ) and the entities it controlled (the Group) for the financial year ended 30 June 2018. 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.

Nigel Ferguson	Managing Director
Hongliang Chen	Non-Executive Director (appointed 21 August 2017)
Guy Loando	Executive Director (appointed 21 August 2017)
Rhett Brans	Non-Executive Director (appointed 5 February 2018)
Graeme Johnston	Technical Director (appointed 30 July 2018)
Patrick Flint	Non-Executive Director (resigned 6 March 2018)
Gary Steinepreis	Non-Executive Director (resigned 21 August 2017)
Klaus Eckhof	Executive Chairman (resigned 26 June 2018)

2. Company Secretary

Mathew O'Hara was appointed Company Secretary on 21 August 2017 at which date Gary Steinepreis resigned. Leonard Math was appointed joint Company Secretary on 9 July 2018. Mathew O'Hara resigned as Company Secretary on 4 September 2018.

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 after income tax amounted to $5,616,964 (2017: $1,683,329 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

Refer pages 3 – 12 for a detailed review of the Company's operations during the year.

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.

The Company's business strategy for the financial year ahead and, in the foreseeable future, is to complete the feasibility study and continue exploration activity to increase the Mineral Resource at the Manono Lithium Project.

Due to the inherent risky nature of the Company's activities, the Directors are unable to comment on the likely results or success of this strategy. 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 significant changes in the state of affairs of the group to the date of this report and these are referred to in the Review of Operations.

8. Events Occurring after the Reporting Date

On 19 July 2018, 20,000,000 Shares were issued to Nigel Ferguson following the vesting conditions for 20,000,000 Performance Rights being met.

Subsequent to year end, Mr Graeme Johnston was appointed as Technical Director on 30 July 2018. Mr Leonard Math was appointed joint Company Secretary on 9 July 2018 and Mr Mathew O'Hara resigned as Company Secretary on 4 September 2018.

There is no other matter or circumstance other than disclosed above 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 principal exploration projects, being the Manono Lithium Project and the Manono Lithium Extension Project.

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 Secretaries (including Director's interests at the date of this report)

Nigel Ferguson	Managing Director (appointed 2 February 2017)
Qualifications	BSc (University of Tasmania), F AusIMM, MAIG
Experience	Mr Ferguson is a geologist with 30 years of experience having worked in senior management positions for the past 18 years in a variety of locations. He has experience in the exploration and definition of precious and base metal mineral resources throughout the world, including DRC, Zambia, Tanzania, Saudi Arabia, South East Asia

	and Central America. He has been active in the DRC since 2004 in gold and base metals exploration and resource development.
Interest in Securities	Fully Paid Ordinary Shares 36,083,333 Performance Rights 12,000,000 (subject to shareholders approval)
Directorships in last 3 years	Okapi Resources Ltd (since 29 May 2017) AJN Resources Corp ("CSE" since 2 September 2016)
Hongliang Chen	Non-Executive Director (appointed 21 August 2017)
Experience	Mr Chen is a nominee of the Huayou Cobalt Group. Mr Chen joined the Huayou Cobalt Group in May 2002 and is currently a director and the president of the parent company, Shanghai stock exchange listed Zhejiang Huayou Cobalt Co Ltd. Mr Chen previously worked in management positions at the Agricultural Bank of China, Tongxiang Branch Investment Corporation Tongxiang Securities Department and Shenyin Wanguo Securities Co Ltd.
Interest in Securities	Fully Paid Ordinary Shares Nil
Directorships in last 3 years	Zhejiang Huayou Cobalt Co Ltd (listed on the Shanghai Stock Exchange)
Guy Loando	Executive Director (appointed 21 August 2017)
Experience	Mr Loando is a qualified lawyer based in Kinshasa in the Democratic Republic of Congo (DRC). He has significant experience with corporate and legal matters in the DRC, and has recently been involved in executive management roles in the resource sector. Mr Loando is a nominee of AVZ's largest shareholder, Dathomir Resources Sarl.
Interest in Securities	Fully Paid Ordinary Shares 40,000,000
Directorships in last 3 years	Nil
Rhett Brans Qualifications	Non-Executive Director (appointed 5 February 2018) Dip. Engineering (Civil)
Experience	Mr Brans is an experienced director and civil engineer with over 45 years' experience in project developments. Throughout his career, Mr Brans has been involved in the management of feasibility studies and the design and construction of mineral treatment plants across a range of commodities and geographies including for gold in Ghana, copper in the DRC and graphite in Mozambique. He has extensive experience as an owner's representative for several successful mine feasibility studies and project developments.
Interest in Securities	Performance Rights 6,000,000 (subject to shareholders approval)
Directorships in last 3 years	Australian Potash Limited (since 9 May 2017) Carnavale Resources Ltd (since 17 September 2013) Syrah Resources Ltd (12 June 2013 to 31 December 2017) Monument Mining Limited (21 November 2015 to 16 December 2016) RMG Limited (19 January 2015 to 13 September 2016)
Graeme Johnston Qualification	Executive Director (appointed 30 July 2018) BSc in Geology (Glasgow University), M.Sc in Structural Geology (Royal School of Mines, London)
Experience	Mr Johnston is a geologist with over 30 years' experience operating mostly in Australia and also the Middle East, Romania and Malaysia. Graeme was the Principal Geologist with Midwest Corporation in 2005 during its sale to Sinosteel Corporation and was their first local Chief Geologist. In mid 2006, Graeme assisted in founding ASX listed Ferrowest Limited where he was the Technical Director for 9 years until the end of

	2016. During this time, he contributed to the successful completion of the Feasibility Study for the Yalgoo Pig Iron Project. Graeme joined the AVZ team in May 2017 as Project Manager in charge of the day to day operations at the Manono Lithium Project.
Interest in Securities	Fully Paid Ordinary Shares 1,455,000 Performance Rights 12,100,000 (8,000,000 are subject to shareholders approval)
Directorships in last 3 years	Ferrowest Limited (20 February 2006 to 18 December 2015)
Leonard Math	Company Secretary (appointed 9 July 2018)
Qualification	B.Com, CA
Experience	Mr Math is a Chartered Accountant with more than 13 years of resources industry experience. He previously worked as an auditor at Deloitte and is experienced with public company responsibilities including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting and shareholder relations. He has previously acted as a Director, Chief Financial Officer and Company Secretary of a number of ASX listed Company. He is currently a Non-Executive Director of an ASX, AIM and JSE listed Company, Kore Potash Plc.

Former Directors and Company Secretary:

Klaus Eckhof	Executive Chairman (resigned 26 June 2018)
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, Mr Eckhof 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.
Gary Steinepreis	Non-Executive Director / Company Secretary (resigned 21 August 2017)
Qualifications	B.Com, CA
Experience	Mr Steinepreis is a Chartered Accountant and holds a Bachelor of Commerce Degree from the University of Western Australia.
Patrick Flint	Non-Executive Director (resigned 6 March 2018)
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, fund raisings and corporate matters.
Mathew O'Hara	Company Secretary (appointed 21 August 2017, resigned 4 September 2018)
Qualification	B.Com, CA
Experience	Mr O'Hara is a Chartered Accountant and holds a Bachelor of Commerce Degree from University of Western Australia.

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:

		Appointment date:
Nigel Ferguson	Managing Director	2 February 2017
Hongliang Chen	Non-Executive Director	21 August 2017
Guy Loando	Executive Director	21 August 2017
Rhett Brans	Non-Executive Director	5 February 2018
Gary Steinepreis	Non-Executive Director	Resigned 21 August 2017
Patrick Flint	Non-Executive Director	Resigned 6 March 2018
Klaus Eckhof	Executive Chairman	Resigned 26 June 2018

Nigel Ferguson was Executive Director from 2 February 2017 to 4 February 2018 and was appointed Managing Director effective from 5 February 2018. Rhett Brans was appointed Non-Executive Director from 5 February 2018. Klaus Eckhof resigned from the Board on 26 June 2018, Patrick Flint resigned on 6 March 2018 and Gary Steinepreis resigned on 21 August 2017.

(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 and/or performance rights), 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:

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.

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.

Mr Ferguson provides management services via Ridgeback Holdings Pty Ltd as trustee for the Ferguson Family Trust (Ridgeback). Mr Ferguson was an Executive Director from 2 February 2017 to 4 February 2018 and received a monthly fee of $16,150 (plus GST). Mr Ferguson was appointed Managing Director effective 5 February 2018 and received a monthly fee of $25,000 (plus GST). The current agreement has a 6-month termination period unless there is a breach or unremedied continued neglect of the terms of the agreement by Ridgeback in which there is a one-month termination period. There are no other service or consulting agreements in place with key management personnel. 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 9.50% 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. No short term incentives were paid in the current financial year. The Board is currently determining the criteria of eligibility for short-term incentives and will 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.

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.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which will be periodically recommended for approval by shareholders. The maximum currently stands at $250,000 per annum as per the Group's constitution and may be varied by ordinary resolution of the shareholders in 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.

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

Specifically in relation to performance rights, this effectively links directors' performance to the share price performance and therefore to the interests of the shareholders. For this reason, there are no performance conditions prior to grant, but instead an incentive to increase the value to all shareholders.

Performance rights issued during the years are detailed in Note 22(b) of the financial statements.

Voting and comments made at the Company's 2017 Annual General Meeting

At the 2017 Annual General Meeting the Company remuneration report was passed by the requisite majority of shareholders (100% by a show of hands).

(c) Details of Key Management Personnel Remuneration

2018 Name	Short term employee benefits Salary $	Consulting fees $	Post employ-ment $	Share Based Payments $	Total $	Performance related remuneration %	Fixed remun-eration %
Executive Directors:							
Klaus Eckhof[1]	-	180,000	-	-	180,000	-	100
Nigel Ferguson[2]	-	257,000	-	626,510	883,510	71	29
Guy Loando[3]	-	55,000	-	-	55,000	-	
Non-Executive Directors:							
Hongliang Chen[3]	-	-	-	-	-	-	100
Rhett Brans[4]	22,410	-	2,129	40,085	64,624	62	38
Patrick Flint[5]	90,594	-	8,606	-	99,200	-	100
Gary Steinepreis[6]	-	18,500	-	-	18,500	-	100
TOTAL	**113,004**	**510,500**	**10,735**	**666,595**	**1,300,834**		

1: Klaus Eckhof resigned on 26 June 2018.

2: Nigel Ferguson commenced as Managing Director on 5 February 2018, prior to that date he was an Executive Director.

3: Hongliang Chen and Guy Loando were both appointed on 21 August 2017.

4: Rhett Brans was appointed on 5 February 2018.

5: Patrick Flint resigned on 6 March 2018.

6: Gary Steinepreis resigned on 21 August 2017

2017 Name	Short term employee benefits Salary $	Consulting fees $	Post employ-yment $	Share Based Payments $	Total $	Performance related remuneration %	Fixed remun-eration
Executive Director:							
Klaus Eckhof[1]	-	150,000	-	2,320,000	2,470,000	94	6
Nigel Ferguson[2]	-	100,761	-	382,959	483,720	79	21
Non-Executive Directors:							
Klaus Eckhof[1]	-	4,000	-	-	4,000	-	100
Gary Steinepreis	-	64,000	-	-	64,000	-	100
Patrick Flint	78,622	-	7,378	290,000	376,000	77	23
Charles Thomas[3]	-	4,000	-	-	4,000	-	100
TOTAL	**78,622**	**322,761**	**7,378**	**2,992,959**	**3,401,720**		

1: Klaus Eckhof ceased being a Non-Executive Director on 3 October 2016 and commenced the role of Managing Director on 3 October 2016. He was subsequently appointed as Executive Chairman on 2 February 2017.

2: Nigel Ferguson was appointed on 2 February 2017.

3: Charles Thomas retired on 24 November 2016.

Share-based compensation

The number of performance rights granted to and vested by directors as part of compensation during the year ended 30 June 2018 are set out below:

Name	Number of rights granted during the year 2018	Number of rights vested during the year 2018
Nigel Ferguson	12,000,000[1]	20,000,000[2]
Rhett Brans	4,500,000[1]	

1: These Performance Rights have been granted but have not been issued as at 30 June 2018. The issue of these Performance Rights is subject to Shareholder approval.

2: The vesting conditions for the 20,000,000 Performance Rights were met on 7 June 2018 however no exercise notice had been received prior to 30 June 2018. On 19 July 2018, 20,000,000 Shares were issue following an exercise notice being received.

Values of rights over ordinary shares granted, exercised and lapsed for directors as part of compensation during the year ended 30 June 2018 are set out below:

Name	Value of rights granted during the year $	Value of rights vested during the year $	Value of rights lapsed during the year $
Nigel Ferguson	232,000[1]	580,000[2]	-
Rhett Brans	87,000[1]	-	-

1: These Performance Rights have been granted but have not been issued as at 30 June 2018. The issue of these Performance Rights is subject to Shareholder approval.

2: The vesting conditions for the 20,000,000 Performance Rights were met on 7 June 2018 however no exercise notice had been received prior to 30 June 2018. On 19 July 2018, 20,000,000 Shares were issued following an exercise notice being received.

(d) Key Management Personnel Compensation – other transactions

(i) Options provided as remuneration and shares issued on exercise of such options.

No options were provided as remuneration during the year.

(ii) Loans to key management personnel

No loans were made to any director or other key management personnel of the group, including related parties during the financial year.

(iii) Other transactions with key management personnel

No other transactions were made to any director or other key management personnel of the group, including related parties during the financial year.

(iv) 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 related parties, are set out below. There were no shares granted during the year as remuneration, apart from those issued as a result of performance rights vesting.

Ordinary shares	Balance at the start of the year	Received as remuneration	Acquired / (Disposed)	Other movements	Balance at the end of the year
2018					
Directors of AVZ Minerals Limited:					
Klaus Eckhof[1]	88,000,000	-	(57,500,000)	(30,500,000)	-
Nigel Ferguson	16,083,333	-	-	-	16,083,333
Hongliang Chen	-	-	-	-	-
Guy Loando[2]	-	-	-	40,000,000	40,000,000
Rhett Brans	-	-	-	-	-
Patrick Flint[1]	18,000,000	-	(4,000,000)	(14,000,000)	-
Gary Steinepreis[1]	20,495,533	-	-	(20,495,533)	-

1: At the date of resignation Klaus Eckhof held 30,500,000 Ordinary Shares, Patrick Flint held 14,000,000 Ordinary Shares and Gary Steinepreis held 20,495,533 Ordinary Shares.

2: Guy Loando held 40,000,000 Ordinary Shares prior to becoming a Director.

(v) Peformance Rights

The number of performance rights held during the financial year by each director of AVZ Minerals Limited and other key management personnel of the group, including related parties, are set out below. There were no performance rights granted during the year as remuneration.

Performance rights	Balance at the start of the year	Granted During the year	Performance Rights vested	Balance at the end of the year	% Vested	Vested and exercisable
2018						
Directors of AVZ Minerals Limited:						
Klaus Eckhof	-	-	-	-	-	-
Nigel Ferguson	20,000,000[1]	12,000,000[2]	20,000,000[1]	32,000,000	62.5%	20,000,000
Hongliang Chen	-	-	-	-	-	-
Guy Loando	-	-	-	-	-	-
Rhett Brans	-	4,500,000[2]	-	4,500,000	0%	-
Patrick Flint	-	-	-	-	-	-
Gary Steinepreis	-	-	-	-	-	-

1: The vesting conditions for the 20,000,000 Performance Rights were met on 7 June 2018 however no exercise notice had been received prior to 30 June 2018. On 19 July 2018, 20,000,000 Shares were issue following an exercise notice being received for nil consideration.

2: These Performance Rights have been granted but have not been issued as at 30 June 2018. The issue of these Performance Rights is subject to Shareholder approval. These Performance Rights will vest in three equal tranches as follows:

(i) Tranche 1 – Performance Rights shall vest if the 10-day volume weighted average share price (VWAP) for the Shares on the ASX is $0.34 or higher for the period commencing 6 months from the date of issue;

(ii) Tranche 2 – Performance Rights shall vest if the 10-day VWAP for the Shares on the ASX is $0.40 or higher for the period commencing 6 months from the date of issue; and

(iii) Tranche 3 – Performance Rights shall vest if the 10-day VWAP for the Shares on the ASX is $0.44 or higher for the period commencing 6 months from the date of issue.

The valuation inputs for the Performance Rights granted during the year are shown below:

	Number Granted	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Risk free rate	Underlying Share Price on Valuation Date ($)	Total Fair Value ($)	% Vested
Tranche 1	5,500,000	6-Feb-18	Nil	5-Feb-21	2.09%	0.093	137,500	Nil
Tranche 2	5,500,000	6-Feb-18	Nil	5-Feb-21	2.09%	0.093	99,000	Nil
Tranche 3	5,500,000	6-Feb-18	Nil	5-Feb-21	2.09%	0.093	82,500	Nil

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

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:

Director	Directors Meetings	
	Number Eligible to Attend	Meetings Attended
Nigel Ferguson	4	4
Hongliang Chen (appointed 21 August 2017)	4	1
Guy Loando (appointed 21 August 2017)	4	2
Rhett Brans (appointed 5 February 2018)	-	-
Patrick Flint (resigned 6 March 2018)	4	4
Gary Steinepreis (resigned 21 August 2017)	-	-
Klaus Eckhof (resigned 26 June 2018)	4	4

14. Insurance of Officers

During the financial year, AVZ Minerals Limited paid a premium of $36,693 (2017: $7,377) 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 as at the date of this report are as follows:

Expiry date	Exercise price	Balance at start of year	Issued during the period	Exercised during the period	Balance at end of the period
15-Apr-2019	10.0 cents	-	214,285,714	(6,857,141)	207,428,573
24-May-2020	3.0 cents	300,001,000	-	(96,351,951)	203,649,049
28-Feb-2020	30.5 cents	-	30,000,000	-	30,000,000

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

In March 2017, AVZ was served with a writ of summons filed in the Supreme Court of Western Australia by MMCS Strategic I (MMCS) seeking certain declarations regarding the granting and ownership of the Manono licence (MMCS Claim). MMCS is a shareholder of Manono Minerals S.A.R.L. (Manomin), which previously held an exploitation licence over the Manono Project. In July 2017, MMCS abandoned the MMCS Claim, and filed an amended claim (Amended Claim) seeking an order pursuant to the ASIC Act and the Corporations Act requiring AVZ to make announcements to the market to correct what MMCS claims were misleading or deceptive announcements (or announcements which were likely to mislead or deceive) made by AVZ concerning the Manono licence.

AVZ firmly denied that any of its past announcements concerning the Manono licence were misleading or deceptive or likely to mislead or deceive and pursuant to Order 2 of the Orders of Justice Chaney dated 3 April 2018, the proceedings were dismissed.

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 25 and forms part of this directors' report for the year ended 30 June 2018.

18. Non-Audit Services

During the years ended 30 June 2018 and 30 June 2017 there were no non-audit services provided by the Company's external auditor BDO Audit (WA) Pty Ltd.

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

Nigel Ferguson
Managing Director

Perth, Western Australia
28 September 2018

Corporate Governance Statement

AVZ Minerals Ltd, its wholly owned subsidiaries (the Group) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

ASX Listing Rule 4.10.3 requires listed companies to disclose the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. The Company has disclosed this information on its website at https://avzminerals.com.au/corporate-governance/. The Corporate Governance Statement is current as at 30 June 2018, and has been approved by the Board of Directors.

The Company's website at www.avz minerals.com.au contains a corporate governance section that includes copies of the Company's corporate governance policies.

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF AVZ MINERALS LIMITED

As lead auditor of AVZ Minerals Limited for the year ended 30 June 2018, 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.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 28 September 2018

For the Year Ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue from continuing operations	4	169,121	20,432
Administrative costs		(783,615)	(387,892)
Directors and consultancy expenses		(823,343)	(296,133)
Share-based payment expense		(2,433,570)	(706,863)
Occupancy expenses		(4,129)	(25,600)
Compliance and regulatory expenses		(331,474)	(258,106)
Insurance expenses		(36,693)	(8,876)
Depreciation expense	9	(130,745)	-
Exploration impaired		(96,605)	(20,291)
Movement in fair value of financial liabilities		(469,111)	-
Loss on disposal of subsidiary		(676,800)	-
Loss before income tax		**(5,616,964)**	**(1,683,329)**
Income tax expense	6	-	-
Loss after income tax for the year		**(5,616,964)**	**(1,683,329)**
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		1,702,335	(778,843)
Realisation of foreign currency translation reserve		676,800	-
Other comprehensive income		2,379,135	(778,843)
Total comprehensive loss for the year		**(3,237,829)**	**(2,462,172)**
Loss for the year is attributable to:			
Owners of AVZ Minerals Limited		(5,564,666)	(1,682,272)
Non-controlling interests		(52,298)	(1,057)
		(5,616,964)	**(1,683,329)**
Total comprehensive loss for the year attributable to:			
Owners of AVZ Minerals Limited		(3,627,804)	(2,196,042)
Non-controlling interests		389,975	(266,130)
		(3,237,829)	**(2,462,172)**
Basic and diluted loss per share attributable to owners of AVZ Minerals Limited (cents per share)	16	(0.34)	(0.21)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

As at 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Current Assets			
Cash and cash equivalents	7	16,336,516	1,189,086
Trade and other receivables		88,900	82,179
Total Current Assets		16,425,416	1,271,265
Non-Current Assets			
Mineral exploration and evaluation	8	49,690,995	34,515,613
Property, plant and equipment	9	954,577	-
Total Non-Current Assets		50,645,572	34,515,613
Total Assets		**67,070,988**	**35,786,878**
Current Liabilities			
Trade and other payables	10	1,315,880	172,601
Financial liabilities	11	2,027,027	2,000,000
Total Current Liabilities		3,342,907	2,172,601
Non-Current Liabilities			
Financial liabilities	11	1,022,043	2,543,428
Total Non-Current Liabilities		1,022,043	2,543,428
Total Liabilities		**4,364,950**	**4,716,029**
Net Assets		**62,706,038**	**31,070,849**
Equity			
Share capital	12	66,973,014	33,656,076
Reserves	14	4,827,688	1,282,448
Accumulated losses		(20,203,478)	(14,638,812)
Capital and reserves attributable to owners of AVZ Minerals Ltd		51,597,224	20,299,712
Non-controlling interests	20	11,108,814	10,771,137
Total Equity		**62,706,038**	**31,070,849**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

For the Year Ended 30 June 2018

	Contributed Equity $	Accumulated Losses $	Other Reserve $	Foreign Currency Reserve $	Total $	Non-controlling Interests $	Total Equity $
Balance at 1 July 2017	**33,656,076**	**(14,638,812)**	**2,469,511**	**(1,187,063)**	**20,299,712**	**10,771,137**	**31,070,849**
Loss for the year	-	(5,564,666)	-	-	(5,564,666)	(52,298)	(5,616,964)
Effect of translation of foreign operations to group presentation currency upon disposal of subsidiaries	-	-	-	676,800	676,800	-	676,800
Exchange differences on translation of foreign operations	-	-	-	1,312,360	1,312,360	389,975	1,702,335
Total comprehensive income/(loss) for the year	-	(5,564,666)	-	1,989,160	(3,575,506)	337,677	(3,237,829)
Transactions with owners in their capacity as owners:							
Contributions of equity (net of transaction costs)	28,443,165	-	-	-	28,443,165	-	28,443,165
Share-based payments	420,000	-	1,678,032	-	2,098,032	-	2,098,032
Exercise of Options	3,576,273	-	-	-	3,576,273	-	3,576,273
Conversion of Performance Rights	877,500	-	(121,952)	-	755,548	-	755,548
Total transactions with owners in their capacity as owners	33,316,938	-	1,556,080	-	34,873,018	-	34,873,018
Balance at 30 June 2018	**66,973,014**	**(20,203,478)**	**4,025,591**	**802,097**	**51,597,224**	**11,108,814**	**62,706,038**
Balance at 1 July 2016	**14,404,348**	**(12,956,540)**	**1,464,148**	**(673,293)**	**2,238,663**	**(197,870)**	**2,040,793**
Loss for the year	-	(1,682,272)	-	-	(1,682,272)	(1,057)	(1,683,329)
Exchange differences on translation of foreign operations	-	-	-	(513,770)	(513,770)	(265,073)	(778,843)
Total comprehensive income/(loss) for the year	-	(1,682,272)	-	(513,770)	(2,196,042)	(266,130)	(2,462,172)
Transactions with owners in their capacity as owners:							
Contributions of equity (net of transaction costs)	5,385,228	-	-	-	5,385,228	-	5,385,228
Issue of shares as consideration for asset acquisition	13,150,000	-	-	-	13,150,000	-	13,150,000
Share-based payments	-	-	1,721,863	-	1,721,863	-	1,721,863
Exercise of Options	136,500	-	(136,500)	-	-	-	-
Conversion of Performance Rights	580,000	-	(580,000)	-	-	-	-
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	11,235,137	11,235,137
Total transactions with owners in their capacity as owners	19,251,728	-	1,005,363	-	20,257,091	11,235,137	31,492,228
Balance at 30 June 2017	**33,656,076**	**(14,638,812)**	**2,469,511**	**(1,187,063)**	**20,299,712**	**10,771,137**	**31,070,849**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

For the Year Ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash Flows from Operating Activities			
Payments to suppliers and employees (inclusive of GST)		(2,128,571)	(940,589)
Interest received		169,121	18,431
Net cash outflow from operating activities	17	**(1,959,450)**	**(922,158)**
Cash Flows from Investing Activities			
Payments for exploration and evaluation		(12,283,811)	(6,339,555)
Payments for property, plant and equipment		(1,085,323)	-
Payment of deferred consideration		(1,963,469)	-
Proceeds from sale of assets		-	2,000
Net cash outflow from investing activities		**(15,332,603)**	**(6,337,555)**
Cash Flows from Financing Activities			
Proceeds from issue of shares and other equity securities		30,000,000	6,765,000
Proceeds from exercise of options		3,576,273	-
Share issue transaction costs		(1,136,836)	(364,515)
Net cash inflow from financing activities		**32,439,437**	**6,400,845**
Net increase/(decrease) in cash and cash equivalents		**15,147,384**	(859,228)
Exchange rate adjustments		46	225
Cash and cash equivalents at the start of the year		1,189,086	2,048,089
Cash and cash equivalents at the end of the year	7	**16,336,516**	**1,189,086**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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). The group is a for-profit entity for the purpose of this financial report.

(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) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The consolidated entity has incurred a net loss of $3,237,829 and experienced net cash outflows from operating activities of $1,959,450, net outflows from investing activities of $15,332,603 and net cash inflows from financing activities of $32,439,437 for the year ended 30 June 2018. Subsequent to year end the company incurred significant expenditure in relation to exploration on its Manono Project, accordingly the company will need to raise additional funds in the year to meet its budgeted exploration activity.

The ability of the consolidated entity to continue as a going concern is dependent upon the successful raising of capital or alternatively, financial support from its shareholders. These conditions indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish it's liabilities in the normal course of business at the amounts stated in the financial report.

The Directors believe that the consolidated entity will continue as a going concern based on expected capital raising. As a result, the financial report has been prepared on a going concern basis which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

Should the consolidated entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

1. Summary of Significant Accounting Policies (continued)

(c) Basis of Consolidation

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of AVZ Minerals Limited as at 30 June 2018 and the results of all subsidiaries for the year then ended. AVZ Minerals Limited 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.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Consolidated Entity, are shown separately within the Equity section of the consolidated Statement of Financial Position and in the consolidated Statement of Profit or Loss and Other Comprehensive Income.

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. Control over subsidiaries

In determining whether the consolidated group has control over subsidiaries that are not wholly owned, judgement is applied to assess the ability of the consolidated group to control the day to day activities of the partly owned subsidiary and its economic outcomes. In exercising this judgement, the commercial and legal relationships that the consolidated group has with other owners of partly owned subsidiaries are taken into consideration. Whilst the consolidated group is not able to control all activities of a partly owned subsidiary, the partly owned subsidiary is consolidated within the consolidated group where it is determined that the consolidated group controls the day to day activities and economic outcomes of a partly owned subsidiary. Changes in agreements with other owners of partly owned subsidiaries could result in a loss of control and subsequently de-consolidation.

(d) Share-based payment transactions for the acquisition of goods and services

Share-based payment arrangements in which the Group receives goods or services as in exchange for its own equity instruments are accounted for as equity-settled share-based payment transactions. The Group measures the value of equity instruments granted at the fair value of the goods and services received, unless that fair value cannot be measured reliably.

If the fair value of the goods or services received cannot be reliably measured, the transaction is measured by the by reference to the fair value of the instruments granted.

The calculation of the fair value of equity instruments at the date at which they are granted is determined using an appropriate option pricing model, calculation of the fair value involves estimations of the relevant inputs to the pricing model.

(e) Financial Liabilities

i. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost. Financial liabilities in the former category include contingent consideration payable on business combinations, financial liabilities in the latter category include trade payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Fair value is determined based on the value of the entity's equity instruments when the related business combination takes place.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss:
Financial liabilities at fair value through profit or loss are subsequently measured, at each reporting date, at the fair value of the amount estimated to settle the liability. The increase or decrease in the value of the liability, other than movements in the value of the liability which arise through part settlement of the liability is recognised in the profit or loss.

Financial liabilities at amortised cost:
Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the entity. Trade accounts payable are normally settled within 60 days.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

1. Summary of Significant Accounting Policies (continued)

(j) 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.

(k) 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 reporting 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.

(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) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

Vehicles, IT equipment and furniture – 5 years

(n) 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 reporting 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.

(o) 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.

1. Summary of Significant Accounting Policies (continued)

ii. 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').

(p) 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.

(q) 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.

(r) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

1. Summary of Significant Accounting Policies (continued)

(s) 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 overseas 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.

(t) 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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.

1. Summary of Significant Accounting Policies (continued)

(u) New accounting standards and interpretations

The following new accounting standards and interpretations have been issued, but are not mandatory for financial year ended 30 June 2018. They have not been adopted in preparing the financial statements for the year ended 30 June 2018 and are expected to impact the entity in the period of initial application. The Group's assessment of the impact of these new standards and interpretations is set out below:

- AASB 9 Financial Instruments. This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard and the amendments from 1 July 2018. There is an impact expected on receivables and the impact is likely to be a potential increase in the receivable allowance, but the Company is still assessing the impact.

- AASB 15 Revenue from Contracts with Customers. This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The nature of the change is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15 and due to the replacement of AASB 111. As the entity does not have any revenue from contracts with customers, the amendments will not require any changes.

- AASB 16 Leases. This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2019. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. The consolidated entity will adopt this standard and the amendments from 1 July 2019.

(v) 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 reporting 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 (k) and to note 8 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 and consultants 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 an appropriate option pricing model.

c) Tax in foreign jurisdictions

The consolidated entity operates in overseas jurisdictions and accordingly is required to comply with the taxation requirements of those relevant countries. This results in the consolidated entity making estimates in relation to taxes including but not limited to income tax, goods and services tax, withholding tax and employee income tax. The consolidated entity estimates its tax liabilities based on the consolidated entity's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact profit or loss in the period in which they are settled.

d) Control over subsidiaries

During the prior year ended 30 June 2017, AVZ Minerals Limited acquired 60% of the issued shares of Dathcom Mining SAS by the issue of shares and cash. Under the terms of shareholders agreements the Company is solely responsible for funding exploration activities. AVZ has power over Dathcom, is exposed to variable returns and has the ability to use its powers to affect the amount of its return. Future changes to the shareholders agreements may impact on the ability of the Company to control Dathcom Mining SAS.

3. Net loss on disposal of foreign subsidiaries

On 30 August 2017, the Company deconsolidated its 95% interest in its three Namibian subsidiaries, Himba Iron Exploration (Pty) Ltd, Eris Mining (Pty) Ltd and Tumba Base Metals X (Pty) Ltd, via voluntary cancellation and deregistration. The Company recognised a loss on disposal of $676,800 for the half-year, and the subsidiaries were deconsolidated from the Group at 31 December 2017. The loss takes into account the foreign currency translation loss of $676,800, which has been realised and transferred from the foreign currency translation reserve to profit or loss.

		Consolidated	
		2018 $	2017 $
4.	**Revenue**		
	From continuing operations – Proceeds from sale of assets	-	2,000
	Interest received	169,121	18,432
	Total revenue from other revenue	169,121	20,432
5.	**Auditor's Remuneration**		
	Remuneration of the auditors of the consolidated entity for:		
	Auditing or reviewing the financial statements:		
	- BDO Audit (WA) Pty Ltd	43,049	35,929
	Total remuneration of auditors	43,049	35,929

		Consolidated 2018 $	Consolidated 2017 $
6.	**Income Tax Expense**		
(a)	Numerical reconciliation of income tax expense to prima facie tax payable		
	Loss from continuing operations before income tax expense	(5,616,964)	(1,683,329)
	Tax at the tax rate of 30.0% (2017: 30.0%)	(1,685,089)	(504,999)
	Tax effect of amounts which are not deductible in calculating taxable income:		
	Non-deductible expenses	1,141,719	294,659
	Unrecognised tax losses	568,914	204,834
	Other non-deductible amounts	-	-
	Differences in overseas tax rates	-	-
	Movement in unrecognised temporary differences	(16,196)	17,664
	Deductible equity raising costs	(9,348)	(12,158)
	Income tax expense	-	-
(b)	Deferred tax asset not recognised (i)		
	Tax losses	2,589,953	2,098,549
	Other	27,688	41,836
	Net deferred tax not recognised	2,617,641	2,140,385

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

		Consolidated 2018 $	Consolidated 2017 $
7.	**Cash & Cash Equivalents**		
(a)	Cash & cash equivalents		
	Cash at bank & in hand	16,336,516	1,189,086
	Total cash & cash equivalents	16,336,516	1,189,086

(b) Cash at bank and in hand

Cash on hand is non-interest bearing. Cash at bank bears interest rates between 0.01% and 2.10% (2017: 0.00% and 0.6%). Refer to Note 15 for the group's exposure to interest rate and credit risk.

	Consolidated 2018 $	Consolidated 2017 $
8. Exploration & Evaluation Expenditure		
Exploration and evaluation phase		
Opening balance	34,515,613	-
Acquisitions (refer Note 1(k))	1,963,469	33,377,651
Exploration costs	13,423,875	1,938,933
Net exchange differences on translation	(115,357)	(780,680)
Impairment expense	(96,605)	(20,291)
Closing balance	49,690,995	34,515,613

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 2018 $	Consolidated 2017 $
9. Property, plant and equipment		
Plant and equipment		
At cost	1,085,322	-
Less: accumulated depreciation	(130,745)	-
	954,577	-
Reconciliation		
Balance at beginning of period	-	-
Additions	1,085,322	-
Disposals	-	-
Depreciation expense	(130,745)	
Foreign currency translation difference movement	-	-
Closing balance	954,577	-

	Consolidated 2018 $	Consolidated 2017 $
10. Trade & Other Payables		
Current		
Trade Payables	1,315,880	172,601
Total current trade & other payables	1,315,880	172,601

The group's exposure to liquidity risk is noted in Note 15.

	Consolidated 2018 $	Consolidated 2017 $
11. Financial Liabilities		
Deferred Consideration		
Current Liability		
Principal	2,000,000	2,000,000
Principal repayments*	(1,963,469)	-
Fair value increase/(decrease) on repayment	(36,531)	-
Transfer between current/non-current	2,027,027	
Total Current Liability	2,027,027	2,000,000
Non-Current Liability		
Principal	2,543,428	3,333,333
Transfer between current/non-current	(2,027,027)	-
Fair value increase/(decrease)	505,642	(789,905)
Total Non-Current Liability	1,022,043	2,543,428
Total Liability	3,049,070	4,543,428

*During the year ended 30 June 2018, the Company paid US$1,500,000 (A$1,963,469) to La Congolaise D'Exploitation Miniere SA in deferred consideration under the terms of the Joint Venture Agreement.

The value of the deferred consideration is the board's assessment of the value of contracted future payments issued under the agreement for the acquisition of Dathcom Mining SAS. The fair value is based on assumptions to present value the future payments based on a discount rate of 12%. The principal payments are contractually required in U.S. dollars and have been converted to Australian dollars at 30 June 2018.

	Consolidated 2018 Shares	Consolidated 2017 Shares	Consolidated 2018 $	Consolidated 2017 $
12. Share capital				
(a) Share capital				
Ordinary shares - fully paid	1,868,461,449	1,474,466,643	66,973,014	33,656,076
Total Share Capital	1,868,461,449	1,474,466,643	66,973,014	33,656,076

(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 13.

(d) Performance Rights

Refer to Note 22 (b) for further details in respect to the performance rights granted.

12. Share Capital (continued)

(e) Movements in share capital

	Date	Number of Shares $	Fair Value $	Total $
Opening Balance 1 July 2016		560,883,310		14,404,348
Placement	27-Sep-16	90,000,000	0.009	810,000
Initial Consideration for the acquisition of the Manono Extension Project	9-Nov-16	30,000,000	0.013	390,000
Placement	5-Dec-16	44,583,333	0.012	535,000
Placement	10-Feb-17	125,000,000	0.020	2,500,000
Conversion of Performance Rights	13-Feb-17	4,000,000	0.020	-
Exercise of Options	13-Feb-17	35,000,000	0.012	420,000
Placement	23-May-17	125,000,000	0.020	2,500,000
Consideration for asset acquisitions	23-May-17	280,000,000	0.029	8,120,000
Facilitation shares	23-May-17	140,000,000	0.029	4,060,000
Additional Consideration for the acquisition of the Manono Extension Project	23-May-17	20,000,000	0.029	580,000
Conversion of Performance Rights	29-Jun-17	20,000,000	0.029	580,000
Reallocation of options exercised to share capital		-	0.012	136,500
Less: Transaction costs arising on share issues		-		(1,379,772)
Closing Balance at 30 June 2017		1,474,466,643		33,656,076
Opening Balance 1 July 2017		1,474,466,643		33,656,076
Placement	18-Aug-17	186,000,000	0.070	13,020,000
Conversion of Performance Rights	31-Aug-17	7,500,000	0.033	247,500
Placement	13-Oct-17	28,285,714	0.070	1,980,000
Consideration shares for capital raising services	13-Oct-17	6,000,000	0.070	420,000
Conversion of Performance Rights	2-Feb-18	3,000,000	0.210	630,000
Placement	28-Feb-18	60,000,000	0.250	15,000,000
Exercise of Unlisted Options during the year*		6,857,141	0.100	685,714
Exercise of Listed Options during the year**		96,351,951	0.030	2,890,559
Less: Transaction costs arising on share issues		-		(1,556,835)
Closing Balance at 30 June 2018		1,868,461,449		66,973,014

*Unlisted options exercisable at $0.10 on or before 15 April 2019
**Listed options exercisable at $0.03 on or before 24 May 2020

13. Share Options

(a) 2018 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
Unlisted	28 Feb 2020	30.5 cents	-	30,000,000[1]	-	-	30,000,000
Unlisted	15 Apr 2019	10.0 cents	-	214,285,714[1]	(6,857,141)	-	207,428,573
Listed	24 May 2020	3.0 cents	300,001,000	-	(96,351,951)	-	203,649,049
			300,001,000	244,285,714	(103,209,092)		441,077,622

(b) 2017 share option details

Unlisted	30 Sep 2017	1.2 cents	35,000,000	-	(35,000,000)	-	-
Listed	24 May 2020	3.0 cents	-	300,001,000	-	-	300,001,000
			35,000,000	300,001,000	(35,000,000)	-	300,001,000

1: Free attaching options issued as part of capial raisings undertaken during the year.

	Consolidated 2018 $	Consolidated 2017 $
14. Reserves		
(a) Total reserves		
Other reserves	4,025,591	2,469,511
Foreign currency translation reserve	802,097	(1,187,063)
Total reserves	4,827,688	1,282,448
(b) Other reserves		
Opening balance	2,469,511	1,464,148
Less: Exercise of Unlisted Options	-	(136,500)
Listed Options issued during the year	-	1,015,000
Performance Rights issued as remuneration during the year	1,678,032	706,863
Less: Conversion of Performance Rights	(121,952)	(580,000)
Closing balance	4,025,591	2,469,511
(c) Foreign Currency Translation Reserve		
Opening balance	(1,187,063)	(673,293)
Exchange difference arising on translation of foreign operations	1,312,360	(513,770)
Realisation of foreign currency translation reserve	676,800	-
Closing balance	802,097	(1,187,063)

Nature and purpose of reserves

(i) Share-based payments reserve

The share based payments reserve is used to recognise:

- The fair value of options issued to employees and consultants but not exercised
- The fair value of shares issues to employees

(ii) *Option reserve*

The Share Option Reserve contains amounts received on the issue of options over unissued capital of the company.

(iii) *Foreign currency translation reserve*

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(t) and accumulated within a separate reserve within equity. The cumulative amount is reclassified to the statement of profit or loss and other comprehensive income when the net investment is disposed of.

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
	%	$	$	$	$
2018					
Financial assets					
Cash and cash equivalents	1.538%	16,336,516	-	-	16,336,516
		16,336,516	-	-	16,336,516

Consolidated	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest	Non-interest bearing	Total
	%	$	$	$	$
2017					
Financial assets					
Cash and cash equivalents	0.597%	1,189,086	-	-	1,189,086
		1,189,086	-	-	1,189,086

The maturity date for cash included in the above tables is one year or less from reporting date.

(i) Sensitivity analysis

The group's main interest rate risk arises from cash equivalents with variable and fixed interest rates. At 30 June 2018 and 30 June 2017, 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 -AA or above.

(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 exposure to the US Dollar (USD). 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.

(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 2018 and 30 June 2017, the group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows;

	2018 USD $	2017 USD $
Cash and cash equivalents	268,211	8,750
Trade and other receivables - current	4,344	46,450
	272,555	55,200
Trade and other payables	1,139,996	-
Financial Liabilities	3,049,070	4,543,428
	4,189,066	4,543,428

Foreign Exchange Rate	2018 USD $ +10%	2018 USD $ -10%	2017 USD $ +10%	2017 USD $ -10%
Cash and cash equivalents	(24,383)	24,383	(795)	795
Trade and other receivables - current	(395)	395	(4,223)	4,223
	(24,778)	24,778	(5,018)	5,018
Trade and other payables	(98,518)	98,518	-	-
Financial Liabilities	(277,188)	277,188	(405,425)	405,425
	(375,706)	375,706	(405,425)	405,425

(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 2018							
Trade and other payables	1,315,880	-	-	-	-	1,315,880	1,315,880
Financial liabilities	-	2,027,027	1,022,043	-	-	3,049,070	3,049,070
	1,315,880	2,027,027	1,022,043	-	-	4,364,950	4,364,950
At 30 June 2017							
Trade and other payables	172,601	-	-	-	-	172,601	172,601
Financial liabilities		2,000,000	1,594,388	949,040	-	4,543,428	4,543,428
	172,601	2,000,000	1,594,388	949,040	-	4,716,029	4,716,029

(e) Net fair value

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

Consolidated	2018 Carrying Amount $	2018 Net fair Value $	2017 Carrying Amount $	2017 Net fair Value $
Financial assets:				
Cash and cash equivalents	16,336,516	16,336,516	1,189,086	1,189,086
Trade and other receivables - current	88,900	88,900	82,179	82,179
	16,425,416	16,425,416	1,271,265	1,271,265
Financial liabilities:				
Trade and other payables - current	1,315,880	1,315,880	172,601	172,601
Financial liabilities - current	2,027,027	2,027,027	2,000,000	2,000,000
Financial liabilities - non-current	1,022,043	1,022,043	2,543,428	2,543,428
	4,364,950	4,364,950	4,716,029	4,716,029

(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. Refer to Note 11 for assumptions made in relation to determining fair value of financial liabilities.

		Consolidated 2018 $	Consolidated 2017 $
16.	**Earnings per Share**		
(a)	Earnings/(Loss)		
	Loss used in the calculation of basic and diluted EPS	(5,616,964)	(1,683,329)
(b)	Weighted average number of ordinary shares ('WANOS')		
	WANOS used in the calculation of basic and diluted earnings per share:	1,659,053,738	795,324,040
		cents per share	cents per share
	Basic and diluted loss per share	(0.34)	(0.21)

Diluted earnings per share is equal to basic loss per share as the company is in a loss position.

		Consolidated 2018 $	Consolidated 2017 $
17.	**Cash Flow Information**		
	Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax:		
	Loss for the year	(5,616,964)	(1,683,329)
	Depreciation	130,475	-
	Impairment of exploration expenses	96,605	20,291
	Share-based payment	2,433,570	706,863
	Movement in fair value of financial liabilities	469,111	-
	Loss on disposal of subsidiary	676,800	-
	Changes in assets and liabilities:		
	(Increase) in operating receivables and prepayments	(49,369)	(54,485)
	Increase/(Decrease) in trade and other payables	(99,678)	86,502
	Net cash outflows from Operating Activities	(1,959,450)	(922,158)
	Non-cash investing and financing activities		
	Issue of ordinary shares for capital raising services*	420,000	-
	Issue of ordinary shares as consideration for asset acquisition	-	13,150,000
	Issue of listed options for capital raising services	-	1,015,000
		420,000	14,165,000

*Refer Note 22 (c)

18. Segment Information

Identification of reportable operating segments

The Group is organised into one operating segment, being exploration in the DRC. This is based on the internal reports that are being reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM) in assessing performance and in determining the allocation of resources. As a result, the operating segment information is as disclosed in the statements and notes to the financial statements throughout the report.

Geographical information

All non-current assets are based in the DRC.

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(c):

Name of entity	Country of incorporation	Class of shares	Equity holding[1] 2018	2017
				%
Himba Iron Exploration (Pty) Ltd	Namibia	Ordinary	-	95
Eris Mining (Pty) Ltd	Namibia	Ordinary	-	95
Tumba Base Metals X (Pty) Ltd	Namibia	Ordinary	-	95
AVZ International Pty Ltd	Australia	Ordinary	100	100
AVZ Minerals Congo SARL	DRC	Ordinary	100	100
Dathcom Mining SAS	DRC	Ordinary	60	60

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

(b) Non-controlling entities

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

Summarised statement of Financial Position	Himba Iron Exploration (Pty) Ltd		Tumba Base Metals X (Pty) Ltd	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Current Assets	-	-	-	-
Non-current Assets	-	-	-	-
Total Assets	-	-	-	-
Current Liabilities	-	1,197,548	-	25,774
Non-current Liabilities	-	-	-	-
Total Liabilities	-	1,197,548	-	25,774
Net Liabilities	-	(1,197,548)	-	(25,774)
Accumulated NCI	-	(63,870)	-	(1,375)

Summarised statement of Financial Position	Eris Mining (Pty) Ltd		Dathcom Mining SAS	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Current Assets	-	-	272,555	55,200
Non-current Assets	-	76,714	38,025,132	31,378,395
Total Assets	-	76,714	38,297,687	31,433,595
Current Liabilities	-	2,573,103	1,142,879	1,929,965
Non-current Liabilities	-	-	16,154,710	-
Total Liabilities	-	2,573,103	17,297,589	1,929,965
Net Assets/(Liabilities)	-	(2,496,389)	21,000,098	29,503,630
Accumulated NCI	-	(133,590)	11,108,814	10,771,137

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
The key management personnel compensation is as follows:

	2018 $	2017 $
Key Management Personnel Compensation		
Summary remuneration		
Short-term benefits	623,504	401,383
Post-employment benefits	10,735	7,378
Share-based payments (Refer Note 22)	795,116	2,992,959
Total key management personnel compensation	1,429,355	3,401,720

Details of remuneration disclosures are provided within the audited remuneration report which can be found on pages 17 to 22 of the directors' report.

(d) Other transactions with key management personnel

The following transactions occurred with Director related parties:

	Consolidated	
	2018 $	2017 $
Payment to GTT Ventures	-	19,838

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.

22. Share Based Payments

(a) Options

For the year ended 30 June 2018:

During the year ended 30 June 2018, no options were issued as a share based payments. 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.

For the year ended 30 June 2017:

During the year ended 30 June 2017, 50,000,000 listed options were issued during the year to the Company's lead manager and as part of the placement. The options have an exercise price of 3 cents each and expire on 24 May 2020. The option value was calculated using the Black-Scholes Model. The value of the options has been determined using the Black-Scholes Model as they were issued in accordance with an agreement rather than on receipt of a vendor invoice and there is not an active market for listed options. The option reserve records items recognised on valuation of director, employee and contractor share options. 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 12.

The assessed fair values of the options were determined using a Black-Scholes option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

Dividend Yield	-
Expected volatility (%)	120
Risk-free interest rate (%)	1.0
Expected life of options (years)	3
Option exercise price ($)	0.03
Share price at grant date ($)	0.029
Value of option ($)	0.0203

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

(b) Performance Rights

For the year ended 30 June 2018:

On 5 June 2017, the Company issued 15,000,000 unlisted Performance Rights to Airguide International Pte Limited, 7,500,000 of these Performance Rights vested on 31 August 2017 and were converted to Ordinary Shares.

On 12 October 2017, 5,000,000 unlisted Performance Rights were issued to employees of the Company. These Performance Rights shall vest upon definition of a 100Mt Measured Mineral Resource in accordance with JORC Guidelines (as that term is defined for the purposes of JORC Guidelines for lithium) of lithium oxide (Li_2O) that meets the agreed minimum specification of greater than 1% lithium oxide (Li_2O) being delineated within the Manono Project Area (being the licence area of PR13359) within 12 months of the date of issue of the Employee Performance Rights.

On 13 December 2017, 3,000,000 unlisted Performance Rights were issued to JNS Capital Corp for promotional and marketing services in North America. These Performance Rights shall vest if the 10-day volume weighted average share price (VWAP) for the Shares on the ASX is $0.30 or higher from the date of issue. All 3,000,000 Performance Rights vested on 2 February 2018 and were converted to Ordinary Shares.

On 6 February 2018, 20,850,000 unlisted Performance Rights were granted to directors and employees of the Company, with the vesting terms as below:

(iv) Tranche 1 – 6,950,000 Performance Rights shall vest if the 10-day volume weighted average share price (VWAP) for the Shares on the ASX is $0.34 or higher for the period commencing 6 months from the date of issue;

(v) Tranche 2 – 6,950,000 Performance Rights shall vest if the 10-day VWAP for the Shares on the ASX is $0.40 or higher for the period commencing 6 months from the date of issue; and

(vi) Tranche 3 – 6,950,000 Performance Rights shall vest if the 10-day VWAP for the Shares on the ASX is $0.44 or higher for the period commencing 6 months from the date of issue.

Of the 20,850,000 unlisted Performance Rights, 16,500,000 were granted, but not yet issued, to directors (12,000,000 to Nigel Ferguson and 4,500,000 to Rhett Brans). The issue of these is subject to shareholder approval which is yet to be sought.

On 15 May 2018, 3,000,000 unlisted Performance Rights were issued to JNS Capital Corp, with the vesting terms as below:

(i) Tranche 1 – 1,000,000 Performance Rights shall vest if the 10-day VWAP for the Shares on the ASX is $0.34 or higher for the period commencing 6 months from the date of issue;

(ii) Tranche 2 – 1,000,000 Performance Rights shall vest if the 10-day VWAP for the Shares on the ASX is $0.40 or higher for the period commencing 6 months from the date of issue; and

(iii) Tranche 3 – 1,000,000 Performance Rights shall vest if the 10-day VWAP for the Shares on the ASX is $0.44 or higher for the period commencing 6 months from the date of issue.

On 16 May 2018, 7,500,000 unlisted Performance Rights were issued to Airguide International Pte Limited, with the vesting terms as below:

(i) Tranche 1 – 2,500,000 Performance Rights shall vest if the 10-day VWAP for the Shares on the ASX is $0.34 or higher for the period commencing 6 months from the date of issue;

(ii) Tranche 2 – 2,500,000 Performance Rights shall vest if the 10-day VWAP for the Shares on the ASX is $0.40 or higher for the period commencing 6 months from the date of issue; and
(iii) Tranche 3 – 2,500,000 Performance Rights shall vest if the 10-day VWAP for the Shares on the ASX is $0.44 or higher for the period commencing 6 months from the date of issue.

	Number Granted	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Valuation Date ($)	Total Fair Value ($)	% Veste d
Employees	5,000,000	12-Oct-17	Nil	12-Oct-18	0.125	625,000	Nil
JNS Capital Corp	3,000,000	13-Dec-17	Nil	31-Mar-18	0.210	630,000	100%
Director/ Employees - Tranche 1	6,950,000	6-Feb-18	Nil	5-Feb-21	0.093	536,250	Nil
Director/ Employees - Tranche 2	6,950,000	6-Feb-18	Nil	5-Feb-21	0.093	458,600	Nil
Director/ Employees - Tranche 3	6,950,000	6-Feb-18	Nil	5-Feb-21	0.093	417,450	Nil
JNS Capital - Tranche 1	1,000,000	15-May-18	Nil	15-May-19	0.160	29,000	Nil
JNS Capital - Tranche 2	1,000,000	15-May-18	Nil	15-May-19	0.160	23,500	Nil
JNS Capital - Tranche 3	1,000,000	15-May-18	Nil	15-May-19	0.160	20,600	Nil
Airguide - Tranche 1	2,500,000	16-May-18	Nil	30-Nov-21	0.155	189,750	Nil
Airguide - Tranche 2	2,500,000	16-May-18	Nil	30-Nov-21	0.155	176,500	Nil
Airguide - Tranche 3	2,500,000	16-May-18	Nil	30-Nov-21	0.155	168,750	Nil

Assumptions on vesting period and expense for Performance Rights issued during year ended 30 June 2018

	Total Fair Value ($)	Vesting period (days)	Expense to 30 June 2018 ($)
Employee	625,000	365	625,000
JNS Capital Corp	630,000	Already vested	630,000
Director/ Employee - Tranche 1, 2 and 3	1,412,300	1,095	185,727
JNS Capital Corp - Tranche 1, 2 and 3	73,100	365	9,213
Airguide - Tranche 1, 2 and 3	535,000	1,095	18,605

For the year ended 30 June 2017:

On 23 May 2017, 30,000,000 unlisted Performance Rights were issued to Mr Nigel Ferguson, with the vesting terms as below:

(i) Tranche 1 – 10,000,000 Performance Rights shall vest if the 10-day volume weighted average share price (VWAP) for the Shares on the ASX is $0.03 or higher from the date of issue;

(ii) Tranche 2 – 10,000,000 Performance Rights shall vest if the 10-day VWAP for the Shares on the ASX is $0.05 or higher during the period commencing 12 months from the date of issue; and
(iii) Tranche 3 – 10,000,000 Performance Rights shall vest if the 10-day VWAP for the Shares on the ASX is $0.075 or higher during the period commencing 12 months from the date of issue

During the year ended 30 June 2017, the first tranche of 10,000,000 Performance Rights vested and were converted to Ordinary Shares.

Mr Patrick Flint was issued 10,000,000 unlisted Performance Rights on 23 May 2017, convertible to ordinary shares if the 10-day VWAP for the Shares on the ASX is $0.03 or higher from the date of issue. These Performance Rights vested and were converted to Ordinary Shares during the year ended 30 June 2017.

On 5 June 2017, the Company issued 15,000,000 Performance Rights to Airguide International Pte Limited (Airguide), the Company's Strategic Adviser for facilitating and advising the Company on its commercial agreements with relevant counter-parties in China. The Airguide Performance Rights shall vest as follows:

(i) 7,500,000 upon execution of the first memoranda of understanding and/or letter of intent in respect of an offtake agreement with an Airguide introduced party; and
(ii) 7,500,000 upon execution of the first binding offtake partnership, development finance or prepayment finance agreement with an Airguide introduced party.

	Number Granted	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date ($)	Total Fair Value ($)	% Vested
Nigel Ferguson - Tranche 1	10,000,000	23-May-17	Nil	22-May-18	0.029	290,000	100%
Nigel Ferguson - Tranche 2	10,000,000	23-May17	Nil	22-May-18	0.029	290,000	Nil
Nigel Ferguson - Tranche 3	10,000,000	23-May17	Nil	22-May-18	0.029	290,000	Nil
Patrick Flint	10,000,000	23-May-17	Nil	22-May-18	0.029	290,000	100%
Airguide International Pte Limited	15,000,000	5-Jun-17	Nil	5-Jun-18	0.033	495,000	Nil

Assumptions on vesting period and expense for Performance Rights issued during year ended 30 June 2017

	Total Fair Value ($)	Vesting period (days)	Expense to 30 June 2017 ($)
Nigel Ferguson - Tranche 1	290,000	Already vested	290,000
Nigel Ferguson - Tranche 2	290,000	183	61,973
Nigel Ferguson - Tranche 3	290,000	365	30,986
Patrick Flint	290,000	Already vested	290,000
Airguide International Pte Limited	495,000	365	33,904

(c) Shares issued as Share Based Payments

On 13 October 2017, 6,000,000 Ordinary Shares were issued to Dathomir Mining Resources Sarl at $0.07 each in consideration for services performed in relation to a placement. The fair value of these shares is $420,000.

		Company 2018 $	Company 2017 $
23.	**Parent Entity Information**		
(a)	Assets		
	Current assets	16,152,860	1,216,065
	Non-current assets	37,744,914	24,212,960
	Total assets	53,897,774	25,429,025
(b)	Liabilities		
	Current liabilities	2,200,028	2,172,601
	Non-Current Liabilities	1,022,043	2,543,428
	Total liabilities	3,222,071	4,716,029
	Net Assets	50,675,703	20,712,996
(c)	Equity		
	Contributed equity	66,973,014	33,656,076
	Accumulated losses	(20,322,902)	(15,412,591)
	Reserves	4,025,591	2,469,511
	Total equity	50,675,703	20,712,996
(d)	Total Comprehensive loss for the year		
	Loss for the year	(4,910,310)	(1,662,187)
	Other comprehensive income for the year	-	-
	Total comprehensive loss for the year	(4,910,310)	(1,662,187)

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. Events Occurring after the Reporting Date

On 24 July 2018, 20,000,000 Shares were issued to Nigel Ferguson following the vesting conditions for 20,000,000 Performance Rights being met.

On 30 July 2018, Mr Graeme Johnston was appointed as Technical Director. Mr Leonard Math was appointed joint Company Secretary on 9 July 2018 and Mr Mathew O'Hara resigned as Company Secretary on 4 September 2018.

On 5 February 2018, the Company announced that, subject to shareholders approval, it will issue Nigel Ferguson 12,000,000 unlisted Performance Rights and Rhett Brans 4,500,000 unlisted Performance Rights which shall vest in three equal tranches upon certain VWAP conditions being met. During July 2018, the Board proposed to change the vesting conditions for these Performance Rights and increase the unlisted Performance Rights to be issued to Rhett Brans from 4,500,000 to 6,000,000. The new proposed Performance Rights shall vest in four equal tranches upon the following milestones being achieved:

1) Tranche 1 shall vest upon definition of a 150Mt Measured and Indicated Mineral Resource in accordance with JORC Guidelines (as that term is defined for the purposes of JORC Guidelines for lithium) of lithium oxide (Li_2O) that meets the agreed minimum specification of greater than 1% lithium oxide (Li_2O) being delineated within the Manono Project Area (being the licence area of PR13359) within 12 months of the date of issue of the Employee Performance Rights.
2) Tranche 2 shall vest upon completion of a Feasibility Study on the Manono Project.
3) Tranche 3 shall vest upon executing an offtake agreement for at least 25% of the product from the Manono Project.
4) Tranche 4 shall vest upon completion of the Manono Project financing.

Other than the above, 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.

In the directors' opinion:

(a) the financial statements and notes set out on pages 26 to 53 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 2018 and of its performance for the financial year ended on that date; and

(b) the audited remuneration disclosures set out on pages 17 to 22 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.

Nigel Ferguson
Managing Director

Perth, Western Australia
28 September 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of AVZ Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AVZ Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for Exploration and Evaluation Assets

Key audit matter	*How the matter was addressed in our audit*
As the carrying value of the Exploration and Evaluation Asset represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular: • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Verifying, on a sample basis, evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • We also assessed the adequacy of the related disclosures in Note 2(a) and Note 8 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of AVZ Minerals Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 28 September 2018

Shareholding

The distribution of members and their holdings of equity securities in the holding company as at 17 September 2018 is as follows:

Number Held	Class of Equity Securities Fully Paid Ordinary Shares
1- 1,000	133
1,001 - 5,000	1,933
5,001 - 10,000	1,560
10,001 - 100,000	4,569
100,001 and over	1,746
Total	9,941

Holders of less than a marketable parcel: 2,103

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders are as follows:

Shareholder	Number	% Held of Issued Ordinary Capital
Citicorp Nominees PL	226,314,860	11.98%
JP Morgan Nominees Australia Ltd	162,141,802	8.59%
BNP Paribas Nominee PL	109,099,017	5.78%
BNP Paribas Nominees PL	99,859,176	5.29%
HSBC Custody Nominees Australia Ltd	63,214,164	3.35%
Langford Michael	36,620,458	1.94%
Ridgeback Holdings PL	36,083,333	1.91%
Pershing Australia Nominees PL	17,126,900	0.91%
Custodial SVCS Ltd	15,561,710	0.82%
Guo Kai	14,600,000	0.77%
Robinson David Grant	11,858,115	0.63%
Richardson Kyle	9,410,506	0.50%
Good Luck Family PL	7,952,803	0.42%
Wu Xin Jian	7,307,000	0.39%
Griffiths Kevin	7,267,327	0.38%
Richard James Brady + Wil	7,250,000	0.38%
Cheng Cuntong	6,700,000	0.35%
Cai Xiaoli	6,590,000	0.35%
Soos Peter	6,511,623	0.34%
Yu Gilbert Luy	6,500,000	0.34%
Baxter Stephen Paul + S	6,250,000	0.33%

Substantial Shareholders

The names of the substantial shareholders:

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

Optionholding

The distribution of members and their holdings of listed options in the holding company as at 17 September 2018 is as follows:

Number Held	Class of Equity Securities $0.03 Listed Options
1- 1,000	5
1,001 - 5,000	24
5,001 - 10,000	39
10,001 - 100,000	207
100,001 and over	222
Total	497

Twenty Largest optionholders

The names of the twenty largest $0.03 listed optionholders are as follows:

Optionholder	Number	% Held of $0.03 Listed Options
Langford Michael	20,000,000	9.82%
Perry Phillip R + T	10,600,000	5.21%
Griffith Benjamin	8,188,888	4.02%
Fenton Brian Edwards	5,900,002	2.90%
BKG Fenton PL	5,859,166	2.88%
Gasson Mark	5,000,000	2.46%
Hargreaves Darren J	5,000,000	2.46%
Soos Peter	4,277,342	2.10%
Robmp PL	3,900,000	1.92%
Rudd Alan Paul	3,596,145	1.77%
Ellis Paul James	3,400,000	1.67%
Cargoclear International PL	3,140,000	1.54%
Lane Peter	3,123,199	1.53%
Allard Laurence A + LA	2,993,500	1.47%
Eastwood Shane Allen	2,950,000	1.45%
Top Class Holdings PL	2,650,000	1.30%
Tradelink Food Brokers PL	2,500,000	1.23%
Richardson EA + Walter L	2,450,000	1.20%
Divin Paul Venda	2,200,000	1.08%
Desgail PL	2,030,000	1.00%
Jones Jason Neville	2,000,000	0.98%

Substantial Optionholders

The names of the substantial optionholders:

Shareholder	Number	%
Langford Michael	20,000,000	9.82%
Perry Phillip R + T	10,600,000	5.21%

On-Market Buy-Back

There is no current on-market buy-back.

Restricted Securities

There are no restricted ordinary shares in escrow.

Unquoted equity securities – Options	Number on issue	Number of holders
Unlisted options exercisable at $0.10 expiring on, or before, 15 April 2019	207,428,573	20
Unlisted options exercisable at $0.305 expiring on, or before, 28 February 2020	30,000,000	1

Holders of more than 20% of unlisted options	Number of unlisted options	Percentage of unlisted options
Huayou International Mining (Hong Kong) Ltd	186,000,000	89.67%

Unquoted equity securities – performance rights	Number on issue	Number of holders
Performance Rights shall vest upon execution of the first binding offtake partnership, development finance or prepayment finance agreement with an Airguide introduced party	7,500,000	1
Performance Rights shall vest upon definition of a 100Mt Measured Mineral Resource, in accordance with JORC Guidelines, of lithium oxide (Li_2O) that meets the agreed minimum specification of greater than 1% lithium oxide (Li_2O) being delineated within the Manono Project Area within 12 months of the date of issue	5,000,000	5
Performance Rights shall vest if the 10-day VWAP of Shares on the ASX is $0.34 or higher during the period commencing 6 months from the date of issue	4,950,000	5
Performance Rights shall vest if the 10-day VWAP of Shares on the ASX is $0.40 or higher during the period commencing 6 months from the date of issue	4,950,000	5
Performance Rights shall vest if the 10-day VWAP of Shares on the ASX is $0.44 or higher during the period commencing 6 months from the date of issue	4,950,000	5

Holders of more than 20% of unlisted performance rights	Number of performance rights	Percentage of performance rights
Airguide International Pte Ltd	15,000,000	54.85%

Voting Rights

The voting rights attaching to each class of equity securities are set out below:

(i) Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(ii) Performance Rights and Unlisted Options

These securities have no voting ri

Information required under ASX Listing Rule 5.3.3

List of current mining and exploration tenements:

Country / Project	Tenement	Interest	Status
DRC – Manono Project	PR 13359	60%	Granted
DRC – Manono Extension Project	PR 4029, PR 4030	100%	Granted
DRC – Katanga Regional	PR 12206, PR 12436, PR 12449, PR 12450, PR 12454, PR 12459, PR 12461	60%	Granted