2019
ANNUAL REPORT

AVZ
MINERALS LIMITED

Directors	Nigel Ferguson (Managing Director) Graeme Johnston (Technical Director) Hongliang Chen (Non-Executive Director) Rhett Brans (Non-Executive Director) Peter Huljich (Non-Executive Director)
CFO & Company Secretary	Leonard Math
Principal Place of Business & Registered Office	Level 2, 8 Colin Street West Perth WA 6005 Telephone: +61 8 6117 9397 Facsimile: +61 8 6118 2106
Share Registry	Automic Registry Services Level 2, 267 St George's Terrace Perth WA 6000 Telephone: 1300 288 664 (within Australia) +61 8 9324 2099 (outside Australia) Email: hello@automic.com.au
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street SUBIACO WA 6008 Telephone: (08) 6382 4600
Securities Exchange Listing	Australian Securities Exchange (Home branch: Perth, Western Australia) ASX Code: AVZ, AVZO
Website Address	www.avzminerals.com.au

Contents

Managing Director's Statement

"The Manono Lithium and Tin Project is the largest undeveloped hard-rock lithium resource in the world in terms of grade, mine life and expandability, with extremely compelling project economics and a DFS to be delivered by Q1 2020."

Nigel Ferguson

Dear Shareholders,

The last 12 months have been extremely decisive for your company with our Tier 1 Manono Lithium and Tin Project moving beyond the exploration phase into a pre-development stage, with commencement of a Definitive Feasibility Study (DFS) that is due to be completed in early 2020.

Our Manono Project has now been officially confirmed as the largest undeveloped hard-rock lithium resource in the world - in terms of grade, mine life and expandability, with a Measured, Indicated and Inferred resource of 400 Mt at 1.65% Li_2O (Spodumene), 715 ppm Sn (tin) and 34ppm Ta_2O_5 (tantalum).

Whilst these numbers confirm Manono's potential to become a world leader in the global lithium market, your company has also discovered an exciting new standalone lithium project at Carriere de L'Este, located approximately 5.6km along strike from Roche Dure in the northern Manono sector.

Wide spaced drilling at Carriere de l'Este in December 2018 has confirmed visible Spodumene at surface and in drill core with shallow, high-grade zones delivering greater than 2.0% Li_2O over 10s of metres, within wider zones of well mineralised Spodumene-bearing pegmatite. The spectacular assay results from Carriere de l'Este included individual samples with grades greater than 4% Li_2O, with the highest reporting 4.65% Li_2O from 181m to 182m downhole.

The Carriere de l'Este discovery could deliver high-grade material for a potential mill-feed blend allowing us to process less tonnes to achieve the same concentrate from a nearby deposit that demonstrates the same characteristics as the Manono resource. Consequently, your company made a conscious decision not to continue drilling for more resources – despite the huge potential that is clearly present – instead focussing our efforts on fast-tracking the Manono Project towards production.

In early 2019, we raised A$15 million that will see the project fully funded to a final investment decision. The capital raising attracted strong support from Australian and global institutions as well as sophisticated investors, with the cornerstone placements taken by a new strategic investor, Lithium Plus (A$3M), and an existing strategic partner, Huayou Cobalt Group (A$1M). The funding will assist to achieve our goal of delivering the DFS for the Manono Project by Q1 2020.

We also increased our equity stake by 5% in Dathcom Mining SA – the holding company of the Manono Lithium and Tin Project. At completion of the transaction, your company will hold a 65% interest in Dathcom. We continue to progress discussions to secure additional equity in the Manono Project from our main partner, La Congolaise D'Exploration Miniere.

Our working relationship with Huayou Cobalt Group was strengthened during the year when we signed an agreement that allows us to draw on Huayou Cobalt Group's experience in the DRC and mainland China to assist in completing our DFS for the Manono Project. The non-binding agreement promotes discussions between your company and Huayou Cobalt Group around project financing, offtake financing, strategic services, EPCM and transport cost efficiencies.

During the first half of the year, we completed initial metallurgical test work on material from the Roche Dure prospect that showed it supports the potential for "high value mineralisation" – producing up to 6.3% Li_2O Dense Media Separation (DMS) concentrate. The concentrate specification showed the material is potentially suitable for supply of a chemical grade concentrate to the growing lithium battery market. An upgrade in specification is possible with further metallurgical test work.

Another significant milestone reached during the 2019 financial year was the release of our initial 2Mtpa Scoping Study and later our 5Mtpa Scoping Study, which demonstrated excellent economic outcomes for the Manono Project, with a pre-tax, pre-royalties NPV[10] of approximately US$2.63 billion and an IRR of greater than 64%. Importantly, we expect further improvements can be made to transport economics in the final DFS.

Your company also strengthened its Board and executive management team during the year in order to undertake the necessary works program and the DFS. We promoted Graeme Johnston from a consultant role to that of Technical Director on the Board and appointed Peter Huljich, who has extensive legal expertise and project delivery skills in Africa, as Non-Executive Director. Mr Leonard Math also joined our team as CFO and Company Secretary.

I would like to thank my fellow Board members, our management team, staff and consultants for their stellar efforts to advance our world-class lithium project.

We have much to do over the coming 12 months to realise the full potential of this monster resource and I look forward to your ongoing support and commitment.

Nigel Ferguson
Managing Director

Review of Operations

OVERVIEW

Manono Lithium and Tin Project (“Manono Project”), DRC

Highlights

- Maiden Mineral Resource estimate of 259.9Mt grading 1.63% Li_2O (spodumene), confirming Manono’s potential to become a World leader in the global lithium market

- Updated Manono Mineral Resource released highlighting a 54% increase in Measured, Indicated & Inferred Resources to 400.4mt @ 1.66% Li_2O (spodumene), substantial tin and tantalum credits and low levels of deleterious elements

- Manono Mineral Resource was further upgraded with 41.7% increase in combined Measured and Indicated Resources, up from 189.8Mt to 269.0 Mt grading 1.65% Li_2O, 816 ppm Sn and 36 ppm Ta

- Manono Scoping Studies (2Mtpa & 5Mtpa) released confirming Manono as the largest undeveloped hard rock lithium project globally in terms of grade, mine life and expandability

- Successfully raised A$15M and fully funded to final investment decision with the commencement of the Definitive Feasibility Study for the Manono Lithium and Tin Project

- Wide spaced drilling at Carrière de l’Este in the northern Manono Sector confirmed visible spodumene in drill core with spectacular assay results

- Further increase in equity stake in Manono Project

- Board and management strengthened during the year

The financial year ended June 2019 has been a decisive one for the Company. Whilst the AVZ Board reasonably expects the size and more importantly, the quality of the Manono JORC resource to continue to grow, the Manono Project has now moved beyond the pure exploration stage and with the successful capital raising of A$15M in early 2019, it is moving into the Pre-Development Phase, commencing the Definitive Feasibility Study for the Manono Lithium and Tin Project.

The Scoping Study delivered during the year confirmed Manono as the largest undeveloped hard rock lithium project globally in terms of grade, mine life and expandability. The Manono mineral resource is now the largest lithium project with the highest grade owned by an ASX listed company. The economics of the Manono Project are also extremely compelling, with a pre-tax, pre-royalties NPV (100% basis) estimated at US$1.6bn and an IRR of over 90% for the 2Mtpa capacity. The 5Mtpa capacity Scoping Study released in May 2019 further strengthens the economics of the Manono Project with a pre-tax, pre-royalties NPV (100% basis) estimated at US$2.63bn and an IRR of over 64%.

Importantly, work from the Scoping Study and subsequent analysis have identified cost effective transport solutions for Manono concentrates. The Company expects further improvements to the transport economics will be made in the process of finalising the Manono's Definitive Feasibility Study.

Scoping Studies

2Mtpa Scoping Study

On 9 October 2018, AVZ released results from its Manono Scoping Study undertaken by CPC Project Design Pty Ltd (CPC) in conjunction with Alan Dickson & Associates (ADA). Highlights of the study included:

- Case 1 (2 million tonnes per annum) pre-tax pre-royalties NPV[10] of approximately US$1.6 billion (AVZ's 60% share is approximately US$0.93 billion) with an estimated IRR greater than 90% based on ±35% accuracy and including US$36 million in capital contingency.
- Scope for annual production of approximately 440,000 tonnes per annum (tpa) at a minimum of 5.8% Li_2O concentrate from Case 1 throughput of 2Mtpa of pegmatite ore with low strip ratio of 0.7:1.
- F.O.B. Operating costs to Dar-es-Salaam estimated at approximately US$355 per tonne (t) of concentrate for 2Mtpa.
- Metallurgical test work indicated recoveries in excess of 80% are achievable.
- Capex estimated for Case 1 throughput at approximately US$150 to $160 Million (accurate to ±35% and includes US$36 million contingency).

AVZ's review of the methodology adopted for its initial Scoping Study revealed potential for significant transportation cost savings for the transport of the lithium concentrate from Manono to the Dar es Salam port. The possibility exists for further savings via volume discounts yet to be negotiated with transport providers.

(Please refer to the ASX announcement dated 9 October 2018 for the full report on the Scoping Study as described above)

Transport Options and Update of 2Mtpa Scoping Study

The initial proposed transportation option adopted closed, half height 20' containers with a capacity of approximately 30t each. These containers would be loaded at site, transferred by truck to the port town of Moba on the west coast of Lake Tanganyika where they would then be loaded on to a custom-made barge, sailed to the Tanzanian port of Kigoma and then offloaded directly to flat top rolling stock for railing to Dar es Salaam.

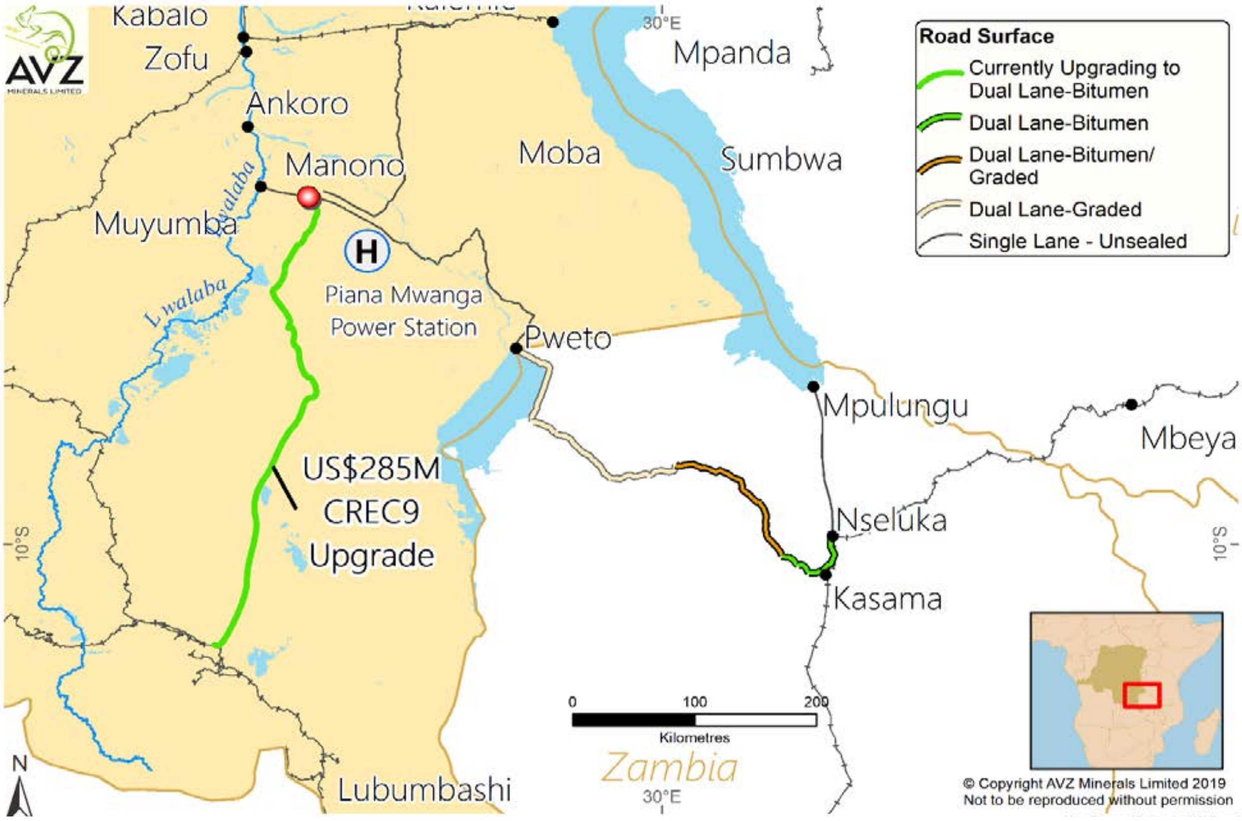

Figure 1 - Transportation Route Options

After further review,AVZ's technical team identified the potential to utilise two-tonne "bulka bags" instead of the half height 20' closed containers to materially reduce costs. Further options are being investigated.

After reviewing the 2Mpta study with a view to identifying transport cost savings, AVZ found:

- F.O.B. operating costs to Dar-es-Salaam reduced by US$58/t to US$297/t from original estimates of approximately US$355/t of concentrate for 2Mtpa, (a 16% reduction in the total cash cost estimate) with total transport costs now estimated at US$163/t – a 26% reduction.
- Case 1 (2Mtpa) pre-tax pre-royalties NPV10 increased by approximately US$190 million to US$1.79 billion (AVZ's 60% share is approximately US$1.04 billion) with an estimated IRR greater than 90% based on ±35% accuracy and including US$36 million in capital contingency.
- Capex estimated remained the same for Case 1 throughput at approximately US$150 to $160 million (accurate to ±35% and includes US$36 million contingency).

(Please refer to the ASX announcements dated 19 November 2018 for the full announcement of the Updated Scoping Study)

On 23 May 2019, AVZ released the results of Case 2 (5 million tonnes per annum) Scoping Study. The results further strengthen the economics of the Manono Project:

- Case 2 (5 million tonnes per annum) pre-tax pre-royalties NPV10 of approximately US$2.63 billion (AVZ's 60% share is approximately US$1.55 billion) with an estimated IRR greater than 64% based on ±35% accuracy and including US$78 million in capital contingency.

- Scope for annual production of approximately 1,100,000 tonnes per annum (tpa) at a minimum of 5.8% Li_2O concentrate from Case 2 throughput of 5Mtpa of pegmatite ore with low strip ratio of 0.55:1 and a subsequent 24% drop in mining and processing costs from US$120/t to US$91/t.

- The Scoping Study yielded an exceptional and industry leading IRR of 64% having used a more conservative Li_2O price (US$750 per tonne) to reflect market changes in the last seven months.

- The preferred transport route had been updated and costs were now estimated at US$223/t. The route and costs will be further refined during the DFS program. However, the scale and quality of the mining operation, with low mining and processing costs, allowed the project to easily bear the estimated relatively high transport cost.

- F.O.B. Operating costs to Dar-es-Salaam are estimated at approximately US$323 per tonne (t) of concentrate for 5Mtpa.

- Metallurgical test work indicated recoveries in excess of 80% are achievable.

- Capex estimated for Case 2 throughput at approximately US$380 to $400 Million (accurate to ±35% and includes US$78 million contingency).

(Please refer to the ASX announcement dated 23 May 2019 for the full report on the Scoping Study as described above)

The Scoping Studies confirmed Manono as the largest undeveloped hard rock lithium project globally in terms of grade, mine life and expandability, and demonstrated its potential for excellent economic outcomes. AVZ expects the Manono Project economics can be further improved, especially regarding transport, through negotiating volume discounts with transport providers and assessing in more detail other available transport routes and methods, processing, power costs and recovery of tin as a by-product.

For the purpose of ASX Listing Rule 5.19.2, the Company confirms in the subsequent public report that all the material assumptions underpinning the production target, or the forecast financial information derived from a production target, in the initial public report referred to in rule 5.16 or rule 5.17 (as the case may be) continue to apply and have not materially changed.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original Scoping Study market announcement (9 October 2018), the Updated Scoping Study market announcement (19 November 2018) and 5Mtpa Study Further Strengthens the Economic Potential market announcement (23 May 2019) and, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Roche Dure - Mineral Resource

On 2 August 2018, AVZ announced a maiden Mineral Resource for the Roche Dure pegmatite at the Manono Project **of 259.9Mt grading 1.63% Li_2O** (spodumene). This confirmed Manono's potential to become a world leader in the global lithium market.

On 30 November 2018, following completion of additional drilling, AVZ announced an updated Mineral Resource for the Roche Dure pegmatite of **400.4Mt at 1.66% Li_2O** contained within approximately 95% of the total strike of the Roche Dure pegmatite.

This represented a:

- 54.1% increase in total Mineral Resources from 259.9Mt to 400.4Mt grading 1.66% Li_2O (spodumene) containing 6.64 million tonnes of lithium oxide (Li_2O), 300kt of tin as cassiterite grading 750ppm Sn and 13,200 tonnes of Tantalum grading 33ppm Ta (Tantalum);

- 117% increase in Measured Resources from 43.0Mt to 93.5Mt grading 1.69% Li_2O, 811ppm Sn and 34ppm Ta; Indicated Resources of 96.3Mt grading 1.64% Li_2O, 759ppm Sn and 34ppm Ta;

In addition to Sn, Ta and Li_2O, potentially deleterious elements like Fe_2O_3 and P_2O_5 were estimated at an average grade of only 0.99% Fe_2O_3 and 0.30% P_2O_5 respectively, which are some of the lowest reported grades when compared to other ASX-listed hard rock deposits.

Category	Tonnes (Millions)	Li_2O %	Sn ppm	Ta ppm	Fe_2O_3 %	P_2O_5 %	SG
Measured	93.5	1.69	811	34	0.94	0.32	2.74
Indicated	96.3	1.64	759	34	0.97	0.30	2.73
Inferred	210.7	1.65	719	32	1.02	0.29	2.75
Total	400.4	1.66	750	33	0.99	0.30	2.74

Table 1: Roche Dure Main Pegmatite Mineral Resource at a 0.5% Li_2O cut-off as at 30 November 2018

On 8 May 2019, the Manono Project was confirmed as the largest Measured and Indicated Lithium Resource in the World. The upgraded Mineral Resource reported 269Mt of Measured and Indicated Resource with grades of 1.65% Li_2O, 816ppm Sn and 36ppm Ta. The highlights of the upgraded JORC Mineral Resource were:

- A 41.7% increase in combined Measured and Indicated Resources, up from 189.8Mt to 269.0 Mt grading 1.65% Li_2O, 816 ppm Sn and 36 ppm Ta
- Overall tonnage remained unchanged but the Mineral Resource confidence improved significantly with 67% of total Mineral Resources now classified as Measured & Indicated, up from 47% previously
- Improved Resource category provided further certainty to production schedules & financial modelling for the 5Mtpa Scoping Study due for completion in the near term
- Reduction in average Fe_2O_3 content (a potentially deleterious element) from 0.99% to 0.96% Fe_2O_3
- Drilling at Roche Dure was now completed, with the exception of geotechnical and hydrogeological drilling and future resource drilling from the pit floor once de-watered
- The reported Measured and Indicated Lithium Resource of 269Mt at 1.65% Li_2O also included tin and tantalum at 816ppm Sn (220kt Sn in cassiterite) and 36ppm Ta (9.6kt Ta as Ta_2O_5)
- Confidence in the Tin and Tantalum Resource, combined with anticipated metallurgical test work, should allow tin and tantalum production to be included in future financial modelling of the Manono Project

This Mineral Resource included assay data from 86 drill holes on 1,600m of strike length, and geological data from a further five drill holes (Figure 2), to enable interpretation of a geological model. Drill holes MO18DD001-MO18DD83 were completed in 2018 and four holes were drilled in 2017.

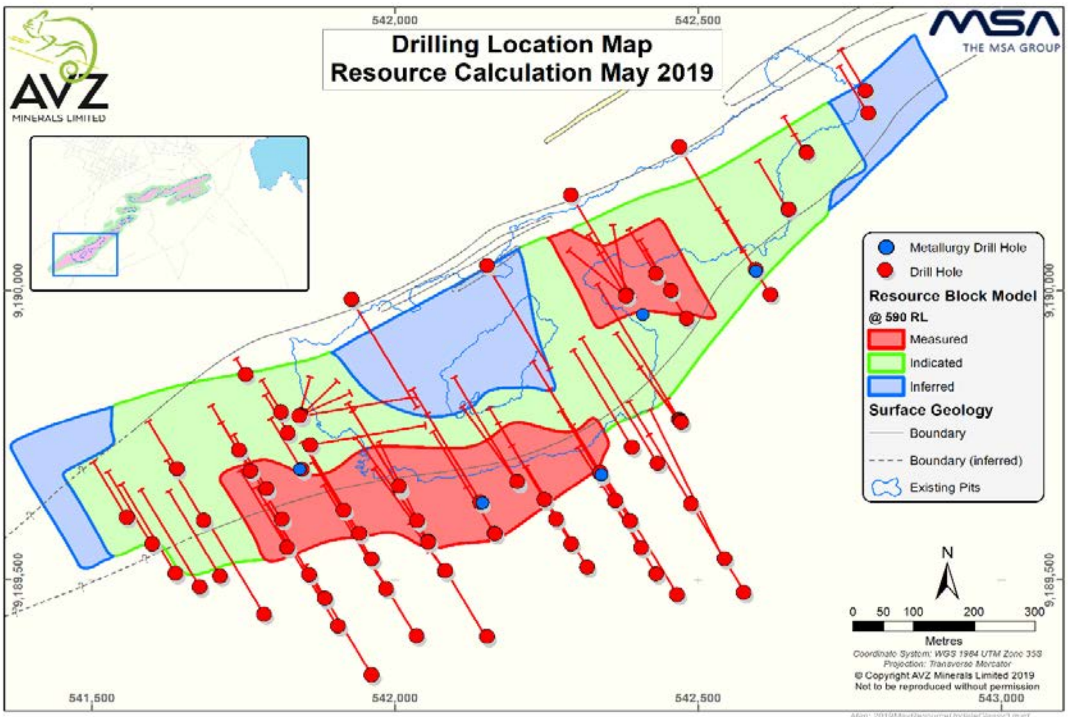

Figure 2. Schematic of Drill Hole Locations at Roche Dure used in the Resource Estimation and Classification Categories at 590m elevation

A total of 27,466m of drilled diamond core was used in the Mineral Resources estimate. The Mineral Resource of 400Mt with an average grade of 1.65% Li_2O (spodumene) is categorised into Measured, Indicated and Inferred Mineral Resources as shown in Table 2.

Category	Tonnes (Millions)	Li_2O %	Sn ppm	Ta ppm	Fe_2O_3 %	P_2O_5 %
Measured	107	1.68	836	36	0.93	0.31
Indicated	162	1.63	803	36	0.96	0.29
Inferred	131	1.66	509	30	1.00	0.28
Total	400	1.65	715	34	0.96	0.29

Table 2 Roche Dure Main Pegmatite Mineral Resource at a 0.5% Li_2O cut-off as at 8 May 2019

Receipt of the last drill hole assay data and inclusion in the new resource modelling has significantly increased the level of confidence in the central portion of the Roche Dure pegmatite given the significant conversion of Inferred Resources to Indicated and Indicated Resources to Measured; an increase of some 41.7%. Only Measured and Indicated Resources can be converted to mineable reserves under the JORC Code (2012).

Carriere de l'Este

At the exciting new Carriere de l'Este Project in the northern Manono Sector, six diamond drillholes spaced on sections that were 200 metres apart and a minimum of 100 metres between holes were drilled in the December quarter. The wide spacing of the holes was to determine:

- the presence of spodumene across the orebody;
- the continuity of the pegmatite to the SSW beneath cover and along strike from the original due diligence hole MODD17001 drilled in July 2017 and;
- the orientation of the orebody if possible.

The core from the six holes was cut in mid-December and the samples were prepared and sent to Perth for assay. Carriere de l'Este is a standalone project that is located approximately 5.6 kilometres along strike from Roche Dure in the northern Manono Sector.

The results from the six wide spaced reconnaissance drill holes received so far indicated the possibility of another significant lithium deposit with shallow high-grade zones greater than 2.0% Li_2O within wider zones of well mineralised spodumene bearing pegmatite. Results included five individual samples with grades greater than 4% Li_2O with the highest value being from hole CD18DD006 from 181 to 182 metres downhole reporting 4.65% Li_2O.

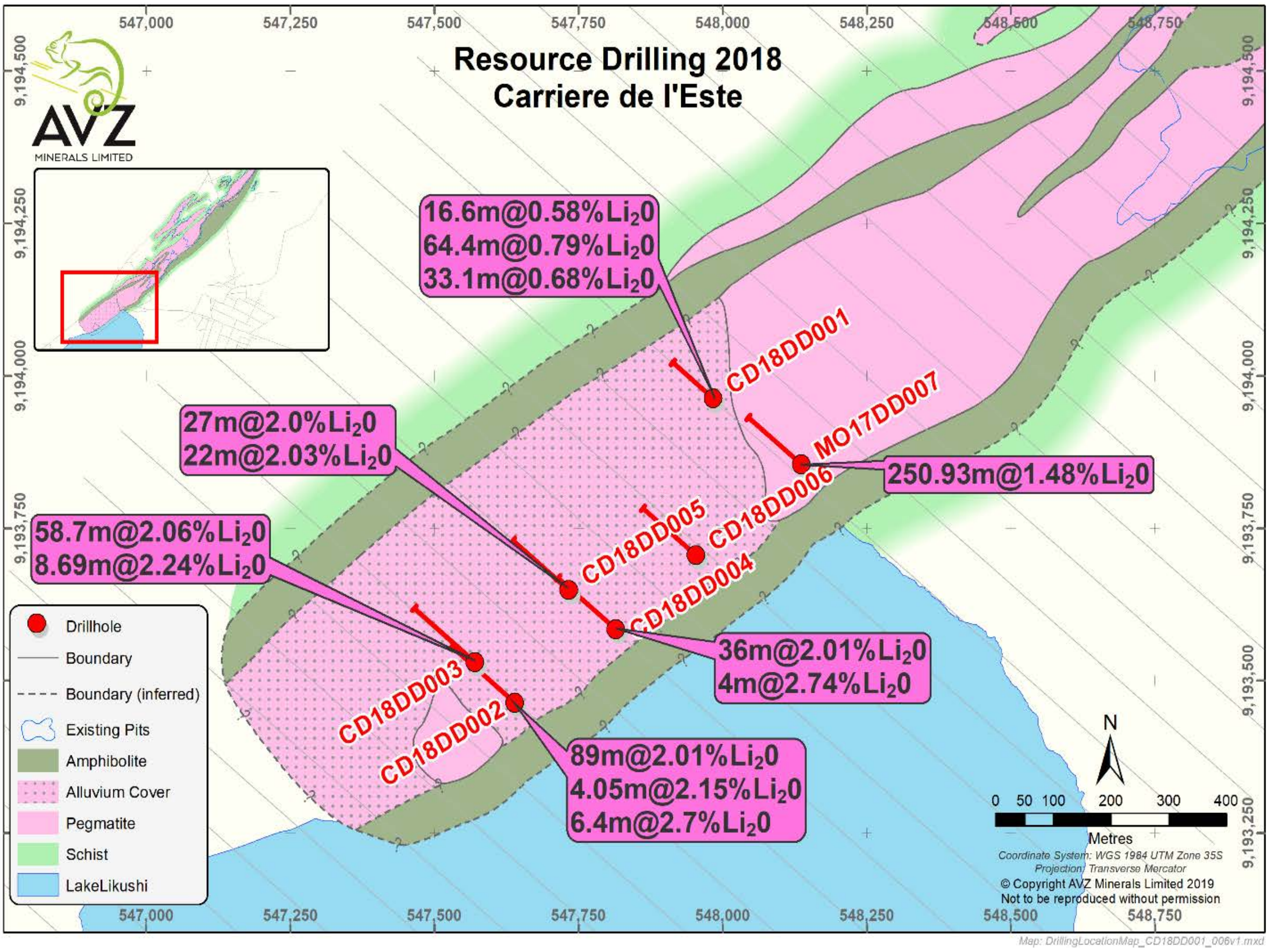

Figure 3: Location of completed diamond drill holes and high grade intercepts

Figure 4: CD18DD006. 181 – 182m 4.65% contained Li_2O

Figure 5: Close up of core from 181 to 182 metres. Very coarse spodumene throughout photo is out of focus

Results confirm continuity of the Carriere de l'Este pegmatite under alluvial cover and shallow dipping high grade intersections present within wider zones of well mineralised spodumene pegmatite.

(Refer to full drilling results announcement on the ASX dated 19 February 2019 and 5 March 2019)

Metallurgical Sampling

Positive Preliminary Metallurgical Test Work.

During the first half of the year, initial metallurgical test work was completed on coarse assay reject material from holes MO17DD001 and MO17DD002. The simple spodumene mineralogy of the Roche Dure pegmatite responds well to a range of industry standard concentration techniques.

Initial "mineral characterisation" investigations of the Roche Dure Pegmatite, supports the potential for high value mineralisation within the Roche Dure pegmatite. Roche Dure Pegmatite is essentially homogenous and spodumene confirmed as the lithium mineral species present within the pegmatite.

The mean concentrations of deleterious elements are low with 0.1% F, 0.3% P_2O_5 and 0.4% Fe_2O_3 and should allow the Manono concentrate to trade at a premium to other products on the market.

Figure 5: Rock Chip Sample collected showing white spodumene (the large, long prism to right of the blue pen) in a quartz feldspar matrix

The initial metallurgical test work demonstrated the Roche Dure prospect at the Manono Lithium Project could produce up to 6.3% Li_2O DMS concentrate (+3.35mm) using standard metallurgical laboratory test standards.

The concentrate specification showed the material is potentially suitable for supply of a chemical grade concentrate to the growing lithium battery market.

An upgrade in specification is possible through further metallurgical test work.

Following this, five dedicated wide diameter (PQ sized) holes were drilled into the Roche Dure orebody to give wide-spaced coverage across the orebody. This intact core weighing approximately 13 tonnes was packed and shipped in a sea container for transport to the Nagrom metallurgical laboratory in Perth, Western Australia.

The metallurgical test regime in Perth will gather information required for the optimal recovery of the spodumene, as well as the physical rock characteristics needed for the process plant design, especially the front-end comminution circuit. Additionally, there will be a series of tests developed to estimate the likely tin and tantalum recovery from the ore which will allow AVZ to quantify the future credits to be recovered from the tin and tantalum production.

In May 2019, the 13 tonnes bulk metallurgical sample from Roche Dure arrived safely at the Nagrom Laboratory in Perth after quarantine clearance from AQIS in Fremantle.

Competent Person's Statement

The information in this report that relates that relates to geology and the exploration results is based on information compiled by Mr. Michael Cronwright, a Competent Person whom 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 was a full-time employee of The MSA Group Pty Ltd. Mr Cronwright 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. Cronwright consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Mineral Resource estimate has been completed by Mrs Ipelo Gasela (BSc Hons, MSc (Eng)) who is a geologist with 14 years' experience in mining geology, Mineral Resource evaluation and reporting. She is a Senior Mineral Resource Consultant for The MSA Group (an independent consulting company), is registered with the South African Council for Natural Scientific Professions (SACNASP) and is a Member of the Geological Society of South Africa (GSSA). Mrs Gasela 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. ***Mrs Ipelo consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.***

Corporate

Fully Funded to Final Investment Decision at the Manono Lithium and Tin Project

In February 2019, AVZ successfully raised A$15 million before costs through a combination of a Share Purchase Plan and Placement ("Capital Raising"). The Capital Raising was completed at 3.8 cents per share. The Placement was cornerstone by new strategic investor Lithium Plus and existing strategic investor Huayou Cobalt Group with further strong support from Australian and global institutions as well as sophisticated investors.

AVZ welcomed the new strategic investment by Lithium Plus who subscribed for $3 million in the Placement for an initial 3.46% interest in the Company. Zhejiang Huayou Cobalt Co., Ltd (SHA:603799, Mkt Cap US$4.5bn) through its group company Huayou International Mining (Hong Kong) Limited, (Huayou Cobalt Group) continued its support of AVZ Minerals by subscribing for $1 million in the Placement to maintain a 9.40% interest in the Company.

Funds from the Placement and SPP will be used to execute the Company's strategy to fast-track the Manono Lithium and Tin Project towards production. The Company expects the funding to assist in achieving its goal of delivering the Definitive Feasibility Study for the Manono Project by Q1 2020.

Patersons Securities Limited acted as Lead Manager to the Placement.

Equity Stake Increase in the Manono Project

On 24 June 2019, AVZ announced it had executed a Share Sale Purchase Agreement ("Agreement") with Dathomir Mining Resources SARL ("Dathomir") to increase AVZ's equity in the Manono Lithium and Tin Project (Licence PR13359). Following ongoing discussions over the last few months, Dathomir agreed to sell a 5% equity share in Dathcom Mining SA ("Dathcom") to AVZ for a total consideration of US$5,500,000. Dathcom holds 100% of the Manono Lithium and Tin Project concession.

Under this Agreement, the purchase represented a highly accretive transaction for AVZ shareholders with minimal upfront payment. The first tranche payment of US$500,000 was to be paid within 14 days of execution and the balance of the consideration could be paid at any time within a period of 36 months from execution of the Agreement.

At the completion of the transaction, AVZ's equity interest in the Project licence increased to 65%, representing an NPV[10] value added, based on the recent 5Mtpa Scoping Study of some US$130M to approximately US$1.68Bn for AVZ's 65% equity interest (based on ±35% accuracy and including US$78M in capital contingency).

An Extraordinary General Meeting of Dathcom was convened in August 2019 and shareholders approved the sale of the additional equity within Dathcom to AVZ.

Strategic Relationship with Huayou Cobalt Group

In June 2019, AVZ entered into a strategic relationship with Zhejiang Huayou Cobalt Co. Ltd (SHA:603799, Mkt Cap US$4.5bn) through its group company Huayou International Mining (Hong Kong) Limited, ("Huayou Cobalt Group").

Under the agreement, AVZ will be able to draw on Huayou Cobalt Group's experience in the DRC and mainland China to assist AVZ in completing the Definitive Feasibility Study for the Manono Lithium and Tin Project in the Democratic Republic of Congo (DRC). Huayou will also be able to provide advice and assistance with respect to project financing, offtake financing, strategic services, EPCM and cost effective transport of product to final recipients.

Huayou Cobalt Group is one of the world's largest manufacturers of cobalt chemicals for use in batteries and has extensive in-country experience with a number of established cobalt mining and processing operations within the DRC. Huayou is also a 9.40% shareholder in AVZ.

The strategic relationship has been designed to promote the following between AVZ and Huayou Cobalt Group:

- Discussions to advance Manono to production including, but not limited to, the Definitive Feasibility Study; project financing; off-take and EPCM; and
- Consideration of any other ways in which a relationship between the two parties may be beneficial for all stakeholders.

The strategic relationship agreement is non-binding and non-exclusive.

Board and Management Changes

In July 2018, AVZ announced the appointment of Mr Graeme Johnston as a Technical Director and Mr Leonard Math as CFO and Company Secretary (replacing Mathew O'Hara).

The Board was further strengthened in May 2019 with the appointment of Mr Peter Huljich as Non-Executive Director. Mr Huljich has over 25 years' experience in legal, natural resources and banking sectors with a particular expertise in capital markets, mining, commodities and African related matters. He has worked in London for several prestigious investment banks, including Goldman Sachs, Barclays Capital, Lehman Brothers and Macquarie Bank with a focus on Commodities and Equity and Debt Capital Markets. He has extensive on-the-ground African mining, oil and gas and infrastructure experience as the Senior Negotiator and Advisor for Power, Mining and Infrastructure at Industrial Promotion Services, the global infrastructure development arm of the Aga Khan Fund for Economic Development (AKFED). Mr Huljich holds Bachelor of Commerce and an LLB from the University of Western Australian and is a Graduate of the Securities Institute of Australia with National Prizes in Applied Valuation and Financial Analysis. He is also a graduate of the AICD Company Directors Course.

During the year, the management team in Dathcom Mining SA (60% owned subsidiary by AVZ Minerals) was also strengthened with the appointment of Mr Serge Ngandu as Director of Corporate Affairs. Mr Ngandu is a metallurgist with 34 years experience in the African mining industry covering various commodities including PGMs, uranium and base metals as well as in the design, commissioning and operation of mineral processing plants. He was formerly a Director of Hatch – Industrial Minerals (2004-06), Project Director for Areva Resources Centrafrique (2008-12), and a Business Development Executive for Worley Parsons from 2012 where he was focussed on project development opportunities in Africa, including the DRC.

From 2016, he was a Partner focusing on business development and metallurgy for DRC at Madini Metals, a specialist African mine developer and operator.

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of AVZ Minerals Limited (AVZ) and the entities it controlled (the Group or the 'consolidated entity') for the financial year ended 30 June 2019. 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
Rhett Brans	Non-Executive Director
Peter Huljich	Non-Executive Director (appointed 1 May 2019)
Graeme Johnston	Technical Director (appointed 30 July 2018)
Guy Loando	Non-Executive Director (resigned 1 May 2019)

2. Company Secretary

Leonard Math was appointed joint Company Secretary on 9 July 2018 and 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 $5,263,570 (2018: $5,616,964).

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 5 – 18 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 and deliver a positive Definitive Feasibility Study for the Manono Lithium and Tin Project. The Company may conduct some exploration activity on the Company's existing mineral projects, including diamond and RC drill program focussed on resource definition drilling at the Manono 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;
- 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 12 July 2019, 13,950,000 Performance Rights vested after the following milestones were met:

- 100Mt Measured JORC Mineral Resource
- 150Mt Measured Indicated JORC Mineral Resource

In addition, 3,000,000 fully paid ordinary shares were issued in lieu of marketing and corporate services to be provided to the Company.

There has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

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

9. Likely Developments and Expected Results of Operations

The group will continue its mineral exploration and development activity at and around its principal exploration projects, being the Manono Lithium and Tin Project and the Manono 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 including with the national Greenhuse and Energy Reporting Act 2007.

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

Nigel Ferguson	Managing Director	
Qualifications	BSc (University of Tasmania), FAusIMM, MAIG	
Experience	Mr Ferguson is a geologist with 31 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 Performance Rights	40,478,070 9,000,000
Directorships in last 3 years	Okapi Resources Ltd (since 29 May 2017) AJN Resources Inc. (since 12 June 2018)	

Hongliang Chen	Non-Executive Director	
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)	

Graeme Johnston	Technical Director (appointed 30 July 2018)
Qualifications	BSc in Geology (Glasgow University), M.Sc in Structural Geology (Royal School of Mines, London)
Experience	Mr Johnston is a geologist with over 31 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 Project.
Interest in Securities	Fully Paid Ordinary Shares 5,849,737 Performance Rights 8,100,000
Directorships in last 3 years	Nil

Rhett Brans	Non-Executive Director
Qualifications	Dip. Engineering (Civil)
Experience	Mr Brans is an experienced director and civil engineer with over 46 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	Fully Paid Ordinary Shares 1,963,158 Performance Rights 4,500,000
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)

Peter Huljich	Non-Executive Director (appointed 1 May 2019)
Qualifications	BCom/LLB, GD-AppFin, GAICD
Experience	Mr Huljich has over 25 years' experience in the legal, natural resources and banking sectors with a particular expertise in capital markets, mining, commodities and African related matters. He has worked in London for several prestigious investment banks, including Goldman Sachs, Barclays Capital, Lehman Brothers and Macquarie Bank with a focus on Commodities and Equity and Debt Capital Markets and has extensive on-the-ground African mining, oil and gas and infrastructure experience as the Senior Negotiator and Advisor for Power, Mining and Infrastructure at Industrial Promotion Services, the globall infrastructure development arm of the Aga Khan Fund for Economic Development (AKFED) whilst resident in Nairobi, Kenya. Mr Huljich holds Bachelor of Commerce and an LLB from the University of Western Australian and is a Graduate of the Securities Institute of Australia with National Prizes in Applied Valuation and Financial Analysis. Mr Huljich is also a graduate of the AICD Company Directors Course.
Interest in Securities	Performance Rights 4,500,000* * *Subject to shareholder approval*
Directorships in last 3 years	Kogi Iron Limited (since 7 May 2019)

Leonard Math	CFO & Company Secretary (appointed 9 July 2018)
Qualification	B.Com, CA
Experience	Mr Math a Chartered Accountant with more than 14 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.
Interest in Securities	Fully Paid Ordinary Shares 630,487 Performance Rights 4,000,000

Former Directors and Company Secretary:

Guy Loando	Non-Executive Director (resigned 1 May 2019)
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.
Mathew O'Hara	Company Secretary (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
Rhett Brans	Non-Executive Director	5 February 2018
Peter Huljich	Non-Executive Director	1 May 2019
Graeme Johnston	Technical Director	30 July 2018
Leonard Math	CFO and Company Secretary	9 July 2018
Hongliang Chen	Non-Executive Director	21 August 2017
Guy Loando	Non-Executive Director	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 appointed Managing Director effective 5 February 2018 and receives 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.

The other service or consulting agreements in place with key management personnel are summarised below:

Mr Johnston - Technical Director

- No term of agreement
- Receives a monthly fee of $20,833 (plus GST)
- 6-month termination period unless there is a breach or unremedied continued neglect of the terms of the agreement in which there is a one-month termination period.

Mr Math - Chief Financial Officer and Company Secretary

- No term of agreement.
- Receives a monthly fee of $13,000 (plus GST).
- 6-month termination period unless there is a breach or unremedied continued neglect of the terms of the agreement in which there is a one-month termination period.

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 responsible for assessing whether Key Performance Indicators ("KPI's") are met. The Board considers market rates of salaries for levels across the Group, which have been based on industry data provided by a range of employment agencies.

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.

<u>Performance rights</u>

Performance rights in AVZ Minerals Limited are granted by the Board under the AVZ Mineral Limited Rights Share Trust (RST). Performance rights are issued for no consideration and vest according to a set of performance criteria being met. The vesting of the performance rights is determined at the Board's discretion.

ii. Non-Executive Directors

The Board's 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 $650,000 per annum which was approved by shareholders at the 30 November 2018 annual general meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and from time to time, non-executives 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

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

Voting and comments made at the Company's 2018 Annual General Meeting

At the 2018 Annual General Meeting the Company remuneration report was passed by the requisite majority of shareholders.

(c) Details of Key Management Personnel Remuneration

2019	Short term employee benefits		Post employment	Share based payments	Total	Remuneration consisting of share based payments	Fixed remuneration
Name	Salary $	Consulting fees $	$	$	$	%	%
Executive Director							
Nigel Ferguson	-	300,000	-	338,739[5]	638,739	53	47
Technical Director							
Graeme Johnston[1]	-	225,333	-	519,511	744,844	70	30
Non-Executive Directors:							
Hongliang Chen	-	-	-	-	-	-	-
Rhett Brans	54,795	139,500	5,205	194,415[6]	393,915	49	51
Peter Huljich[3]	-	10,000	-	26,145	36,145	72	28
Guy Loando[4]	-	45,000	-	-	45,000	-	100
CFO & Company Secretary							
Leonard Math[2]	-	113,935	-	179,701	293,636	61	39
TOTAL	**54,795**	**833,768**	**5,205**	**1,258,511**	**2,152,279**		

1: Graeme Johnston was appointed on 30 July 2018.
2: Leonard Math was appointed on 9 July 2018.
3: Peter Huljich was appointed on 1 May 2019. No fees were paid to Mr Huljich during the year however fees of $10,000 due to him have been accrued.
4: Guy Loando resigned on 1 May 2019.
5: This figure is reduced by $200,364 relating to 12,000,0000 performance rights which were cancelled during the period.
6: This figure is reduced by $75,136 relating to 4,500,000 performance rights which were cancelled during the period.

2018 Name	Short term employee benefits Salary $	 Consulting fees $	Post employment $	Share based payments $	Total $	Remuneration consisting of share based payments %	Fixed remuneration %
Executive Director:							
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]	-	-	-	-	-	-	-
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.

Share-based compensation

The number of performance rights granted to and vested by key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Number of rights granted during the year 2019	Number of rights vested during the year 2019
Nigel Ferguson	12,000,000	3,000,000[1]
Rhett Brans	6,000,000	1,500,000[1]
Graeme Johnston	8,000,000	4,000,000[1]
Peter Huljich	4,500,000[2]	-
Leonard Math	4,000,000	1,000,000[1]

1: The vesting condition of defining a JORC measured and indicated resource of 150mt with at least 1% Li_2O was met during the period.
2: These Performance Rights have been granted and issued as at 30 June 2019 but are subject to Shareholder approval.

Values of rights over ordinary shares granted, exercised and lapsed for key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Value of rights granted during the year $	Value of rights vested during the year
Nigel Ferguson	960,000	240,000
Rhett Brans	480,000	120,000
Graeme Johnston	640,000	410,000
Peter Huljich	378,000	-
Leonard Math	320,000	80,000

(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
2019 Key Management Personnel:					
Nigel Ferguson[1]	16,083,333	-	1,394,737	20,000,000	37,478,070
Hongliang Chen	-	-	-	-	-
Guy Loando[4]	40,000,000	-	-	(40,000,000)	-
Rhett Brans[2]	-	-	463,158	-	463,158
Graeme Johnston[3]	-	-	394,737	1,455,000	1,849,737
Peter Huljich	-	-	-	-	-
Leonard Math	-	-	630,487	-	630,487

1: Nigel Ferguson acquired 1,000,000 shares from the market in November 2018 and an additional 394,737 shares at the February 2019 SPP capital raising. 20,000,000 performance rights vested during the year.
2: Rhett Brans acquired 200,000 shares in December 2018 and an additional 263,158 shares at the February 2019 SPP capital raising.
3: Graeme Johnston held 1,455,000 prior to becoming a Director. He acquired an additional 394,737 shares at the February 2019 SPP capital raising.
4: Guy Loando held 40,000,000 shares at the date of his resignation.

(v) Performance 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, apart from those issued as a result of performance rights vesting.

Performance rights	Balance at the start of the year	Granted during the year	Exercised/ Cancelled during the year	Balance at the end of the year	Performance Rights vested	% Vested
2019						
Key Management Personnel						
Nigel Ferguson	32,000,000	12,000,000[3]	(32,000,000)	12,000,000	3,000,000[4]	25%
Hong Liang Chen	-	-		-	-	-
Guy Loando	-	-		-	-	-
Rhett Brans	4,500,000	6,000,000[3]	(4,500,000)	6,000,000	1,500,000[4]	25%
Graeme Johnston	4,100,000[1]	8,000,000[3]		12,100,000	4,000,000[4]	33%
Peter Huljich	-	4,500,000[2]		4,500,000	-	-
Leonard Math	-	4,000,000[3]		4,000,000	1,000,000[4]	25%

1: 4,100,000 performance rights were held at date of appointment as Director.

2: These Performance Rights have been granted and issued as at 30 June 2019. 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 – Completion of Feasibility Study on the Manono Project;
ii. Tranche 2 – Execution of an offtake agreement for at least 25% of the product from Manono Project; and
iii. Tranche 3 – Completion of Manono project financing.

3: These Performance Rights were issued on 3 December 2018 following shareholders' approval at 2018 AGM on 30 November 2018 and will vest in four equal tranches as follows:

i. Tranche 1 – Definition of a 150Mt measured and indicated mineral resource in accordance with JORC Guidelines with a minimum 1% Li_2O being delineated within the Manono Project area;
ii. Tranche 2 – Completion of Feasibility Study on the Manono Project;
iii. Tranche 3 – Execution of an offtake agreement for at least 25% of the product from Manono Project; and
iv. Tranche 4 – Completion of Manono project financing.

4: The vesting conditions for these Performance Rights were met during 2019 upon the Company defining a JORC measured and indicated resource of 150mt with at least 1% Li_2O.

The valuation inputs for the Performance Rights granted to key management personnel during the year are shown below:

	Number Granted	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Valuation Date ($)	Total Fair Value ($)	% Vested
Issued on 3 December 2018							
Tranche 1	7,500,000	30/11/2018	Nil	03/12/2021	0.08	600,000	100%
Tranche 2	7,500,000	30/11/2018	Nil	03/12/2021	0.08	600,000	-
Tranche 3	7,500,000	30/11/2018	Nil	03/12/2021	0.08	600,000	-
Tranche 4	7,500,000	30/11/2018	Nil	03/12/2021	0.08	600,000	-
Issued on 3 June 2019							
Tranche 1-3	4,500,000	3/6/2019	Nil	03/06/2022	0.084	378,000	-

1. A probability of 20% was applied to Tranches 2 to 4 on the likelihood of the vesting condition being met within the period.

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	4	-
Guy Loando	3	2
Rhett Brans	4	4
Graeme Johnston	4	4
Peter Huljich	1	1

14. Insurance of Officers

During the financial year, AVZ Minerals Limited paid a premium of $41,634 (2018: $36,693) 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
24-May-2020	3.0 cents	203,649,049	-	-	203,649,049
28-Feb-2020	30.5 cents	30,000,000	-	-	30,000,000
5-Mar-2021	4.75 cents	-	5,000,000	4,000,000	1,000,000
5-Sep-2021	5.7 cents	-	5,000,000	-	5,000,000
5-Mar-2022	6.65 cents	-	5,000,000	-	5,000,000

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

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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 financial report. This Independence Declaration is set out on page 36 and forms part of this directors' report for the year ended 30 June 2019.

18. Non-Audit Services

During the years ended 30 June 2019 and 30 June 2018 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
27 September 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2019, 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, 27 September 2019

FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Revenue from continuing operations	3	117,562	169,121
Administrative costs		(1,172,828)	(783,615)
Directors and consultancy expenses		(817,423)	(823,343)
Share-based payment expense		(2,336,178)	(2,433,570)
Occupancy expenses		(90,688)	(4,129)
Compliance and regulatory expenses		(181,344)	(331,474)
Insurance expenses		(64,464)	(36,693)
Depreciation expense	8	(300,281)	(130,745)
Exploration impaired		-	(96,605)
Movement in fair value of financial liabilities		(417,926)	(469,111)
Loss on disposal of subsidiary		-	(676,800)
Loss before income tax		**(5,263,570)**	**(5,616,964)**
Income tax expense	5	-	-
Loss after income tax for the year		**(5,263,570)**	**(5,616,964)**
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		3,092,572	1,702,335
Realisation of foreign currency translation reserve		-	676,800
Other comprehensive income		3,092,572	2,379,135
Total comprehensive loss for the year		**(2,170,998)**	**(3,237,829)**
Loss for the year is attributable to:			
Owners of AVZ Minerals Limited		(5,144,410)	(5,564,666)
Non-controlling interests		(119,160)	(52,298)
		(5,263,570)	**(5,616,964)**
Total comprehensive loss for the year attributable to:			
Owners of AVZ Minerals Limited		(2,677,637)	(3,627,804)
Non-controlling interests		506,639	(389,975)
		(2,170,998)	**(3,237,829)**
Basic and diluted loss per share attributable to owners of AVZ Minerals Limited (cents per share)	16	(0.26)	(0.34)

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 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Current Assets			
Cash and cash equivalents	6	8,750,641	16,336,516
Trade and other receivables		207,100	88,900
Total Current Assets		8,957,741	16,425,416
Non-Current Assets			
Mineral exploration and evaluation	7	74,184,250	49,690,995
Property, plant and equipment	8	1,348,416	954,577
Total Non-Current Assets		75,532,666	50,645,572
Total Assets		84,490,407	67,070,988
Current Liabilities			
Trade and other payables	9	278,946	1,315,880
Provisions	10	3,423	-
Financial liabilities	11	2,138,357	2,027,027
Total Current Liabilities		2,420,726	3,342,907
Non-Current Liabilities			
Financial liabilities	11	5,074,286	1,022,043
Total Non-Current Liabilities		5,074,286	1,022,043
Total Liabilities		7,495,012	4,364,950
Net Assets		76,995,395	62,706,038
Equity			
Share capital	12	81,097,191	66,973,014
Reserves	14	9,630,639	4,827,688
Accumulated losses		(25,347,888)	(20,203,478)
Capital and reserves attributable to owners of AVZ Minerals Ltd		65,379,942	51,597,224
Non-controlling interests	20	11,615,453	11,108,814
Total Equity		76,995,395	62,706,038

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

For the Year Ended 30 June 2019

	Contributed Equity $	Accumulated Losses $	Other Reserve $	Foreign Currency Reserve $	Total $	Non-controlling Interests $	Total Equity $
Balance at 1 July 2018	66,973,014	(20,203,478)	4,025,591	802,097	51,597,224	11,108,814	62,706,038
Loss for the year	-	(5,144,410)	-	-	(5,144,410)	(119,160)	(5,263,570)
Exchange differences on translation of foreign operations	-	-	-	2,466,773	2,466,773	625,799	3,092,572
Total comprehensive income/(loss) for the year	-	(5,144,410)	-	2,466,773	(2,677,637)	506,639	(2,170,998)
Transactions with owners in their capacity as owners:							
Contributions of equity (net of transaction costs)	13,934,177	-	-	-	13,934,177	-	13,934,177
Share-based payments	-	-	2,336,178	-	2,336,178	-	2,336,178
Exercise of Options	190,000	-	-	-	190,000	-	190,000
Conversion of Performance Rights	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	14,124,177	-	2,336,178	-	16,460,355	-	16,460,355
Balance at 30 June 2019	81,097,191	(25,347,888)	6,361,769	3,268,870	65,379,942	11,615,453	76,995,395
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

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

For the Year Ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Cash Flows from Operating Activities			
Payments to suppliers and employees (inclusive of GST)		(2,316,115)	(2,128,571)
Interest received		110,744	169,121
Net cash outflow from operating activities	17	**(2,205,371)**	**(1,959,450)**
Cash Flows from Investing Activities			
Payments for exploration and evaluation		(16,749,727)	(12,283,811)
Payments for property, plant and equipment		(639,950)	(1,085,323)
Payment of deferred consideration		(2,115,075)	(1,963,469)
Net cash outflow from investing activities		**(19,504,752)**	**(15,332,603)**
Cash Flows from Financing Activities			
Proceeds from issue of shares and other equity securities		15,000,000	30,000,000
Proceeds from exercise of options		190,000	3,576,273
Share issue transaction costs		(1,065,823)	(1,136,836)
Net cash inflow from financing activities		**14,124,177**	**32,439,437**
Net (decrease)/increase in cash and cash equivalents		**(7,585,946)**	**15,147,384**
Exchange rate adjustments		71	46
Cash and cash equivalents at the start of the year		16,336,516	1,189,086
Cash and cash equivalents at the end of the year	6	**8,750,641**	**16,336,516**

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 $5,263,570 (2018: $5,616,964) and experienced net cash outflows from operating activities of $2,205,371 (2018: $1,959,450), net outflows from investing activities of $19,504,752 (2018: $15,332,603) and net cash inflows from financing activities of $14,124,177 (2018: $32,439,437) for the year ended 30 June 2019.

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 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 2019 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.

During 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 at this stage solely responsible for funding exploration activities and therefore has control over the day to day activities and economic outcomes of Dathcom Mining SAS. Future changes to the shareholders agreements may impact on the ability of the Company to control Dathcom Mining SAS. During 30 June 2019, the Company acquired additional 5% of the issued shares of Dathcom Mining SAS by cash.

(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 a Black-Scholes option pricing model, calculation of the fair value involves estimations of the relevant inputs to the pricing model.

1. **Summary of Significant Accounting Policies (continued)**

(e) Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets
Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price (excludes estimates of variable consideration) as defined in AASB 15, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

Financial Liabilities and Equity
Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

All other loans including convertible loan notes are initially recorded at fair value, which is ordinarily equal to the proceeds received net of transaction costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Effective Interest Rate Method
The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(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 recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expected to be entitled. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled.

1. **Summary of Significant Accounting Policies (continued)**

(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.

(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.

1. Summary of Significant Accounting Policies (continued)

(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.

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.

1. Summary of Significant Accounting Policies (continued)

(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) 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.

(s) 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.

1. Summary of Significant Accounting Policies (continued)

(s) Foreign currency translation (continued)

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.

(t) Share based payments

Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, 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 of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation technique, further details of which are given in the remuneration report.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of AVZ Minerals Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and
(ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Statement of Profit or Loss and Other Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

1. **Summary of Significant Accounting Policies (continued)**

(t) Share based payments (continued)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(u) New accounting standards and interpretations

Adoption of new and revised standards

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting periods beginning on or after 1 July 2018.

As a result of this review, the Group has initially applied AASB 9 and AASB 15 from 1 July 2018.

<u>AASB 9 Financial Instruments</u>
AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model. Financial instruments are classified as either held at amortised cost or fair value. Financial instruments are carried at amortised cost if the business model concept can be satisfied. All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 30 June 2018 has not been restated.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods.

1. **Summary of Significant Accounting Policies (continued)**

(u) New accounting standards and interpretations (continued)

AASB 15 Revenue from Contracts with Customers
AASB 15 replaces AASB 118 Revenue and AASB 111 Construction Contracts and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

The Group has adopted AASB 15 using the modified retrospective method of adoption (without practical expedients) with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018. Accordingly, the information presented for 30 June 2018 has not been restated. The effect of the application of AASB 15 has been applied to all contracts at date of initial application.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2019.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019)
When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116 : Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach. Although the Directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, the Company is still in the process of assessing the impact.

(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 (j) and to Note 7 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 for options is determined by an internal valuation using a Black-Scholes option pricing model. The fair value of Performance Rights is determined by using the underlying share price at grant date.

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) Deferred consideration

Deferred consideration is required to be paid at any time over a three year period. As such management have made judgements around the financing component associated with the deferred consideration, and an estimated repayment date to assess the present value of the deferred consideration.

		Consolidated	
		2019	2018
		$	$
3.	**Revenue**		
	Interest received	110,744	169,121
	Sale of equipment	6,818	-
	Total revenue from other revenue	117,562	169,121
4.	**Auditor's Remuneration**		
	Remuneration of the auditors of the consolidated entity for:		
	Auditing or reviewing the financial statements:		
	- BDO Audit (WA) Pty Ltd	45,405	43,049
	Non-assurance services	-	-
	Total remuneration of auditors	45,405	43,049

		Consolidated	
		2019	2018
		$	$
5.	**Income Tax Expense**		
(a)	Numerical reconciliation of income tax expense to prima facie tax payable		
	Loss from continuing operations before income tax expense	(5,263,570)	(5,616,964)
	Tax at the tax rate of 30% (2018: 30%)	(1,579,071)	(1,685,089)
	Tax effect of amounts which are not deductible in calculating taxable income:		
	Non-deductible expenses	925,518	1,141,719
	Unrecognised tax losses	697,989	568,914
	Other non-deductible amounts	-	-
	Differences in overseas tax rates	-	-
	Movement in unrecognised temporary differences	(566)	(16,196)
	Deductible equity raising costs	(43,871)	(9,348)
	Income tax expense	-	-
(b)	Deferred tax asset not recognised*		
	Tax losses	3,165,963	2,589,953
	Exploration and expenditure	211,811	27,688
	Other	-	-
	Net deferred tax not recognised	3,377,774	2,617,641

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

		Consolidated	
		2019	2018
		$	$
6.	**Cash & Cash Equivalents**		
(a)	Cash & cash equivalents		
	Cash at bank & in hand	8,750,641	16,336,516
	Total cash & cash equivalents	8,750,641	16,336,516

(b) Cash at bank and in hand

Cash on hand is non-interest bearing. Cash at bank bears interest rates between 0.01% and 2.7% (2018: 0.01% and 2.10%). Refer to Note 15 for the group's exposure to interest rate and credit risk.

	Consolidated	
	2019	2018
	$	$
7. Exploration & Evaluation Expenditure		
Exploration and evaluation phase		
Opening balance	49,690,995	34,515,613
Acquisition during the year (i)	5,860,721	-
Exploration costs	18,833,154	15,387,344
Net exchange differences on translation	(200,620)	(115,357)
Impairment expense	-	(96,605)
Closing balance	74,184,250	49,690,995

i. On 24 June 2019, the company announced that it has executed a Share Sale Purchase Agreement with Dathomir Mining Resources SARL to increase the group's equity in the Manono Lithium and Tin Project for a total consideration of US$5,500,000. The total consideration converted to AU$ at 24 June 2019 was AU$5,860,721.

	Consolidated 2019 $	Consolidated 2018 $

7. Exploration & Evaluation Expenditure (continued)

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 exploration of the areas of interest, or alternatively, by their sale.

	Consolidated 2019 $	Consolidated 2018 $

8. Property, plant and equipment

	2019 $	2018 $
Plant and equipment		
At cost	1,872,271	1,085,322
Less: accumulated depreciation	(523,855)	(130,745)
	1,348,416	954,577
Reconciliation		
Opening balance	954,577	-
Additions	641,530	1,085,322
Disposals	-	-
Depreciation expense	(300,281)	(130,745)
Foreign currency translation difference movement	52,590	-
Closing balance	1,348,416	954,577

	Consolidated 2019 $	Consolidated 2018 $

9. Trade & Other Payables

	2019 $	2018 $
Current		
Trade Payables	278,946	1,315,880
Total current trade & other payables	278,946	1,315,880

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

	Consolidated 2019 $	Consolidated 2018 $

10. Provisions

	2019 $	2018 $
Current		
Employee Benefits	3,423	-
Total current provisions	3,423	-

The group's provision for employee benefits represents annual leave payable.

	Consolidated 2019 $	Consolidated 2018 $

11. Financial Liabilities

Acquisition of a 60% interest in Dathcom Mining SAS on 23 May 2017

	2019 $	2018 $
Deferred Consideration		
Current Liability		
Principal	2,027,027	2,000,000
Principal repayments*	(2,115,075)	(1,963,469)
Fair value increase/(decrease) on repayment	(78,544)	(36,531)
Transfer between current/non-current	1,592,048	2,027,027
At 30 June	1,425,456	2,027,027
Non-Current Liability		
Principal	1,022,043	2,543,428
Transfer between current/non-current	(1,592,048)	(2,027,027)
Fair value increase/(decrease)	570,005	505,642
At 30 June	-	1,022,043
Total	1,425,456	3,049,070

*During the year ended 30 June 2019, the company paid US$1,500,000 (A$2,115,075) to La Congolaise D'Exploitation Miniere SA in deferred consideration under the terms of the Joint Venture Agreement. The key terms of the Joint Venture Agreement were disclosed in the company's ASX announcement dated 2 February 2017.

Acquisition of 5% interest in Dathcom Mining SAS on 24 June 2019

	2019 $	2018 $
Deferred Consideration		
Current Liability		
Principal	712,901	-
At 30 June	712,901	-
Non-Current Liability		
Principal	5,074,286	-
At 30 June	5,074,286	-
Total	5,787,187	-

On 24 June 2019, the Company announced that it had executed a Share Sale Purchase Agreement ("Agreement") with Dathomir Mining Resources SARL to increase the Group's equity in the Manono Lithium and Tin Project for a total consideration of US$5,500,000. Under the Agreement, the first tranche payment of US$500,000 is to be paid within 14 days of execution and the balance of the consideration can be paid at any time within 36 months from execution of the 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 2019.

	2019 $	2018 $
Total Deferred Consideration		
Total current liability	2,138,357	2,027,027
Total non-current liability	5,074,286	1,022,043
Total Liability	7,212,643	3,049,070

	Consolidated 2019 Shares	Consolidated 2018 Shares	Consolidated 2019 $	Consolidated 2018 $
12. Share capital				
(a) Share capital				
Ordinary shares - fully paid	2,287,198,459	1,868,461,449	81,097,191	66,973,014
Total Share Capital	2,287,198,459	1,868,461,449	81,097,191	66,973,014

(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.

	Date	Number of Shares $	Fair Value $	Total $
(a) Movements in share capital				
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
Opening Balance 1 July 2018		1,868,461,449		66,973,014
Conversion of Performance Rights	19-Jul-18	20,000,000		
Share Purchase Plan	25-Feb-19	137,250,166	0.038	5,215,507
Placement	4-Mar-19	257,486,844	0.038	9,784,500
Exercise of Listed Options during the year***	7-Jun-19	4,000,000	0.048	190,000
Less: Transaction costs arising on share issues		-		(1,065,830)
Closing Balance at 30 June 2019		2,287,198,459		81,097,191

*Unlisted options exercisable at $0.10 on or before 15 April 2019

**Listed options exercisable at $0.03 on or before 24 May 2020

***Unlisted Options exercisable at $0.0475 on or before 5 March 2021

	Expiry date	Exercise price (cents)	Balance at start of year	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance at end of the year
13. Share Options							
2019							
Unlisted	28 Apr 2020	30.5	30,000,000	-	-	-	30,000,000
Unlisted	15 Apr 2019	10.0	207,428,573	-	-	(207,428,573)	-
Listed	24 May 2020	3.0	203,649,049	-	-	-	203,649,049
Unlisted	5 Mar 2021	4.75	-	5,000,000	(4,000,000)	-	1,000,000
Unlisted	5 Sep 2021	5.7	-	5,000,000	-	-	5,000,000
Unlisted	5 Mar 2022	6.65	-	5,000,000	-	-	5,000,000
			441,077,622	15,000,000	(4,000,000)	(207,428,573)	244,649,049
2018							
Unlisted	28 Apr 2020	30.5	-	30,000,000	-	-	30,000,000
Unlisted	15 Apr 2019	10.0	-	214,285,714	(6,857,141)	-	207,428,573
Listed	24 May 2020	3.0	300,001,000	-	(96,351,951)	-	203,649,049
			300,001,000	244,285,714	(103,209,092)	-	441,077,622

	Consolidated 2019 $	Consolidated 2018 $
14. Reserves		
Other reserves (a)	6,361,769	4,025,591
Foreign currency translation reserve (b)	3,268,870	802,097
Total reserves	9,630,639	4,827,688
(a) Other reserves (i)		
Opening balance	4,025,591	2,469,511
Unlisted Options issued during the year	587,718	-
Performance Rights issued as remuneration during the year	1,748,460	1,678,032
Less: Conversion of Performance Rights	-	(121,952)
Closing balance	6,361,769	4,025,591
(b) Foreign Currency Translation Reserve (ii)		
Opening balance	802,097	(1,187,063)
Exchange difference arising on translation of foreign operations	2,466,773	1,312,360
Realisation of foreign currency translation reserve	-	676,800
Closing balance	3,268,870	802,097

Nature and purpose of reserves

(i) *Option reserve*
The Share Option Reserve contains amounts received on the issue of options over unissued capital of the company. It 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) *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(r) 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 $
2019					
Financial assets					
Cash and cash equivalents	1.708%	8,750,641	-	-	8,750,641
		8,750,641	-	-	8,750,641

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

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 2019 and 30 June 2018, 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.

15. Financial Instruments, Risk Management Objectives and Policies

(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 2019 and 30 June 2018, the group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	2019 USD $	2018 USD $
Cash and cash equivalents	173,370	268,211
Trade & other receivables - current	55,398	4,344
	228,768	272,555
Trade and other payables	-	1,139,996
Financial Liabilities	7,212,643	3,049,070
	7,212,643	4,189,066

A reasonably possible strengthening (weakening) of the USD at 30 June 2019 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss for the Group by the amounts shown below, expressed in Australian dollar. This analysis assumes all other variables remain constant.

	2019		2018	
	USD $ +10%	USD $ -10%	USD $ +10%	USD $ -10%
Cash and cash equivalents	(15,771)	15,771	(24,383)	24,383
Trade & other receivables - current	(5,039)	5,039	(395)	395
	(20,810)	20,810	(24,778)	24,778
Trade and other payables	-	-	(98,518)	98,518
Financial Liabilities	(655,755)	655,755	(277,188)	277,188
	(655,755)	655,755	(375,706)	375,706

(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 cash flows $	Carrying amount liabilities $
At 30 June 2019							
Trade and other payables	278,946	-	-	-	-	278,946	278,946
Financial liabilities	-	2,138,357	-	7,129,007	-	9,267,364	9,267,364
	278,946	2,138,357	-	7,129,007	-	9,546,310	9,546,310
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

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

(e) Net fair value

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

Consolidated	2019 Carrying Amount $	2019 Net fair Value $	2018 Carrying Amount $	2018 Net fair Value $
Financial assets:				
Cash and cash equivalents	8,750,641	8,750,641	16,336,516	16,336,516
Trade and other receivables - current	207,100	207,100	88,900	88,900
	8,957,741	8,957,741	16,425,416	16,425,416
Financial liabilities:				
Trade and other payables - current	278,946	278,946	1,315,880	1,315,880
Financial liabilities - current	2,138,357	2,138,357	2,027,027	2,027,027
Financial liabilities - non-current	5,074,286	5,074,286	1,022,043	1,022,043
	7,491,589	7,495,012	4,364,950	4,364,950

(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 2019 $	Consolidated 2018 $
16. Earnings per Share		
(a) Earnings/(Loss)		
Loss used in the calculation of basic and diluted EPS ($)	(5,263,570)	(5,616,964)
(b) Weighted average number of ordinary shares ('WANOS')		
WANOS used in the calculation of basic and diluted earnings per share:	2,017,918,212	1,659,053,738
	cents per share	cents per share
Basic and diluted loss per share	(0.26)	(0.34)

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

		Consolidated	
		2019	2018
		$	$
17.	**Cash Flow Information**		
	Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax:		
	Loss for the year	(5,263,570)	(5,616,964)
	Depreciation	300,281	130,745
	Impairment of exploration expenses	-	96,605
	Share-based payment	2,336,178	2,433,570
	Movement in fair value of financial liabilities	417,926	469,111
	Loss on disposal of subsidiary	-	676,800
	Changes in assets and liabilities:		
	(Increase)/Decrease in operating receivables and prepayments	5,011	(49,369)
	Increase/(Decrease) in trade and other payables	(1,197)	(99,948)
	Net cash outflows from Operating Activities	(2,205,371)	(1,959,450)
	Non-cash investing and financing activities		
	Issue of ordinary shares for capital raising services	-	420,000
		-	420,000

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

The Company entered into a lease for its office on 1 March 2019 expiring on 28 February 2022.

	Consolidated	
	2019	2018
	$	$
Office operating lease rentals are payable as follows:		
Within one year	67,975	-
After one year but not more than three years	84,865	-
Total operating lease commitments	152,840	-

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

20. Subsidiaries and non-controlling entities

(a) Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding[1] 2019	2018
				%
AVZ International Pty Ltd	Australia	Ordinary	100	100
AVZ Minerals Congo SARL	DRC	Ordinary	100	100
AVZ Power	DRC	Ordinary	100	-
Dathcom Mining SA*	DRC	Ordinary	60	60

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

* On 16 August 2019, the structure of Dathcom Mining SAS has changed to Dathcom Mining SA

(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	Dathcom Mining SAS 30 June 2019	30 June 2018
Current Assets	122,715	272,555
Non-current Assets	74,176,652	38,025,132
Total Assets	74,299,367	38,297,687
Current Liabilities	3,042	1,142,879
Non-current Liabilities	34,665,203	16,154,710
Total Liabilities	34,668,245	17,297,589
Net Assets/(Liabilities)	39,631,122	21,000,098
Accumulated NCI	11,615,453	11,108,814

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:

	Consolidated 2019 $	2018 $
Key Management Personnel Compensation		
Summary remuneration		
Short-term benefits	888,563	623,504
Post-employment benefits	5,205	10,735
Share-based payments (refer Note 22)	1,258,511	795,116
Total key management personnel compensation	2,152,279	1,429,355

Details of remuneration disclosures are provided within the audited remuneration report which can be found on pages 25 to 33 of the Directors' report.

22. Share Based Payments

	Consolidated 2019 $	Consolidated 2018 $
Options (a)	587,718	275,490
Performance Rights (b)	1,748,460	2,158,080
Total share based payments	2,336,178	2,433,570

(a) Options

For the year ended 30 June 2019:

During the year ended 30 June 2019, 15,000,000 unlisted options were issued to Patersons Securities Limited for being an advisor and underwriter for the February 2019 capital raising. The total fair value of the options was estimated at $587,718 as at the date of grant using the Black-Scholes model taking into account the terms and conditions upon which the options were granted.

	Tranche 1	Tranche 2	Tranche 3
Number granted	5,000,000	5,000,000	5,000,000
Expected volatility (%)	103	103	110
Risk-free interest rate (%)	1.75	1.72	1.69
Expected life of option (years)	2.13	2.63	3.13
Exercise price (cents)	4.75	5.7	6.65
Share price at grant date (cents)	6.5	6.5	6.5
Fair value at grant date (cents)	3.78	3.8	4.1

No options were issued to current directors and executives as part of their remuneration during the year. 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 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.

(b) Performance Rights

For the year ended 30 June 2019:

On 24 July 2018, 20,000,000 unlisted Performance Rights were converted into shares when the vesting condition was met.

On 30 November 2018, 35,800,000 unlisted Performance Rights were granted to directors, employees and contractors of the Company, with the vesting terms as below:

(i) Tranche 1 – 8,950,000 Performance Rights vested upon the Company defining a 150Mt measured and indicated mineral resource in accordance with the JORC Guidelines with a minimum 1% Li_2O being delineated within the Manono Project area;

(ii) Tranche 2 – 8,950,000 Performance Rights shall vest upon completion of a Feasibility Study on the Manono Project;

(iii) Tranche 3 – 8,950,000 Performance Rights shall vest upon executing an offtake agreement for at least 25% of the product from Manono Project; and

(iv) Tranche 4 – 8,950,000 Performance Rights shall vest upon the completion of the Manono Project financing.

22. Share Based Payments (continued)

(b) Performance Rights (continued)

For the year ended 30 June 2019:

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date ($)	Total Fair Value ($)	% Vested
Tranche 1	8,950,000	30 Nov-18	Nil	3-Dec-21	0.08	716,000	100%
Tranche 2	8,950,000	30 Nov-18	Nil	3-Dec-21	0.08	716,000	Nil
Tranche 3	8,950,000	30 Nov-18	Nil	3-Dec-21	0.08	716,000	Nil
Tranche 4	8,950,000	30 Nov-18	Nil	3-Dec-21	0.08	716,000	Nil

The share based payments of the above 35,800,000 unlisted Performance Rights were expensed to the statement of profit or loss and other comprehensive income at a discount of 10% to Tranche 2, 20% to Tranche 3 and 30% to Tranche 4.

On 3 June 2019, 8,000,000 unlisted Performance Rights were issued to a contractor of the Company, with the vesting terms as below:

(i) Tranche 1 – 2,000,000 Performance Rights shall vest upon successfully converting the Manono Project licence from PR to PE and lodgement of the Bankable Feasibility Study with the DRC and Provincial Government;

(ii) Tranche 2 – 2,000,000 Performance Rights shall vest on completion and acceptance of the Mining Convention by the DRC Government, ensure Manono Project licence remains in good standing with the relevant government departments,

(iii) Tranche 3 – 4,000,000 Performance Rights shall vest upon the issue of a legally binding exoneration on corporate and regional tax and import duty on major capital items for a period of 3 years from start-up – in event that the company secures a longer period a further tranche will be awarded pro-rata, i.e. 6 years a further 2 million.

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date ($)	Total Fair Value ($)	% Vested
Tranche 1	2,000,000	3-Jun-19	Nil	3-Jun-22	0.08	160,000	Nil
Tranche 2	2,000,000	3-Jun-19	Nil	3-Jun-22	0.08	160,000	Nil
Tranche 3	4,000,000	3-Jun-19	Nil	3-Jun-22	0.08	320,000	Nil

On 3 June 2019, 3,000,000 unlisted Performance Rights were issued to an employee of the Company, with the vesting terms as below:

(i) Tranche 1 – 1,500,000 Performance Rights shall vest upon delivering a positive and definitive transport route(s) for export of product to be included in the Definitive Feasibility Study – Manono Project and completing the 3 months probationary period;

(ii) Tranche 2 – 1,500,000 Performance Rights shall vest on completion and delivery of a positive Definitive Feasibility Study – Manono Project and completing the 3 months probationary period.

The employee resigned after year end and the Performance Rights were cancelled as a consequence. The fair value of the options granted was $240,000 based on the share price of $0.08 at grant date.

22. Share Based Payments (continued)

(b) Performance Rights (continued)

For the year ended 30 June 2019:

On 3 June 2019, 4,500,000 unlisted Performance Rights were issued to a director of the Company, with the vesting terms as below. These Performance Rights are subject to shareholders approval:

(i) Tranche 1 – 1,500,000 Performance Rights shall vest upon Performance Rights shall vest upon the completion of Feasibility Study on the Manono Project;
(ii) Tranche 2 – 1,500,000 Performance Rights shall vest executing an offtake agreement for at least 25% of the product from the Manono Project;
(iii) Tranche 3 – 1,500,000 Performance Rights shall vest upon the completion of the Manono Project financing.

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date ($)	Total Fair Value ($)	% Vested
Tranche 1	1,500,000	3-Jun-19	Nil	3-Jun-22	0.08	120,000	Nil
Tranche 2	1,500,000	3-Jun-19	Nil	3-Jun-22	0.08	120,000	Nil
Tranche 3	1,500,000	3-Jun-19	Nil	3-Jun-22	0.08	120,000	Nil

The share based payments of the above 4,500,000 unlisted Performance Rights were expensed to the statement of profit or loss and other comprehensive income at a discount of 10% to Tranche 1, 20% to Tranche 2 and 30% to Tranche 3.

Assumptions on vesting period and expense for Performance Rights issued during year ended 30 June 2019

	Total Fair Value ($)	Vesting period (days)	Expense to 30 June 2019 ($)
Key Management Personnel	2,778,000	1,095	1,203,795
Employees	704,000	1,095	393,201
Ongeza Mining	640,000	1,095	63,764

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.

22. Share Based Payments (continued)

(b) Performance Rights (continued)

For the year ended 30 June 2018:

On 6 February 2018, 4,350,000 unlisted Performance Rights were issued to employees of the Company, with the vesting terms as below:

(i) Tranche 1 – 1,450,000 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;
(ii) Tranche 2 – 1,450,000 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 – 1,450,000 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 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.

22. Share Based Payments (continued)

(b) Performance Rights (continued)

For the year ended 30 June 2018:

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date ($)	Total Fair Value ($)	% Vested
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%
Employees - Tranche 1	1,450,000	6-Feb-18	Nil	5-Feb-21	0.240	194,010	Nil
Employees - Tranche 2	1,450,000	6-Feb-18	Nil	5-Feb-21	0.240	182,555	Nil
Employees - Tranche 3	1,450,000	6-Feb-18	Nil	5-Feb-21	0.240	175,740	Nil
JNS Capital Corp - Tranche 1	1,000,000	15-May-18	Nil	15-May-19	0.160	29,000	Nil
JNS Capital Corp - Tranche 2	1,000,000	15-May-18	Nil	15-May-19	0.160	23,500	Nil
JNS Capital Corp - 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	525,000
Employee - Tranche 1, 2 and 3	552,305	1,095	72,632
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

		Company 2019 $	Company 2018 $
23.	**Parent Entity Information**		
(a)	Assets		
	Current assets	8,660,943	16,152,860
	Non-current assets	60,933,316	37,744,914
	Total assets	69,594,259	53,897,774
(b)	Liabilities		
	Current liabilities	2,349,584	2,200,028
	Non-Current Liabilities	5,074,286	1,022,043
	Total liabilities	7,423,870	3,222,071
	Net Assets	62,170,389	50,675,703
(c)	Equity		
	Contributed equity	81,097,191	66,973,014
	Accumulated losses	(25,288,571)	(20,047,413)
	Reserves	6,361,769	3,750,102
	Total equity	62,170,389	50,675,703
(d)	Total Comprehensive loss for the year		
	Loss for the year	(4,965,669)	(4,910,310)
	Other comprehensive income for the year	-	-
	Total comprehensive loss for the year	(4,965,669)	(4,910,310)

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 12 July 2019, 13,950,000 Performance Rights vested after the following milestones were met:

- 100Mt Measured JORC Mineral Resource
- 150Mt Measured Indicated JORC Mineral Resource

In addition, 3,000,000 fully paid ordinary shares were issued in lieu of marketing and corporate services to be provided to the Company.

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 37 to 67 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 2019 and of its performance for the financial year ended on that date; and

(b) the audited remuneration disclosures set out on pages 25 to 33 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
27 September 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2019, 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 2019 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(b) 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 1(k), Note 2(a) and Note 7 to the financial report.

BDO

Accounting for Share-based Payments

Key audit matter	*How the matter was addressed in our audit*
During the year ended 30 June 2019, the Company issued options and performance rights to directors, employees and advisors which have been accounted for as share-based payments. Refer to the financial report for a description of the accounting policy and significant estimates and judgements applied to these transactions. Due to the complex and judgmental estimates used in determining the valuation of the share based payments, we consider the accounting for the share based payment expense to be a key audit matter.	Our audit procedures in respect of this area included, but were not limited to the following: • Reviewing the relevant agreements to obtain an understanding of the contractual nature of the share-based payment arrangements; • Reviewing management's determination of the fair value of the options and performance rights issued; • Considering the appropriateness of the valuation model used and assessing the valuation inputs; • Evaluating management's assessment of the probability of achieving performance conditions relating to performance rights issued during the year; • Assessing the allocation of the share-based payment expense over the relevant vesting period; and • Assessing the adequacy of the related disclosure in Note 1(t), Note 2(b) and Note 22 of 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 2019, 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 14 to 20 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of AVZ Minerals Limited, for the year ended 30 June 2019, 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, 27 September 2019


AVZ
MINERALS LIMITED
AVZ MINERALS LIMITED

Shareholding

The distribution of members and their holdings of equity securities in the holding company as at 7 October 2019 is as follows:

	Fully Paid Ordinary Shares	
Number Held	Number of Holders	Number of Shares
1- 1,000	152	19,989
1,001 - 5,000	1,614	5,258,090
5,001 - 10,000	1,409	11,384,653
10,001 - 100,000	4,451	179,264,566
100,001 and over	2,140	2,108,221,161
Total	**9,766**	**2,304,148,459**

Holders of less than a marketable parcel: 3,354 with a total of 18,585,104 shares amounting to 0.81% of the Issued Capital.

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	282,391,950	12.26%
JP Morgan Nominees Australia PL	203,403,593	8.83%
Lithium Plus Pty Ltd	78,947,369	3.43%
HSBC Custody Nominees Australia Ltd	52,153,044	2.26%
BNP Paribas Nominees PL <IB AU NOMS Retailclient DRP>	46,648,486	2.02%
Ying Nominees PL	45,180,000	1.96%
Ridgeback Holdings PL	37,478,070	1.63%
Huayou International Mining (HK) Limited	26,315,790	1.14%
HSBC Custody Nominees Australia Ltd <Euroclear Bank AC>	22,733,632	0.99%
BNP Paribas Nominees PL <DRP>	22,081,066	0.96%
Stecol Consulting PL	20,000,000	0.87%
Mr Kai Guo	18,000,000	0.78%
Mr Kevin Griffiths	14,400,000	0.63%
Mr John Manson & Mrs Karen Manson	13,070,000	0.57%
Mr David John Trinca	12,001,885	0.52%
Mr Jeremy James Dunlop	9,660,000	0.42%
Mr Kyle Richardson	9,298,006	0.40%
Smartequity EIS PL	8,950,000	0.39%
Mr Haijun Wu	8,877,791	0.39%
Mr Stephen Baxter & Mrs Sarah-May Baxter	8,618,421	0.37%
TOTAL	**940,209,103**	**40.80%**

Substantial Shareholders

The names of the substantial shareholders:

Shareholder	Number	%
Huayou International Mining (Hong Kong) Ltd	216,615,790	9.40%

Optionholding

The distribution of members and their holdings of listed options in the holding company as at 7 October 2019 is as follows:

	$0.03 Listed Options	
Number Held	Number of Holders	Number of Options
1- 1,000	7	1,716
1,001 - 5,000	22	71,167
5,001 - 10,000	26	218,325
10,001 - 100,000	180	8,327,983
100,001 and over	232	195,029,858
Total	**467**	**203,649,049**

Twenty Largest optionholders

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

Optionholder	Number	% Held of $0.03 Listed Options
Mr Phillip Perry & Mrs Tetyana Perry	10,450,000	5.13%
Mr Benjamin Griffith	10,000,000	4.91%
Mr Darren Jeffery Hargreaves	8,800,000	4.32%
Mr George Chien Hsun Lu & Mrs Jenny Chin Pao Lu	6,350,000	3.12%
Bkg Fenton Pty Ltd	6,048,820	2.97%
Mr Brian Edward Fenton	5,850,002	2.87%
Mr Mark Gasson	5,000,000	2.46%
Mr Alan Paul Rudd	4,800,000	2.36%
Mr Peter Soos	4,277,342	2.10%
Mr Paul Venda Divin	3,998,500	1.96%
Mr Paul James Ellis	3,210,372	1.58%
Mr Laurie Nicholls	3,140,000	1.54%
Mr Peter Lane	3,123,199	1.53%
Moving Average Pty Ltd	3,000,600	1.47%
Mr Michael Hugh Renwick	3,000,000	1.47%
Mr John Demetre & Mrs Diane Louise Bowman	2,700,000	1.33%
La & La Allard Smsf Pty Ltd	2,500,000	1.23%
Tradelink Food Brokers P/L	2,500,000	1.23%
Top Class Holdings Pty Ltd	2,475,000	1.22%
Mr Earle Allon Richardson & Mrs Leanne Moya Walter	2,450,000	1.20%
Mr Phillip Rich	2,383,623	1.17%
TOTAL	**96,057,458**	**47.17%**

Substantial Optionholders

The names of the substantial optionholders:

Shareholder	Number	%
Mr Phillip Perry & Mrs Tetyana Perry	10,450,000	5.13%

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 $0.0475 expiring on, or before, 5 March 2021	1,000,000	1
Unlisted options exercisable at $0.057 expiring on, or before, 5 September 2021	5,000,000	2
Unlisted options exercisable at $0.0665 expiring on, or before, 5 March 2022	5,000,000	2
Unlisted options exercisable at $0.305 expiring on, or before, 28 February 2020	30,000,000	1

Unquoted equity securities – performance rights	Number on issue	Number of holders
Performance Rights expiring 3 December 2021	30,600,000*	9
Performance Rights expiring 2 June 2022	11,000,000	2
Performance Rights expiring 5 February 2021	6,600,000	3

**4,500,000 subject to Shareholder approval*

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, Listed Options and Unlisted Options

These securities have no voting rights.

Corporate Governance

The Board of AVZ Minerals Limited is committed to Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate with Shareholders. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at **https://avzminerals.com.au/corporate-governance**.

Application of Funds

During the financial year, AVZ Minerals Limited confirms that it has used its cash and assets (in a form readily convertible to cash) in a manner which is consistent with the Company's business objectives.

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

*Upon completion of the acquisition of a further 5% from Dathomir Mining Resources SARL, AVZ Minerals Limited will hold 65% interest in the Project.