AVZ Minerals Limited
ABN 81 125 176 703

Annual Report 2017

Contents

Corporate Directory

Directors
Klaus Eckhof (Executive Chairman)
Nigel Ferguson (Executive Director)
Patrick Flint (Non-Executive Director)
Hongliang Chen (Non-Executive Director)
Guy Loando (Executive Director)

Company Secretary
Mathew O'Hara

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Securities Exchange Listing
Australian Securities Exchange
(Home branch: Perth, Western Australia)
ASX Code: **AVZ, AVZO**
Frankfurt Stock Exchange
FSE Code: **AOMXC7**

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www.avzminerals.com.au

Overview

The 2017 financial year has seen AVZ and its shareholders rewarded for supporting the Board's strategy of focusing on securing large scale mineral projects. AVZ reviewed many project opportunities during 2015 and 2016, but it was not until early in the current financial year that projects were identified that met the Board's investment criteria.

In September 2016 AVZ entered into an agreement to acquire a 100% interest in the Manono Extension Project, which was considered prospective for lithium, tin and tantalum. This was followed in November 2016 by the acquisition of a 60% interest in the Tanganyika Regional Project, which comprised seven licences prospective for lithium, rare earths and base metals. In January 2017 AVZ secured a 60% interest in the Manono Project, the site of the historic Manono tin mine and also prospective for lithium and tantalum.
AVZ immediately commenced field work on these projects, comprising site visits, geological mapping, surface sampling and trenching. The completion of an initial 7-hole drill program demonstrated the immense size of the Manono Project.

The Board completed a number of capital raisings during the year and in August 2017 announced a $13 million investment by the Huayou Cobalt Group, China's largest cobalt chemicals producer.
The Board considers that the Manono Project is a world class asset. Outstanding drill results have been received and with funding secured for an extensive diamond and RC drill program focused on resource definition drilling, the upcoming year will be very busy and exciting for AVZ.

Manono Project, DRC (AVZ 60%)

In February 2017, AVZ announced it had agreed to acquire an interest in the historic Manono Mine and surrounding area in the south of the Democratic Republic of Congo (DRC) in central Africa (Figure 1). The Manono Project comprises licence PR13359, covering approximately 188km2. The licence was granted on 28th December 2016 for a period of five years and may be renewed in accordance with the Mining Code.

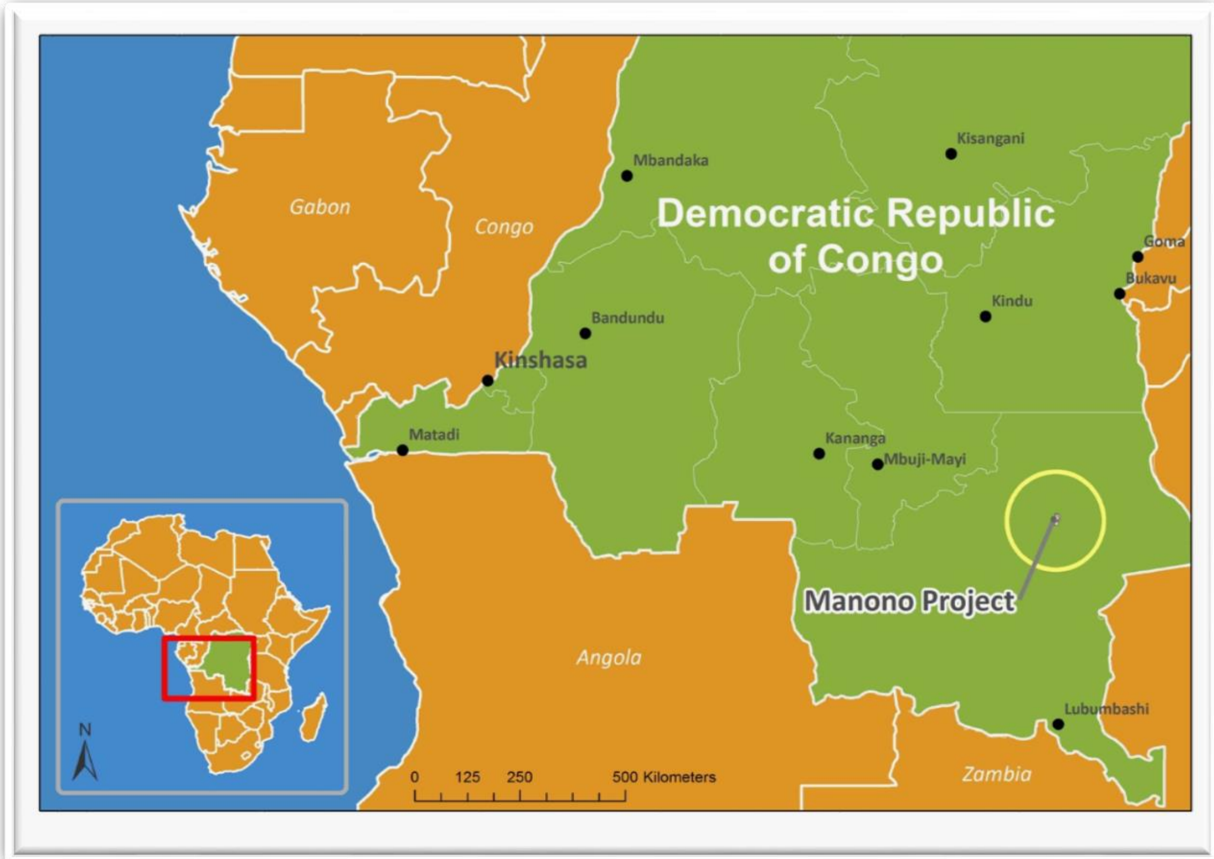

Figure 1: Location of the Manono Project in the Democratic Republic of Congo

Historical Activities

The pegmatites located within the Manono Project extend for a strike length of at least 13km, however only a limited portion was tested by historical mining and exploration activities. According to publicly available records, the Manono pegmatites were mined for their tin content between 1919 and 1980, during which time approximately 185,000 tonnes of cassiterite concentrate was produced, at an average of 1,850gm of cassiterite concentrate per cubic metre (g/m3) or approximately 1,330g/m3 tin. The ore was sourced mainly from eluvial and weathered pegmatite, and the pits were completed to a depth of between 25 and 45 meters.

Between 1948 and 1949 a study of the hard-rock pegmatite was initiated. Forty-two holes, totaling 2,202m were completed in the far western part of the known pegmatites centered around the Roche Dure pit. Based on these results a hard-rock open pit that operated from 1951 to 1956 was established. With the exception of some exploration work carried out on the old mine dumps, aimed at determining cassiterite and spodumene grades, it appears very little prospection took place at Manono after 1960.

Beneficiation test work carried out by Belgium government demonstrated that a 6.82% lithium concentrate was produced using a combination of heavy media separation, tables and spirals. These are considered to be promising results for basic heavy liquid testing. It is anticipated that further grind size optimisation and potentially a flotation stage would see further improvement.

Mapping and Trenching

Detailed deposit scale geological mapping was commenced by AVZ in March 2017. This work confirmed that the Manono Project contains two large areas of pegmatite, with the northeast area referred to as the Manono

Sector and the southwest area referred to as the Kitotolo Sector. Mapping within the two sectors established that there are many pegmatites, representing separate intrusions. AVZ has named the six largest pegmatites (with lengths from 400m to greater than 5kms) using the names of the historical open-cut mines (shallow but extensive pits) within the area (Figure 4).

Observations of outcrops indicate that the main Li mineral in the large pegmatites is spodumene. In addition, outcrops and exposures in pits suggest that the two largest pegmatites are the Carriere de L'est Pegmatite and the Roche Dure Pegmatite, and that each of these alone is evidently as large or larger than the famous Greenbushes Pegmatite in Western Australia.

The geological mapping was used in initial geological interpretations and was followed by systematic trenching programs designed to test mapped surface spodumene mineralisation.

A total of 37 reconnaissance trenches have been excavated to date for a total length of 2,797m (Figures 2 and 3). From these trenches 1,205 composite rock-chip samples were collected, mostly from 2m intervals.

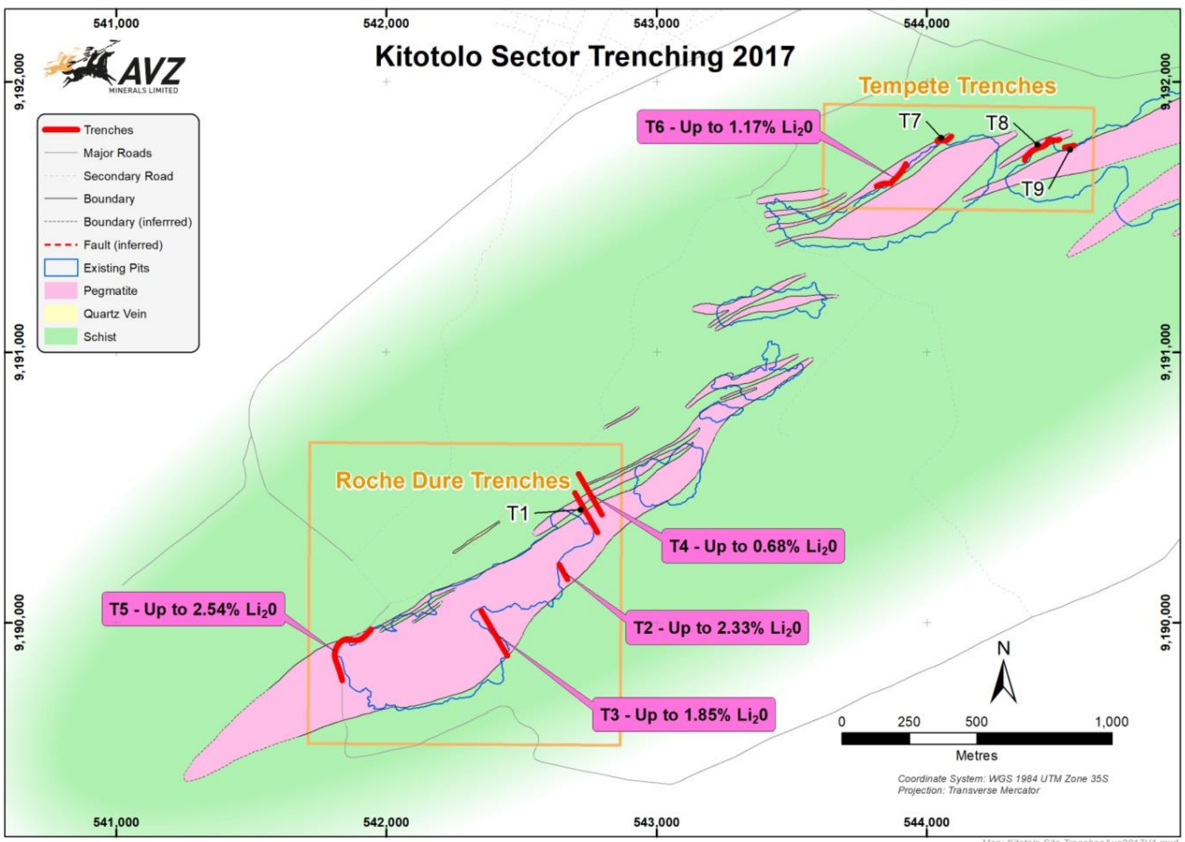

Figure 2: Trenches in the Kitotolo Sector

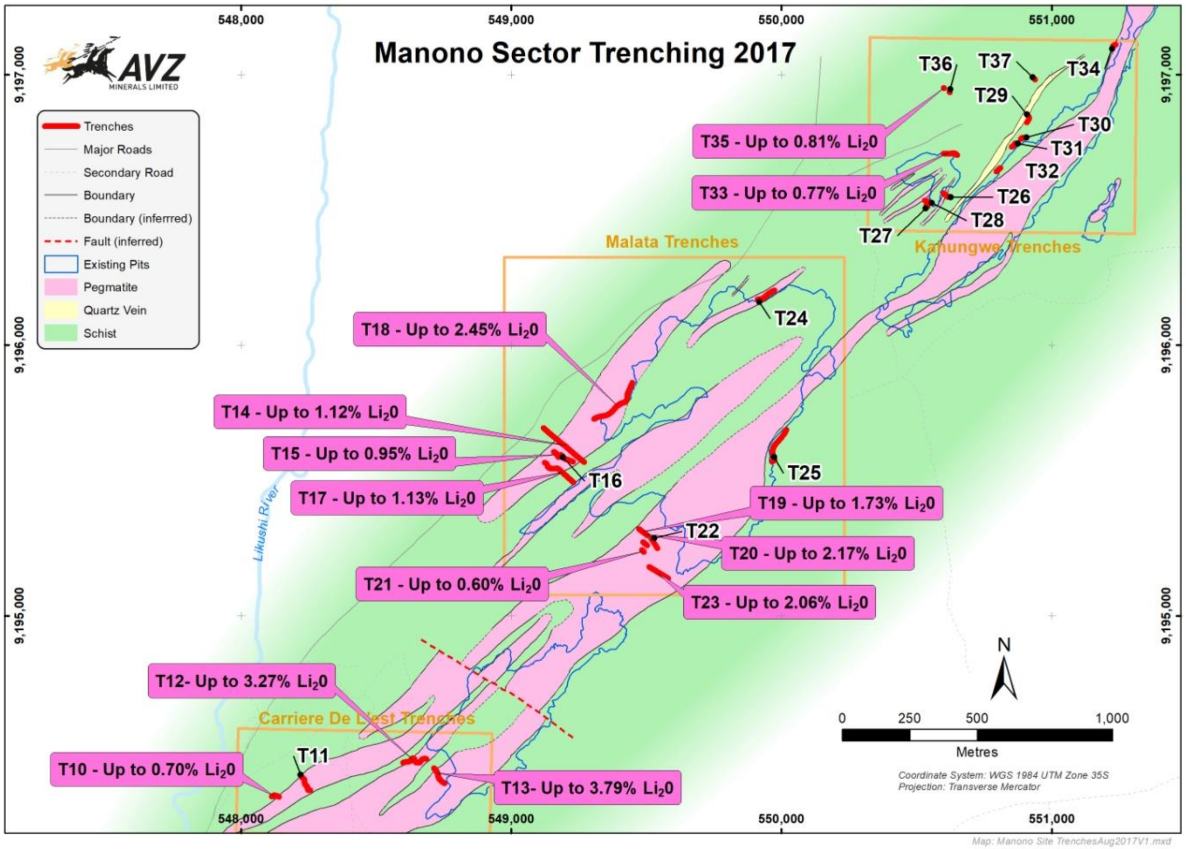

Figure 3: Trenches in the Manono Sector

The high Li2O concentrations reported correspond to samples collected from trench intervals cut into relatively fresh, less leached pegmatite. Conversely, the samples collected from outcrops of highly weathered pegmatite contain much lower concentrations of lithium but are still indicative of a well mineralised system. This near-surface weathering-induced lithium depletion is typical of weathered pegmatites.

The trenching results demonstrate a well mineralised system across a significant strike length. It is likely that high-grade lithium mineralisation will be intersected when each of the pegmatites that have been sampled to date, are subjected to a drilling campaign.

Drilling

AVZ completed an initial phase of drilling in July 2017, comprising seven diamond drill holes for a total of 1,739m and testing four of the large pegmatites. In all cases, thick intervals of pegmatite were intersected and spodumene was present within all the pegmatites. Drill-holes MO17DD001 – MO17DD006 were completed in the Kitotolo Sector, and MO17DD007 completed in the Manono Sector. Samples were forwarded to ALS Global's laboratory in Lubumbashi for preparation work, with assay determinations being completed at ALS Global's laboratory in Perth, WA.

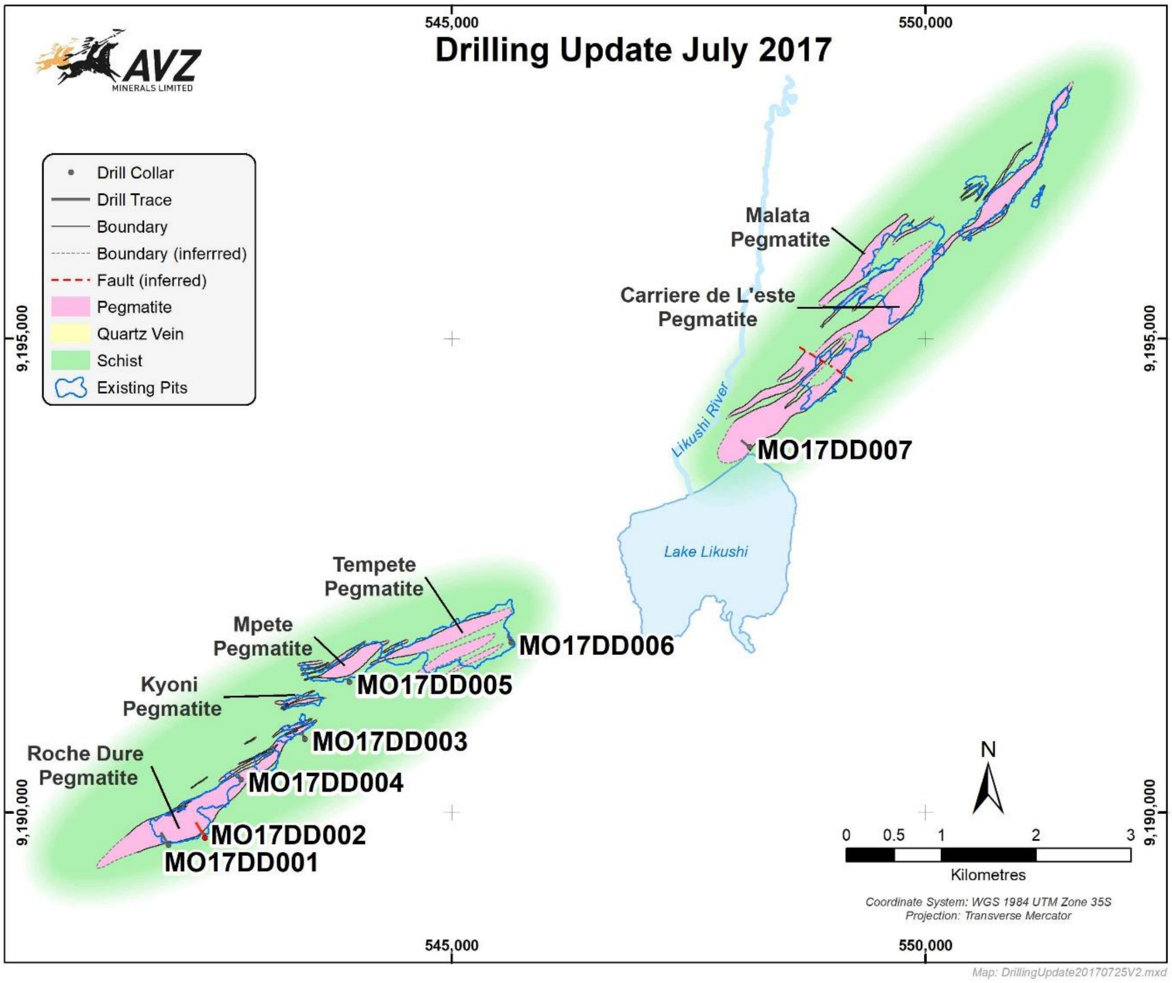

Figure 4: Location of drill-holes completed to date.

Table 1: Summary drill results

Drill-hole ID	Pegmatite	Main Pegmatite Intersection [2]	Profile
MO17DD001	Roche Dure	235.0m @ 1.66% Li2O, 1001ppm Sn	Unweathered
MO17DD002	Roche Dure	202.8m @ 1.57% Li2O, 1078ppm Sn	Unweathered
MO17DD003	Roche Dure	18.3m @ 0.15% Li2O, 500ppm Sn	Very weathered [1]
MO17DD004	Roche Dure	43.1m @ 0.07% Li2O	Very weathered [1]
MO17DD005	Mpete	45.7m @ 1.59% Li2O, 1230ppm Sn	Unweathered
MO17DD006	Tempete	65.9m @ 1.51% Li2O	Unweathered
MO17DD007	Carriere De L'Est	250.9m @ 1.48% Li2O, 913ppm Sn	Unweathered

Notes

1 – intersections entirely within the weathered zone and lithium mineralization leached out.

2 - Down-hole length. Additional drilling is required to confirm the true-thickness of the pegmatites.

Based on the work completed to date the Roche Dure Pegmatite has a proven length of at least 2,100m. Drill-holes MO17DD001 and MO17DD002 are centrally located within an 800m long interval in which the Roche Dure Pegmatite's average true thickness is interpreted to be 200m and drilling has proven the pegmatite extends down-dip more than 250m and remains open.

Secondary mineralisation in the form of tin and tantalum should not be discounted either. The exact nature of the Sn and Ta mineralisation will develop with further drilling, but early indications are that these could provide a significant economic benefit to the project.

Drill-holes MO17DD004 (some 1.5kms north east of MO17DD001) and MO17DD003 (some 2.1kms north east of MO17DD001) passed through the Roche Dure Pegmatite entirely within the weathered zone above fresh rock and did not return significant assays for lithium. However, drill-hole MO17DD004 established that the Roche-Dure Pegmatite is likely to have a true thickness of about 78m at its location. MO17DD003 confirmed the pegmatite has reduced dimensions near its north-eastern termination, with a thickness of about 18m at this location. In addition, it is likely that the unweathered down-dip continuation of the Roche Dure Pegmatite in the vicinity of these drill holes is also well mineralized.

The Mpete Pegmatite is the main pegmatite mined from the Mpete open pit. Based on outcrop mapping and drill-hole MO17DD005 the Mpete Pegmatite is estimated to have a strike length of 1km and is potentially a large source of lithium mineralisation within the Kitotolo sector.

The Tempete Pegmatite is the main pegmatite mined from the Tempete open pit and like the Mpete and Roche Dure Pegmatites, is a potentially large source of lithium mineralisation within the Kitotolo sector. AVZ's mapping suggests that the Tempete Pegmatite has a strike length of 1.5kms.

The Carriere de L'Est Pegmatite, with a length of about 5,500m, is the largest pegmatite in the Manono Project. Assay results from drill-hole MO17DD007 confirmed the mineralisation distribution and tenor evident from the spodumene present in the drill-core. Sampling commenced at 1.9m from which depth the pegmatite is unweathered. The thickness of intersected pegmatite and the geometric relationship between the location of the drill hole and mapped pegmatite boundaries suggests the thickness of the pegmatite may be 280m.

To AVZ's knowledge, the drill intercept of 250.93m @ 1.48% Li2O and 913ppm Sn is the longest pegmatite intercept ever reported. The Carriere de L'Est Pegmatite has the potential to be the largest lithium-rich pegmatite in the world, with the Roche Dure Pegmatite coming in a close second.

These are outstanding results for the initial drill program. The drilling results demonstrate that four of the largest pegmatites at Manono contain a large proportion of spodumene and that in the unweathered, unaltered pegmatite the lithium mineralisation seems to have a typical grade of about 1.5% Li_2O. Significant tin mineralisation is also present.

The depth of weathering varies significantly across the project area, with Top of Fresh Rock (TOFR) ranging from a few meters below surface down to about 70m below surface. In many cases, historical mining has stripped much of the weathered material, reducing the amount of low-grade mineralised pegmatites. The program has confirmed the immense size and potential of the Manono Lithium project.

AVZ is currently planning an extensive diamond and RC drill program scheduled to commence in Q4 2017. This program will focus on resource definition, extension drilling and initial mineralogical test-work.

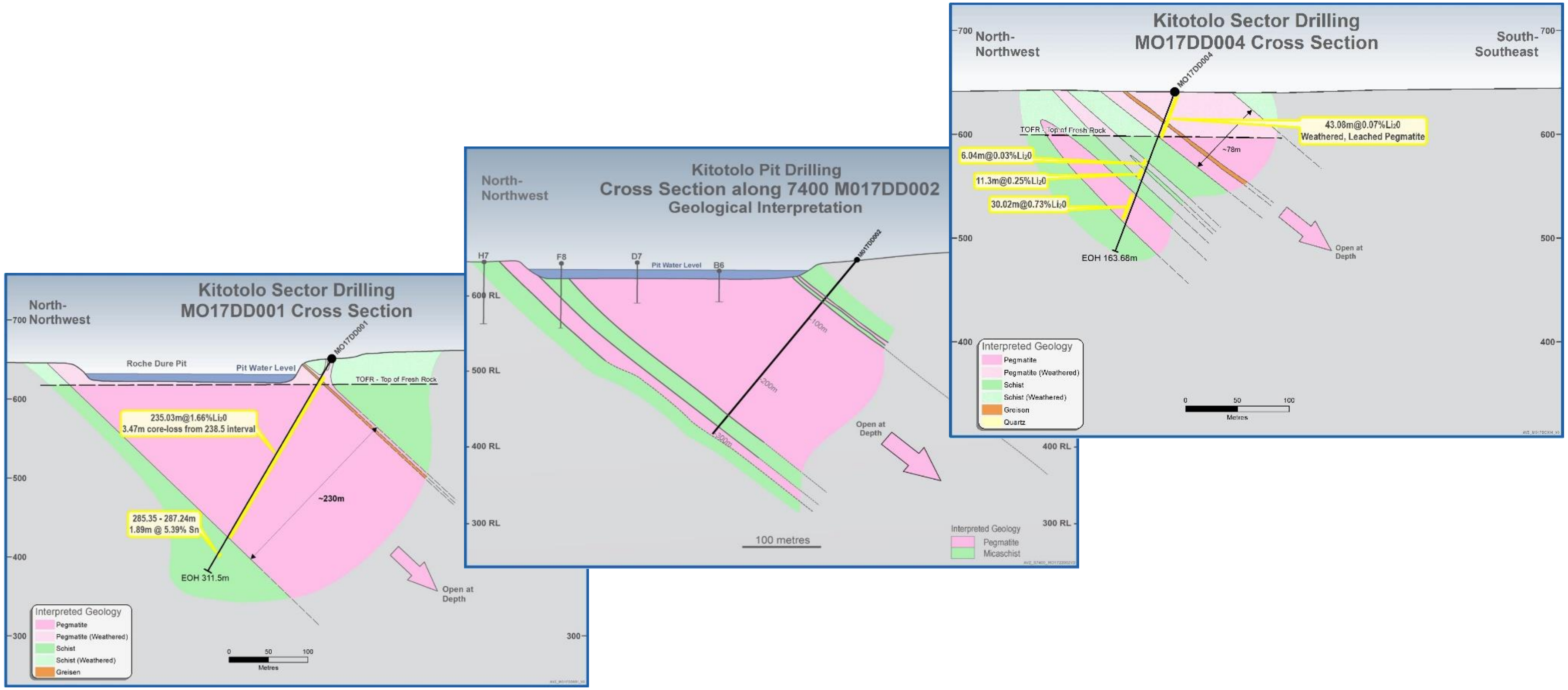

Figure 5: Stacked cross sections showing MO17DD001 (width estimated at 230m), MO17DD002 (width estimated at 190m) and MO17DD004 (width estimated at 78m) intersecting the Roche Dure Pegmatite over approximately 1.2km strike length

Exploration Target

Based on detailed prospect scale mapping, trenching and drill results and given the size and mineralised nature of the pegmatites at Manono, the Company generated an exploration target of between 1Bt to 1.2Bt of 1.25% to 1.5% Li_2O for the entire Manono Project, including between 300 and 400Mt of 1.25% to 1.5% Li_2O for the Roche Dure Pegmatite alone.

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

It is noted that outlying occurrences of pegmatite are also recorded about 5km north of Manono and also to the south, offering further potential.

Other Projects

During the year, AVZ acquired:

- a 100% interest in the Manono Extension Lithium, Tin and Tantalum Project (Manono Extension Project), and
- a 60% interest in seven additional exploration licences known as the Tanganyika Regional Project.

The Manono Extension Project comprises two granted exploration permits (PRs 4029 and 4030) covering 242.25km2 and contiguous to and totally surrounding the Manono Project (PR13359). Preliminary work has confirmed the potential for lithium-bearing pegmatites within the project area as extensions to the main Manono Pegmatite. AVZ has mapped a coarse grained granitic body of approximately 800m strike length and 200m width. This body straddles the western licence boundary, with approximately 600m of strike contained within PR4030.

The Tanganyika Regional Project is also located in the south of the DRC. The project covers approximately 1,172km2 within the prospective mid-Proterozoic Kibaran Belt and preliminary work identified anomalous mineralisation on two of the permits, with results indicative of pegmatite intrusives with an REE signature.

AVZ also held interests in a number of exploration licence applications prospective for base metals in Namibia. AVZ has now withdrawn those applications and wound up its activities in Namibia.

Corporate

Capital Raising

During the year AVZ completed the following capital raisings:

- the issue of 90,000,000 shares at an issue price of 0.9 cents per share to raise $810,000 in September 2016.
- the issue of 44,583,333 shares at an issue price of 1.2 cents per share to raise $535,000 in December 2016.
- the issue of 250 million shares at 2c per share (together with up to 250 million attaching options exercisable at 3c and expiring 15 April 2019) to raise $5 million to fund due diligence, acquisition costs and planned work programs in respect of the Manono Project. The first tranche of the placement for $2.5 million was completed in February 2017, and the second tranche of the placement was completed in May 2017.

Post year-end, in August, AVZ announced a $15 million placement that included a $13.02 million investment by Huayou International Mining (HONGKONG) Limited (Huayou) to acquire an 11% interest in AVZ. Huayou is a wholly-owned subsidiary of Zhejiang Huayou Cobalt Co., Ltd. (Huayou Cobalt). Huayou Cobalt is the largest cobalt chemicals producer at present in China and is listed on the Shanghai Stock Exchange. Huayou Cobalt also owns and operates a number of copper and cobalt mines in the south of the DRC, exporting concentrates back to its processing and refining facilities in China. The funds will primarily be used for the planned drilling and initial mineralogical testwork programs at the Manono Project, as well as ongoing corporate and administration costs.

Board & Management changes

In conjunction with the acquisition of the interest in the Manono Project, in February 2017 Mr. Klaus Eckhof transitioned from the role of Managing Director to Executive Chairman.

At the same time, Nigel Ferguson was appointed Technical Director. Mr. Ferguson, a geologist with 30 years of experience, is responsible for managing AVZ's exploration activities at Manono. He has been active in the DRC since 2004 in gold and base metals exploration and resource development.

Subsequent to year end, Mr. Hongliang Chen (a nominee of Huayou Cobalt) and Mr. Guy Loando were appointed as Directors and Mr. Mathew O'Hara was appointed as Company Secretary. Mr. Gary Steinepreis resigned as Director and Company Secretary.

Legal

In March 2017 AVZ was served with a writ of summons filed in the Supreme Court of Western Australia by MMCS Strategic 1 (MMCS) seeking certain declarations regarding the granting and ownership of the Manono licence (MMCS Claim). MMCS is a shareholder of Manono Minerals S.A.R.L. (Manomin), which previously held an exploitation licence over the Manono Project. In July 2017 MMCS abandoned the MMCS Claim, and filed an amended claim (Amended Claim) seeking an order pursuant to the ASIC Act and the Corporations Act requiring AVZ to make announcements to the market to correct what MMCS claims were misleading or deceptive announcements (or announcements which were likely to mislead or deceive) made by AVZ concerning the Manono licence.

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

Competent Persons Statement

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

Your directors submit their report on the consolidated entity consisting of AVZ Minerals Limited (AVZ) and the entities it controlled (the Group) for the financial year ended 30 June 2017. 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.

Klaus Eckhof	Executive Chairman
Nigel Ferguson	Executive Director (appointed 2 February 2017)
Patrick Flint	Non-Executive Director
Hongliang Chen	Non-Executive Director (appointed 21 August 2017)
Guy Loando	Executive Director (appointed 21 August 2017)
Gary Steinepreis	Non-Executive Director (resigned 21 August 2017)
Charles Thomas	Non-Executive Director (retired 24 November 2016)

2. Company Secretary

Mathew O'Hara was appointed Company Secretary on 21 August 2017 at which date Gary Steinepreis resigned.

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 $1,683,329 (2016: $479,734 loss).

5. Dividends Paid or Recommended

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

6. Review of Operations

Refer pages 2 – 10 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 continue exploration activity on the Company's existing mineral projects, including an extensive 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;
- government policy changes;
- retention of key staff; and

- capital requirement and lack of future funding.

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

7. Significant Changes in the State of Affairs

There have been significant changes in the state of affairs of the group to the date of this report and these are referred to in the Review of Operations.

8. Events Occurring after the Reporting Date

On 10 August 2017, the Company reached an agreement with Huayou International Mining (Hong Kong) Limited (Huayou) for Huayou to invest $13.02 million and acquire an 11% interest in AVZ (Capital Raising)

The placement to Huayou comprised 186 million shares at an issue price of 7 cents per share, together with 186 million attaching options exercisable at 10 cents and expiring 15 April 2019 to raise $13,020,000. Huayou also exercised the right to appoint Hongliang Chen to the AVZ Board.

AVZ issued 186 million shares and 86 million attaching unlisted options to Huayou under its existing placement capacity. The remaining 100 million attaching options will be issued to Huayou subject to shareholder approval on 12 October 2017.

In addition, AVZ also proposes to raise, subject to shareholder approval on 12 October 2017, up to a further $1.98 million from institutional and sophisticated investors by the issue of up to 28,285,714 shares at an issue price of 7 cents per share, together with up to 28,285,714 attaching unlisted options exercisable at 10 cents and expiring 15 April 2019.

The shareholder meeting is also seeking approval to the issue of 5,000,000 employee performance rights and 6,000,000 ordinary shares in consideration for an introduction fee in connection with the Capital Raising.

Between 1 July 2017 and the date of this report, the Company issued a total of 54,415,438 ordinary shares following the exercise of listed options. The Company also issued 7,500,000 ordinary shares following the conversion of performance rights.

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.

9. Likely Developments and Expected Results of Operations

The group will continue its mineral exploration activity at and around its principal exploration projects, being the Manono 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.

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

Klaus Eckhof	Executive Chairman	
Qualifications	Dip. Geol. TU, AusIMM	
Experience	Mr Eckhof is a geologist with more than 20 years of experience identifying, exploring and developing mineral deposits around the world. Mr Eckhof worked for Mount Edon Gold Mines Ltd as Business Development Manager before it was acquired by Canadian mining company Teck. In 1994, Mr Eckhof founded Spinifex Gold Ltd and Lafayette Mining Ltd, both of which successfully delineated gold and base metal deposits. In late 2003, Mr Eckhof founded Moto Goldmines which acquired the Moto Gold Project in the Democratic Republic of the Congo. There, Mr Eckhof and his team delineated more than 20 million ounces of gold and delivered a feasibility study within four years from the commencement of exploration. Moto Goldmines was subsequently acquired by Randgold Resources who poured first gold in September 2013.	
Interest in Securities	Fully Paid Ordinary Shares	63,000,000
Directorships in last 3 years	Amani Gold Ltd (since 6 February 2012) Okapi Resources Ltd (since 29 May 2017)	

Former Directorships in the Last Three Years:
Carnavale Resources Ltd (1 January 2008 to 20 July 2015)
Panex Resources Inc. (30 May 2006 to 24 July 2014)

Patrick Flint — Non-Executive Director

Qualifications: B.Com, CA, MAICD

Experience: Mr Flint has been involved in the resources sector as a director or company secretary of ASX and Toronto Stock Exchange listed companies with mineral projects in Australia, Africa and Asia for the last 20 years. He is a Chartered Accountant and has significant experience with project acquisitions, joint venture negotiations and management, fund raisings and corporate matters.

Interest in Securities: Fully Paid Ordinary Shares 16,000,000

Directorships in last 3 years: Former Directorships in the Last Three Years:
Nemex Resources Ltd (8 September 2010 to 16 December 2015)
Explaurum Limited (27 November 2013 to 2015 to 23 October 2015)
Mount Magnet South NL (15 April 2011 to 22 December 2014)

Nigel Ferguson — Executive Director (appointed 2 February 2017)

Qualifications: BSc (University of Tasmania), F AusIMM, MAIG

Experience: Mr Ferguson is a geologist with 30 years of experience having worked in senior management positions for the past 18 years in a variety of locations. He has experience in the exploration and definition of precious and base metal mineral resources throughout the world, including DRC, Zambia, Tanzania, Saudi Arabia, South East Asia and Central America. He has been active in the DRC since 2004 in gold and base metals exploration and resource development.

Interest in Securities: Fully Paid Ordinary Shares 16,083,333
Performance Rights 20,000,000

Directorships in last 3 years: Okapi Resources Ltd (since 29 May 2017)

Hongliang Chen — Non-Executive Director (appointed 21 August 2017)

Experience: Mr Chen is a nominee of the Huayou Cobalt Group. Mr Chen joined the Huayou Cobalt Group in May 2002 and is currently a director and the president of the parent company, Shanghai stock exchange listed Zhejiang Huayou Cobalt Co Ltd. Mr Chen previously worked in management positions at the Agricultural Bank of China, Tongxiang Branch Investment Corporation Tongxiang Securities Department and Shenyin Wanguo Securities Co Ltd.

Interest in Securities: Fully Paid Ordinary Shares Nil

Directorships in last 3 years: Zhejiang Huayou Cobalt Co Ltd (listed on the Shanghai Stock Exchange)

Guy Loando — Executive Director (appointed 21 August 2017)

Experience: Mr Loando is a qualified lawyer based in Kinshasa in the Democratic Republic of Congo (DRC). He has significant experience with corporate and legal matters in the DRC, and has recently been involved in executive management roles in the resource sector. Mr Loando is a nominee of AVZ's largest shareholder, Dathomir Resources Sarl.

Interest in Securities: Fully Paid Ordinary Shares 40,000,000

Directorships in last 3 years: Nil

Mathew O'Hara	Company Secretary (appointed 21 August 2017)
Qualification	B.Com, CA
Experience	Mr O'Hara is a Chartered Accountant and holds a Bachelor of Commerce Degree from the University of Western Australia

Former directors and Company Secretary:

Charles Thomas	Non-Executive Director (retired 24 November 2016)
Qualifications	B.Com
Experience	Mr Thomas holds a Bachelor of Commerce from UWA majoring in Corporate Finance.
Gary Steinepreis	Non-Executive Director / Company Secretary (resigned 21 August 2017)
Qualifications	B.Com, CA
Experience	Mr Steinepreis is a Chartered Accountant and holds a Bachelor of Commerce Degree from the University of Western Australia.

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:
Klaus Eckhof	Executive Chairman	12 May 2014
Patrick Flint	Non-Executive Director	12 May 2014
Nigel Ferguson	Executive Director	2 February 2017
Gary Steinepreis	Non-Executive Director	Resigned 21 August 2017
Charles Thomas	Non-Executive Director	Retired 24 November 2016

Klaus Eckhof was non-executive director from 1 April 2016 to 31 August 2016 and was re-appointed Managing Director effective from 1 September 2016 and Executive Chairman on 2 February 2017. Charles Thomas retired on 24 November 2016 and Gary Steinepreis resigned from the Board on 21 August 2017.

(a) Remuneration Policy

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

(i) Executive Directors & Other Key Management Personnel

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

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

Mr Eckhof was re-appointed Managing Director effective from 1 September 2016 and executive chairman on 2 February 2017. Mr Eckhof receives an annual remuneration package of $180,000 through a consulting letter agreement. The arrangement is able to be terminated by either party on a month's notice. Mr Ferguson provides management services via Ridgeback Holdings Pty Ltd as trustee for the Ferguson Family Trust (Ridgeback) and receives a monthly fee of $16,150 (plus GST). The agreement has a 6-month termination period unless there is a breach or unremedied continued neglect of the terms of the agreement by Ridgeback in which there is a one-month termination period. There are no other service or consulting agreements in place with key management personnel. At this stage due to the size of the Company, no remuneration consultants have been used. The Board's remuneration policies are outlined below:

Fixed Remuneration
All executives receive a base cash salary which is based on factors such as length of service and experience as well as other fringe benefits. If entitled, all executives also receive a superannuation guarantee contribution required by the government, which is currently 9.50% and do not receive any other retirement benefits.

Short-term Incentives (STI)
Under the group's current remuneration policy, executives can from time to time receive short-term incentives in the form of cash bonuses. No short term incentives were paid in the current financial year. The Board is currently determining the criteria of eligibility for short-term incentives and will set key performance indicators to appropriately align shareholder wealth and executive remuneration.

Long-term Incentives (LTI)
Executives are encouraged by the Board to hold shares in the company and it is therefore the Group's objective to provide incentives for participants to partake in the future growth of the group and, upon becoming shareholders in the Company, to participate in the group's profits and dividends that may be realised in future years. During the financial year the Company issued a total of 40 million Performance Rights to directors of the Company. Refer Note 21(b) of the financial statements for full terms of the Performance Rights issued. The Board considers that this equity performance linked remuneration structure is effective in aligning the long-term interests of group executives and shareholders as there exists a direct correlation between shareholder wealth and executive remuneration.

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

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which will be periodically recommended for approval by shareholders. The maximum currently stands at $250,000 per annum as per the Group's constitution and may be varied by ordinary resolution of the shareholders in general meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and from time to time, non-executive's may receive options or performance rights subject to shareholder approval, to further align directors' interests with shareholders.

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

Performance rights issued during the years are detailed in Note 21 (b) of the financial statements.

Voting and comments made at the Company's 2016 Annual General Meeting

At the 2016 Annual General Meeting the Company remuneration report was passed by the requisite majority of shareholders (100% by a show of hands).

(c) Details of Key Management Personnel Remuneration

2017	Short term employee benefits						
Name	Salary	Consulting fees	Post employ-ment	Share Based Payments	Total	Remuner-ation consisting of share based payments	Fixed remun-eration
	$	$	$	$	$	%	%
Executive Director:							
Klaus Eckhof (1)	-	150,000	-	2,320,000	2,470,000	94	100
Nigel Ferguson (2)	-	100,761	-	382,959	483,720	79	100
Non-Executive Directors:							
Klaus Eckhof (1)	-	4,000	-	-	4,000	0	100
Gary Steinepreis	-	64,000	-	-	64,000	0	100
Patrick Flint	78,622	-	7,378	290,000	376,000	77	100
Charles Thomas (3)	-	4,000	-	-	4,000	0	100
TOTAL	**78,622**	**322,761**	**7,378**	**2,992,959**	**3,401,720**		

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

2: Nigel Ferguson was appointed on 2 February 2017.

3: Charles Thomas retired on 24 November 2016.

2016	Short term employee benefits					
Name	Salary	Consulting fees	Post employment	Share Based Payment	Total	Fixed Remuneration
	$	$	$	$	$	%
Executive Director:						
Klaus Eckhof	-	135,000	-	-	135,000	100
Non-Executive Directors:						
Klaus Eckhof	-	6,000	-	-	6,000	100
Gary Steinepreis	-	24,000	-	-	24,000	100
Patrick Flint	32,877	-	3,123	-	36,000	100
Charles Thomas (1)	-	6,000	-	-	6,000	100
TOTAL	**32,877**	**171,000**	**3,123**	**-**	**207,000**	

1: Charles Thomas was appointed on 15 April 2016.

Share-based compensation

Issue of shares

Details of shares issued to directors as part of compensation during the year ended 30 June 2017 are set out below. These shares were granted to Klaus Eckhof in consideration for facilitating the acquisition of the Manono project during the year:

Name	Date	No of shares	Issue price	$
Klaus Eckhof	6 April 2017	80,000,000	$0.029	2,320,000

Performance rights

The terms and conditions of each grant of performance rights affecting remuneration of directors in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per right at grant date
23 May 2017	(i)	22 May 2020	nil	$0.029

(i) The vesting conditions of the unlisted Performance Rights are as follows:

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

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

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

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

Mr Patrick Flint was issued 10,000,000 Performance Rights on 23 May 2017, convertible to ordinary shares if the 10-day VWAP for the Shares on the ASX is $0.03 or higher from the date of issue.

The number of performance rights granted to and vested by directors as part of compensation during the year ended 30 June 2017 are set out below:

Name	Number of rights granted during the year 2017	Number of rights vested during the year 2017
Nigel Ferguson	30,000,000	10,000,000
Patrick Flint	10,000,000	10,000,000

Values of rights over ordinary shares granted, exercised and lapsed for directors as part of compensation during the year ended 30 June 2017 are set out below:

Name	Value of rights granted during the year $	Value of rights vested during the year $	Value of rights lapsed during the year $
Nigel Ferguson	870,000	290,000	-
Patrick Flint	290,000	290,000	-

(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
Transactions with Director Related Parties
The following transactions occurred with related parties:

	Consolidated 2017 $	2016 $
Payment to GTT Ventures - Advisory	19,838	35,937
Options issued to GTT Ventures – Advisory	-	136,500
Outstanding balances arising from recharges/purchases with Director Related Parties		
Current payables (purchases)	-	3,300

GTT Ventures provided advisory services to the Group on normal commercial terms. Charles Thomas is a director of GTT Ventures.

Guy Loando was appointed to the Board on 21 August 2017. Mr Loando ia a nominee of AVZ's largest shareholder, Dathomir Resources Sarl and received 40,000,000 shares (refer Note 21(c)) as part of the transaction to acquire the 60% interest in the Manono Lithium, Tin and Tantalum Project.

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

(v) Ordinary shareholdings
The number of shares in the company held during the financial year by each director of AVZ Minerals Limited and other key management personnel of the group, including 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.

	Balance at the start of the year	Received as remuneration	Other Changes	Balance at the end of the year
2017				
Directors of AVZ Minerals Limited				
Patrick Flint (1)	4,000,000	-	14,000,000	18,000,000
Klaus Eckhof (2)	8,000,000	-	80,000,000	88,000,000
Gary Steinepreis	20,495,533	-	-	20,495,533
Charles Thomas	3,500,000	-	(3,500,000)	-
Nigel Ferguson (3)	-	-	16,083,333	16,083,333

1: Patrick Flint was issued a total of 14,000,000 shares as a result of the vesting of performance rights during the year.

2: Klaus Eckhof was issued 80,000,000 shares in as a facilitation fee for the acquisition of the Manono Project during the year (refer Note 21(c)).

3: Nigel Ferguson held 6,083,333 shares prior to becoming a director of the Company and was issued 10,000,000 shares as a result of the vesting of performance rights during the year.

(vi) Peformance Rights

Performance rights	Balance at the start of the year	Granted During the year	Performance Rights vested	Balance at the end of the year	% Vested
2017					
Directors of AVZ Minerals Limited					
Patrick Flint	4,000,000	10,000,000	(14,000,000)	-	100
Klaus Eckhof	-	-	-	-	-
Gary Steinepreis	-	-	-	-	-
Charles Thomas	-	-	-	-	-
Nigel Ferguson	-	30,000,000	(10,000,000)	20,000,000	33

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:

	Directors Meetings	
Director	Number Eligible to Attend	Meetings Attended
P Flint	6	6
K Eckhof	6	6
N Ferguson	1	1
G Steinepreis	6	6
C Thomas	2	2

14. Insurance of Officers

During the financial year, AVZ Minerals Limited paid a premium of $7,377 (2016: $7,215) to insure the directors and secretary of the company and its controlled entities.

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

15. Shares under Option

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

Expiry date	Exercise price	Balance at start of year	Issued during the period	Exercised during the period	Balance at end of the period
15 April 19	10.0 cents	-	86,000,000	-	86,000,000
24 May 20	3.0 cents	-	300,001,000	(54,415,438)	245,585,562
30 Sep 17	1.2 cents	35,000,000	-	(35,000,000)	-

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

16. Proceedings on behalf of the Company

In March 2017 AVZ was served with a writ of summons filed in the Supreme Court of Western Australia by MMCS Strategic 1 (MMCS) seeking certain declarations regarding the granting and ownership of the Manono licence (MMCS Claim). MMCS is a shareholder of Manono Minerals S.A.R.L. (Manomin), which previously held an exploitation licence over the Manono Project. In July 2017 MMCS abandoned the MMCS Claim, and filed an amended claim (Amended Claim) seeking an order pursuant to the ASIC Act and the Corporations Act requiring AVZ to make announcements to the market to correct what MMCS claims were misleading or deceptive announcements (or announcements which were likely to mislead or deceive) made by AVZ concerning the Manono licence. AVZ firmly denies that any of its past announcements concerning the Manono licence were misleading or deceptive or likely to mislead or deceive, and AVZ will strenuously defend the claims made by MMCS under the Amended Claim.

17. Auditor's Independence Declaration

Section 307c of the *Corporations Act 2001* requires our auditors, BDO Audit (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 22 and forms part of this directors' report for the year ended 30 June 2017.

18. Non-Audit Services

Details of the non-audit services provided by the Company's external auditor BDO Audit (WA) Pty Ltd during the year ended 30 June 2017 are outlined in the following table. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and the scope of each type of non-audit service provided means that auditor independence was not compromised.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2017	2016
	$	$
Taxation services	-	-
Total remuneration for other services	-	-

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

Klaus Eckhof
Executive Chairman

Mount Hawthorn, Western Australia
29 September 2017

Corporate Governance Statement

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

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

ASX Listing Rule 4.10.3 requires listed companies to disclose the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. The Company has disclosed this information on its website at https://avzminerals.com.au/corporate-governance/. The Corporate Governance Statement is current as at 30 June 2017, and has been approved by the Board of Directors.

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

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

As lead auditor of AVZ Minerals Limited for the year ended 30 June 2017, 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, 29 September 2017

For the Year Ended 30 June 2017

	Note	Consolidated 2017 $	2016 $
Revenue from continuing operations	3	20,432	37,919
Administrative costs		(387,892)	(43,293)
Consultancy expenses		(296,133)	(207,000)
Share-based payment expense		(706,863)	(136,500)
Employee benefits expense		-	(6,610)
Occupancy expenses		(25,600)	(24,000)
Compliance and regulatory expenses		(258,106)	(59,349)
Insurance expenses		(8,876)	(8,805)
Depreciation expense		-	(3,977)
Exploration impaired		(20,291)	(28,118)
Loss before income tax		**(1,683,329)**	**(479,734)**
Income tax expense	5	-	-
Loss after income tax for the year		**(1,683,329)**	**(479,734)**
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		(778,843)	(7,077)
Other comprehensive income		(778,843)	(7,077)
Total comprehensive loss for the year		**(2,462,172)**	**(486,811)**
Loss for the year is attributable to:			
Owners of AVZ Minerals Limited		(1,682,272)	(477,537)
Non-controlling interests		(1,057)	(2,197)
		(1,683,329)	**(479,734)**
Total comprehensive loss for the year attributable to:			
Owners of AVZ Minerals Limited		(2,196,042)	(484,260)
Non-controlling interests		(266,130)	(2,551)
		(2,462,172)	**(486,811)**
Basic and diluted loss per share attributable to owners of AVZ Minerals Limited (cents per share)	15	(0.21)	(0.09)

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 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Current Assets			
Cash and cash equivalents	6	1,189,086	2,048,089
Trade and other receivables		82,179	27,695
Total Current Assets		1,271,265	2,075,784
Non-Current Assets			
Mineral exploration and evaluation	7	34,515,613	-
Total Non-Current Assets		34,515,613	-
Total Assets		**35,786,878**	**2,075,784**
Current Liabilities			
Trade and other payables	10	172,601	34,991
Financial liabilities	8	2,000,000	-
Total Current Liabilities		2,172,601	34,991
Non-Current Liabilities			
Financial liabilities	8	2,543,428	-
Total Non-Current Liabilities		2,543,428	
Total Liabilities		**4,716,029**	**34,991**
Net Assets		**31,070,849**	**2,040,793**
Equity			
Share capital	11	33,656,076	14,404,348
Reserves	13	1,282,448	790,855
Accumulated losses		(14,638,812)	(12,956,540)
Capital and reserves attributable to owners of AVZ Minerals Ltd		20,299,712	2,238,663
Non-controlling interests	19	10,771,137	(197,870)
Total Equity		**31,070,849**	**2,040,793**

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

For the Year Ended 30 June 2017

Consolidated	Share Capital $	Accumulated Losses $	Other Reserves $	Foreign Currency Translation Reserve $	Total $	Non-controlling Interests $	Total Equity $
Balance at 1 July 2016	**14,404,348**	**(12,956,540)**	**1,464,148**	**(673,293)**	**2,238,663**	**(197,870)**	**2,040,793**
Total comprehensive loss for the year:							
Loss for the year	-	(1,682,272)	-	-	(1,682,272)	(1,057)	(1,683,329)
Exchange differences on translation of foreign operations	-	-	-	(513,770)	(513,770)	(265,073)	(778,843)
	-	(1,682,272)	-	(513,770)	(2,196,042)	(266,130)	(2,462,172)
Transactions with owners in their capacity as owners:							
Contributions of equity (net of transaction costs)	5,385,228	-	-	-	5,385,228	-	5,385,228
Issue of shares as consideration for asset acquisition	13,150,000	-	-	-	13,150,000	-	13,150,000
Share based payments	-	-	1,721,863	-	1,721,863	-	1,721,863
Conversion of Performance Rights	580,000	-	(580,000)		-	-	-
Exercise of Options	136,500	-	(136,500)		-		-
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	11,235,137	11,235,137
	19,251,728	-	1,005,363	-	20,257,091	11,235,137	31,492,228
Balance at 30 June 2017	**33,656,076**	**(14,638,812)**	**2,469,511**	**(1,187,063)**	**20,299,712**	**10,771,137**	**31,070,849**
Balance at 1 July 2015	**13,996,848**	**(12,479,003)**	**1,327,648**	**(666,570)**	**2,178,923**	**(195,319)**	**1,983,604**
Total comprehensive loss for the year:							
Loss for the year	-	(477,537)	-	-	(477,537)	(2,197)	(479,734)
Exchange differences on translation of foreign operations	-	-	-	(6,723)	(6,723)	(354)	(7,077)
	-	(477,537)	-	(6,723)	(484,260)	(2,551)	(486,811)
Transactions with owners in their capacity as owners:							
Contributions of equity (net of transaction costs)	407,500	-	-	-	407,500	-	407,500
Share based payment	-	-	136,500	-	136,500	-	136,500
	407,500	-	136,500	-	544,000	-	544,000
Balance at 30 June 2016	**14,404,348**	**(12,956,540)**	**1,464,148**	**(673,293)**	**2,238,663**	**(197,870)**	**2,040,793**

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

For the Year Ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Cash Flows from Operating Activities			
Payments to suppliers and employees (inclusive of GST)		(940,589)	(366,548)
Interest received		18,431	24,191
Net cash outflow from operating activities	16	**(922,158)**	**(342,357)**
Cash Flows from Investing Activities			
Payments for exploration and evaluation		(6,339,555)	(28,818)
Proceeds from sale of assets		2,000	13,727
Net cash outflow from investing activities		**(6,337,555)**	**(15,091)**
Cash Flows from Financing Activities			
Proceeds from issue of shares and other equity securities		6,765,000	438,000
Share issue transaction costs		(364,515)	(30,500)
Net cash inflow from financing activities		**6,400,845**	**407,500**
Net (decrease)/increase in cash and cash equivalents		**(859,228)**	**50,052**
Exchange Rate Adjustments		**225**	**-**
Cash and cash equivalents at the start of the year		2,048,089	1,998,037
Cash and cash equivalents at the end of the year	6	**1,189,086**	**2,048,089**

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) 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 2017 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 the year ended 30 June 2017, AVZ Minerals Limited acquired 60% of the issued shares of Dathcom Mining SAS by the issue of shares and cash. Under the terms of shareholders agreements the Company is 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.

1. Summary of Significant Accounting Policies (continued)

(c) 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.

(d) Financial Liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost. Financial liabilities in the former category include contingent consideration payable on business combinations, financial liabilities in the latter category include trade payables.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
Fair value is determined based on the value of the entity's equity instruments when the related business combination takes place.
Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

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

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

(e) 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.

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

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

(g) 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.

1. Summary of Significant Accounting Policies (continued)

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.

(h) 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.

(i) 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.

(j) Exploration and evaluation expenditure

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

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

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

1. Summary of Significant Accounting Policies (continued)

(k) 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.

(l) Provisions

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

(m) 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').

(n) 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.

(o) 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.

(p) 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.

1. Summary of Significant Accounting Policies (continued)

(q) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

(r) New accounting standards and interpretations

The following new accounting standards and interpretations have been issued, but are not mandatory for financial year ended 30 June 2017. They have not been adopted in preparing the financial statements for the year ended 30 June 2017 and are expected to impact the entity in the period of initial application. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 Financial Instruments. This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018. As the entity does not have any financial liabilities measured at fair value through profit or loss, the amendments will not require any changes in fair value attributable to liabilities.

1. Summary of Significant Accounting Policies (continued)

(s) New accounting standards and interpretations (continued)

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

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

(t) Parent Entity Financial Information

The financial information for the parent entity, AVZ Minerals Limited, disclosed in note 22 has been prepared on the same basis as the consolidated financial statements.

2. Critical accounting estimates and judgements

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

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

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

(d) Asset Acquisition
The Consolidated Entity has determined that the acquisition of controlling interests in Dathcom Mining SAS and AVZ Minerals Congo SARL are not deemed business acquisitions. The transactions have been accounted for as asset acquisitions. In assessing the requirements of AASB 3 Business Combinations, the Consolidated Entity has determined that the assets acquired do not constitute a business.
The principal assets acquired consist of the right to explore the Manono area of interest in the DRC.
When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition are included in the capitalised cost of the asset.

		Consolidated 2017 $	Consolidated 2016 $
3.	**Revenue**		
	From continuing operations – Proceeds from sale of assets	2,000	13,728
	Interest received	18,432	24,191
	Total revenue from other revenue	20,432	37,919
4.	**Auditor's Remuneration**		
	Remuneration of the auditors of the consolidated entity for:		
	Auditing or reviewing the financial statements:		
	- BDO Audit (WA) Pty Ltd	35,929	21,538
	Non-assurance services	-	-
	Total remuneration of auditors	35,929	21,538

		Consolidated 2017 $	Consolidated 2016 $
5.	**Income Tax Expense**		
(a)	Numerical reconciliation of income tax expense to prima facie tax payable		
	Loss from continuing operations before income tax expense	(1,683,329)	(479,734)
	Tax at the tax rate of 30.0% (2016: 30.0%)	(504,999)	(143,920)
	Tax effect of amounts which are not deductible in calculating taxable income:		
	Non-deductible expenses	294,659	56,828
	Unrecognised tax losses	204,834	101,584
	Other non-deductible amounts	-	(3,300)
	Differences in overseas tax rates		-
	Movement in unrecognised temporary differences	17,664	
	Deductible equity raising costs	(12,158)	(11,192)
	Income tax expense	-	-
(b)	Deferred tax asset not recognised (1)		
	Tax losses	2,098,549	1,892,983
	Exploration and expenditure	41,836	16,988
	Other	-	-
	Net deferred tax not recognised	2,140,385	1,909,971

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

		Consolidated 2017 $	Consolidated 2016 $
6.	**Cash & Cash Equivalents**		
(a)	Cash & cash equivalents		
	Cash at bank & in hand	1,189,086	2,048,089
	Total cash & cash equivalents	1,189,086	2,048,089

(b) Cash at bank and in hand

Cash on hand is non-interest bearing. Cash at bank bears interest rates between 0.00% and 0.6% (2016: 0.00% and 1.20%). Refer to note 14 for the group's exposure to interest rate and credit risk.

	Consolidated 2017 $	Consolidated 2016 $
7. Exploration & Evaluation Expenditure		
Exploration and evaluation phase		
Opening balance	-	-
Acquisitions (refer Note 9)	33,377,651	-
Exploration costs	1,938,933	28,818
Net exchange differences on translation	(780,680)	-
Impairment expense	(20,291)	(28,818)
Closing balance	34,515,613	-

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

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

	Consolidated 2017 $	Consolidated 2016 $
8. Financial Liabilities		
Deferred Consideration		
Current Liability		
Principal repayment	2,000,000	-
Fair value increase/(decrease)	-	-
Total Current Liability	2,000,000	-
Non-Current Liability		
Principal repayment (24 months)	2,000,000	-
Fair value increase/(decrease)	(405,612)	-
Principal repayment (36 months)	1,333,333	-
Fair value increase/(decrease)	(384,293)	-
Total Non-Current Liability	2,543,428	-
Total Liability	4,543,428	-

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 (refer Note 9). 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 2017.

9. Asset Acquisition

Acquisition of a 60% interest in Dathcom Mining SAS

On 23 May 2017, the Company completed the acquisition of a 60% interest in Dathcom Mining SAS.
The acquisition was completed through the following:

	2017
Purchase consideration	**$**
Cash payments	4,189,278
Equity consideration (280m shares at $0.029)*	8,120,000
Deferred cash consideration (refer Note 8)	4,543,428
Acquisition costs (140m shares at $0.029)*	4,060,000
	20,912,706

9. Asset Acquisition (continued)

	2017 $
Net assets acquired	
Exploration and evaluation assets	32,147,843
Net identifiable assets acquired	32,147,843
Less: Non-controlling interest	(11,235,137)
	20,912,706

*Refer Note 21 (c)

Manono Extension Lithium, Tin and Tantalum Project

On 19 September 2016, the Company completed the acquisition of the Manono Extension Lithium, Tin, and Tantalum Project in the DRC.

The acquisition was completed through the following:

	2017 $
Purchase consideration	
Cash payments	259,808
Equity consideration (30m shares at $0.013)*	390,000
Equity consideration (20m shares at $0.029)*	580,000
	1,229,808
Net assets acquired	
Exploration and evaluation assets	1,229,808

*Refer Note 21 (c)

	Consolidated 2017 $	Consolidated 2016 $
10. Trade & Other Payables		
Current		
Trade Payables	172,601	34,991
Total current trade & other payables	172,601	34,991

The group's exposure to liquidity risk is noted in note 14.

	Consolidated 2017 Shares	Consolidated 2016 Shares	Consolidated 2017 $	Consolidated 2016 $
11. Share capital				
(a) Share capital				
Ordinary shares - fully paid	1,474,466,643	560,883,310	33,656,076	14,404,348
Total Share Capital	1,474,466,643	560,883,310	33,656,076	14,404,348

(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 12.

(d) Performance Rights

Refer to Note 21(b) for further details in respect to the performance rights granted.

	Date	Number of Shares $	Fair Value $	Total $
11. Share Capital (continued)				
(e) Movements in share capital				
Opening Balance 1 July 2015		487,883,310		13,996,848
Placement	13 Apr 2016	73,000,000	$0.006	438,000
Less: Transaction costs arising on share issues				(30,500)
Closing Balance at 30 June 2016		560,883,310		14,404,348
Opening Balance 1 July 2016		560,883,310		14,404,348
Placement	27 Sep 16	90,000,000	$0.009	810,000
Initial Consideration for the acquisition of the Manono Extension Project (Refer note 21 (c))	9 Nov 16	30,000,000	$0.013	390,000
Placement	5 Dec 16	44,583,333	$0.012	535,000
Placement	10 Feb 17	125,000,000	$0.020	2,500,000
Conversion of Performance Rights	13 Feb 17	4,000,000	$0.020	-
Exercise of Options	13 Feb 17	35,000,000	$0.012	420,000
Placement	23 May 17	125,000,000	$0.020	2,500,000
Consideration for asset acquisitions (Refer note 21 (c))	23 May 17	280,000,000	$0.029	8,120,000
Facilitation shares (Refer note 21 (c))	23 May 17	140,000,000	$0.029	4,060,000
Additional Consideration for the acquisition of the Manono Extension Project (Refer note 21 (c))	23 May 17	20,000,000	$0.029	580,000
Conversion of Performance Rights	29 Jun 17	20,000,000	$0.029	580,000
Reallocation of options exercised to share capital		-	$0.012	136,500
Less: Transaction costs arising on share issues		-		(1,379,772)
Closing Balance at 30 June 2017		1,474,466,643		33,656,076

	Expiry date	Exercise price	Balance at start of year	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance at end of the year
12. Share Options							
(a) 2017 share option details							
Unlisted	30 Sep 2017	1.2 cents	35,000,000	-	(35,000,000)	-	-
Listed	24 May 2020	3.0 cents	-	300,001,000	-	-	300,001,000
			35,000,000	300,001,000	(35,000,000)	-	300,001,000

	Expiry date	Exercise price	Balance at start of year	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance at end of the year
(b) 2016 unlisted share option details							
	30 Sep 17	1.2 cents	-	35,000,000	-	-	35,000,000
			-	35,000,000	-	-	35,000,000

	Consolidated 2017 $	2016 $
13. Reserves		
(a) Total reserves		
Other reserves	2,469,511	1,464,148
Foreign currency translation reserve	(1,187,063)	(673,293)
Total reserves	1,282,448	790,855

		Consolidated 2017 $	2016 $
13.	**Reserves (continued)**		
(b)	Other reserves		
	Opening balance	1,464,148	1,327,648
	Less: Exercise of Unlisted Options	(136,500)	-
	Listed Options issued during the year *	1,015,000	136,500
	Performance Rights issued as remuneration during the year**	706,863	-
	Less: Conversion of Performance Rights	(580,000)	-
	Closing balance	2,469,511	1,464,148
	* Refer to note 21(a).		
	** Refer to note 21(b).		
(c)	Foreign Currency Translation Reserve		
	Opening balance	(673,293)	(666,570)
	Exchange difference arising on translation of foreign operations	(513,770)	(6,723)
	Closing balance	(1,187,063)	(673,293)

Nature and purpose of reserves

(i) Share-based payments reserve

The share based payments reserve is used to recognise:

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

(ii) *Option reserve*

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

(iii) *Foreign currency translation reserve*

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities. The exchange differences arising are recognised in other comprehensive income as detailed in note 1(q) 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.

14. 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
	%	$	$	$	$
2017					
Financial assets					
Cash and cash equivalents	0.597%	1,189,086	-	-	1,189,086
		1,189,086	-	-	1,189,086

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

Consolidated	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest	Non-interest bearing	Total
	%	$	$	$	$
2016					
Financial assets					
Cash and cash equivalents	1.20%	2,048,089	-	-	2,048,089
		2,048,089	-	-	2,048,089

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

(i) Sensitivity analysis
The group's main interest rate risk arises from cash equivalents with variable and fixed interest rates. At 30 June 2017 and 30 June 2016, the group's exposure to interest rate risk is not deemed material.

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

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

The group operates internationally and is exposed to foreign exchange risk arising from currency exposure to the US Dollar (USD). The group has not formalised a foreign currency risk management policy, however it monitors its foreign currency expenditure in light of exchange rate movements, and retains the right to withdraw from the foreign exploration commitments.

(i) Sensitivity analysis
The group's main foreign currency risk arises from cash equivalents held in foreign currency denominated bank accounts and other payable amounts denominated in currencies other than the group's functional currency. At 30 June 2017 and 30 June 2016, the group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows;

	2017 USD	2016 USD
	$	$
Cash and cash equivalents	8,750	-
Trade & other receivables - current	46,450	-
	55,200	-
Financial Liabilities	4,543,428	-
	4,543,428	-

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

	2017		2016	
	USD	USD	USD	USD
	$	$	$	$
Foreign Exchange Rate	+10%	-10%	+10%	-10%
Cash and cash equivalents	(795)	795		-
Trade & other receivables - current	(4,223)	4,223	-	-
	(5,018)	5,018	-	-
Financial Liabilities	(405,425)	405,425	-	-
	(405,425)	405,425	-	-

(d) Liquidity risk

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

Contractual maturities of financial liabilities	Less than 6 months $	6-12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cashflows $	Carrying amount liabilities $
At 30 June 2017							
Trade and other payables	172,601	-	-	-	-	172,601	172,601
Financial liabilities		2,000,000	1,594,388	949,040	-	4,543,428	4,543,428
	172,601	2,000,000	1,594,388	949,040	-	4,716,029	4,716,029
At 30 June 2016							
Trade and other payables	34,991	-	-	-	-	34,991	34,991

(e) Net fair value

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

Consolidated	2017		2016	
	Carrying Amount $	Net fair Value $	Carrying Amount $	Net fair Value $
Financial assets				
Cash and cash equivalents	1,189,086	1,189,086	2,048,089	2,048,089
Trade & other receivables - current	82,180	82,180	27,695	27,695
	1,271,266	1,271,266	2,075,784	2,075,784
Financial Liabilities				
Trade and other payables - current	172,601	172,601	34,991	34,991
Financial liabilities - current	2,000,000	2,000,000	-	-
Financial liabilities – Non-current	2,543,428	2,543,428	-	-
	4,716,029	4,716,029	34,991	34,991

(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).

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

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 8 for assumptions made in relation to determining fair value of financial liabilities.

		Consolidated 2017 $	2016 $
15.	**Earnings per Share**		
(a)	Earnings/(Loss)		
	Loss used in the calculation of basic and diluted EPS	(1,683,329)	(479,734)
(b)	Weighted average number of ordinary shares ('WANOS')		
	WANOS used in the calculation of basic and diluted earnings per share:	795,324,040	503,640,141
		cents per share	cents per share
	Basic and diluted loss per share	(0.21)	(0.09)

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

		Consolidated 2017 $	2016 $
16.	**Cash Flow Information**		
	Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax:		
	Loss for the year	(1,683,329)	(479,734)
	Depreciation	-	3,977
	Impairment of plant and equipment	-	467
	Impairment of exploration expenses	20,291	28,818
	Share-based payment	706,863	136,500
	Proceeds from sale of assets	-	(13,727)
	Changes in assets and liabilities:		
	(Increase) in operating receivables & prepayments	(54,485)	(293)
	Increase/(Decrease) in trade and other payables	86,502	(18,365)
	Net cash outflows from Operating Activities	**(922,158)**	**(342,357)**
	Non-cash investing and financing activities		
	Issue of ordinary shares as consideration for asset acquisition**	13,150,000	-
	Issue of listed options for capital raising services*	1,015,000	-
		14,165,000	-

*Refer Note 21 (a)
**Refer Note 21 (c)

17. 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.

18. Commitments and Contingencies

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

19. 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] 2017	2016
			%	%
Himba Iron Exploration (Pty) Ltd [2]	Namibia	Ordinary	95	95
Eris Mining (Pty) Ltd [2]	Namibia	Ordinary	95	95
Tumba Base Metals X (Pty) Ltd [2]	Namibia	Ordinary	95	95
AVZ International Pty Ltd	Australia	Ordinary	100	-
AVZ Minerals Congo SARL	DRC	Ordinary	100	-
Dathcom Mining SAS	DRC	Ordinary	60	-

1: The proportion of ownership interest is equal to the proportion of voting power held.
2: Applications to deregister these entities were made before year end and granted after balance date.

(b) Non-controlling entities

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

Summarised statement of Financial Position	Himba Iron Exploration (Pty) Ltd 30 June 2017	Himba Iron Exploration (Pty) Ltd 30 June 2016	Tumba Base Metals X (Pty) Ltd 30 June 2017	Tumba Base Metals X (Pty) Ltd 30 June 2016
Current Assets	-	-	-	-
Non-current Assets	-	-	-	-
Total Assets	-	-	-	-
Current Liabilities	1,197,548	1,092,148	25,774	23,506
Non-current Liabilities	-	-	-	-
Total Liabilities	1,197,548	1,092,148	25,774	23,506
Net Liabilities	(1,197,548)	(1,092,148)	(25,774)	(23,506)
Accumulated NCI	(63,870)	(63,870)	(1,375)	(1,375)

Summarised statement of Financial Position	Eris Mining (Pty) Ltd 30 June 2017	Eris Mining (Pty) Ltd 30 June 2016	Dathcom Mining SAS 30 June 2017	Dathcom Mining SAS 30 June 2016
Current Assets	-	20,257	55,200	-
Non-current Assets	76,714	69,962	31,378,395	-
Total Assets	76,714	90,220	31,433,595	-
Current Liabilities	2,573,103	2,347,587	1,929,965	-
Non-current Liabilities	-	-	-	-
Total Liabilities	2,573,103	2,347,587	1,929,965	-
Net Assets/(Liabilities)	(2,496,389)	(2,257,367)	29,503,630	-
Accumulated NCI	(133,590)	(132,625)	10,969,972	-

19. Subsidiaries and non-controlling entities (continued)

Summarised statement of Financial Position	AVZ Minerals Congo SARL 30 June 2017	30 June 2016
Current Assets		-
Non-current Assets	1,218,576	-
Total Assets	1,218,576	-
Current Liabilities	-	-
Non-current Liabilities	-	-
Total Liabilities	-	-
Net Assets/(Liabilities)	1,218,576	-
Accumulated NCI	-	-

20. 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 19.

(c) Key management personnel
The key management personnel compensation is as follows:

	2017 $	2016 $
Key Management Personnel Compensation		
Summary remuneration		
Short-term benefits	401,383	203,877
Post-employment benefits	7,378	3,123
Share-based payments (Refer Note 21 (b) and (c))	2,992,959	-
Total key management personnel compensation	3,401,720	207,000

Details of remuneration disclosures are provided within the audited remuneration report which can be found on pages 14 to 20 of the directors' report.

(d) Other transactions with key management personnel

The following transactions occurred with Director related parties:

	Consolidated 2017 $	2016 $
Payment to GTT Ventures	19,838	35,937
Share-based payment - unlisted options issued to GTT Ventures	-	136,500
Outstanding balances arising from recharges/purchases with Director Related Parties		
Current payables (purchases)	-	3,300

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

21. Share Based Payments

(a) Options

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

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

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

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

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

(b) Performance Rights

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

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

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

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

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

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

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

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

(ii) 7,500,000 upon execution of the first binding offtake partnership, development finance or prepayment finance agreement with an Airguide introduced party.

21. Share Based Payments (continued)

Director and Other KMP	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date ($)	Total Fair Value ($)	% Vested
Nigel Ferguson - Tranche 1	10,000,000	23/05/2017	Nil	22/05/2018	0.029	290,000	100
Nigel Ferguson - Tranche 2	10,000,000	23/05/2017	Nil	22/05/2018	0.029	290,000	0
Nigel Ferguson - Tranche 3	10,000,000	23/05/2017	Nil	22/05/2018	0.029	290,000	0
Patrick Flint	10,000,000	23/05/2017	Nil	22/05/2018	0.029	290,000	100
Airguide International Pte Limited	15,000,000	5/06/2017	Nil	5/06/2018	0.033	495,000	0

Assumptions on vesting period and expense

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

(c) Shares issued as Share Based Payments

Manono Project
The following shares were issued in relation to the acquisition of the Manono Lithium, Tin and Tantalum Project, DRC:

- 80m facilitation shares issued to Klaus Eckhof at $0.029 ($2,320,000) on 6 April 2017 (date of shareholder approval).
- 60m shares issued to third parties at $0.029 ($1,740,000) on 6 April 2017 (date of shareholder approval).
- 280m shares issued to third parties (including 40m to Mr Guy Loando) at $0.029 ($8,120,000) on 6 April 2017 (date of shareholder approval).

Manono Extention Project
The following shares were issued in relation to the acquisition of the Manono Extention Lithium, Tin and Tantalum Project, DRC:

- 30m shares issued to third parties at $0.013 ($390,000) on 9 November 2016.
- 20m shares issued to third parties at $0.029 ($580,000) on 23 May 2017.

		Company 2017 $	Company 2016 $
22.	**Parent Entity Information**		
(a)	Assets		
	Current assets	1,216,065	2,055,527
	Non-current assets	24,212,960	96,605
	Total assets	25,429,025	2,152,132
(b)	Liabilities		
	Current liabilities	2,172,601	34,041
	Non-Current Liabilities	2,543,428	-
	Total liabilities	4,716,029	34,041
	Net Assets	20,712,996	2,118,091
(c)	Equity		
	Contributed equity	33,656,076	14,404,348
	Accumulated losses	(15,412,591)	(13,750,404)
	Reserves	2,469,511	1,464,148
	Total equity	20,712,996	2,118,091
(d)	Total Comprehensive loss for the year		
	Loss for the year	(1,662,187)	(435,787)
	Other comprehensive income for the year	-	-
	Total comprehensive loss for the year	(1,662,187)	(435,787)

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.

23. Events Occurring after the Reporting Date

On 10 August 2017, the Company reached an agreement with Huayou International Mining (Hong Kong) Limited (Huayou) for Huayou to invest $13.02 million and acquire an 11% interest in AVZ (Capital Raising)

The placement to Huayou comprised 186 million shares at an issue price of 7 cents per share, together with 186 million attaching options exercisable at 10 cents and expiring 15 April 2019 to raise $13,020,000. Huayou also exercised the right to appoint Hongliang Chen to the AVZ Board.

AVZ issued 186 million shares and 86 million attaching unlisted options to Huayou under its existing placement capacity. The remaining 100 million attaching options will be issued to Huayou subject to shareholder approval on 12 October 2017.

In addition, AVZ also proposes to raise, subject to shareholder approval on 12 October 2017, up to a further $1.98 million from institutional and sophisticated investors by the issue of up to 28,285,714 shares at an issue price of 7 cents per share, together with up to 28,285,714 attaching unlisted options exercisable at 10 cents and expiring 15 April 2019.

The shareholder meeting is also seeking approval to the issue of 5,000,000 employee performance rights and 6,000,000 ordinary shares in consideration for an introduction fee in connection with the Capital Raising.

Between 1 July 2017 and the date of this report, the Company issued a total of 54,415,438 ordinary shares following the exercise of listed options. The Company also issued 7,500,000 ordinary shares following the conversion of performance rights.

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.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 23 to 46 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 2017 and of its performance for the financial year ended on that date; and

(b) the audited remuneration disclosures set out on pages 14 to 20 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.

Klaus Eckhof
Executive Chairman

Mount Hawthorn, Western Australia
29 September 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of AVZ Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AVZ Minerals Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 2017 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.

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.

Accounting for Exploration and Evaluation Assets

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2017 the carrying value of the capitalised exploration and evaluation asset was $34,515,613 (30 June 2016: Nil), as disclosed in Note 7. 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(j) & 2 (a) and Note 7 to the financial report.

Accounting for Acquisition of Dathcom Mining SAS

Key audit matter	*How the matter was addressed in our audit*
On 23 May 2017 the Group obtained a controlling interest in the Manono project by acquiring a 60% interest in Dathcom Mining SAS for purchase consideration of $20,912,706. The Group treated the transaction as an asset acquisition, rather than a business acquisition. Accounting for this transaction is complex and requires management to exercise judgement to determine the appropriate accounting treatment including whether the acquisition should be classed as an asset or business acquisition, estimating the fair value of net assets acquired and estimating the fair value of the purchase consideration.	Our procedures included, but were not limited to: • Obtaining an understanding of the transaction, including an assessment of whether the transaction constituted an asset or business acquisition; • Reviewing the sale and purchase agreement to understand key terms and conditions; • Assessing management's determination of the fair value of consideration paid and agreeing the consideration to supporting documentation; • Evaluating management's assessment of the fair value of net assets acquired; • Agreeing that no goodwill was recognised and that costs associated with the acquisition were capitalised in order to be in line with the correct accounting policy for asset acquisitions; and • We have also assessed the adequacy of the related disclosures in Note 1(b)(ii) & 2(d) and Note 9 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, 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 (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar2.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 19 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of AVZ Minerals Limited, for the year ended 30 June 2017, 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, 29 September 2017

Shareholder Information

Shareholding

The distribution of members and their holdings of equity securities in the holding company as at 20 September 2017 is as follows:

Number Held	Class of Equity Securities Fully Paid Ordinary Shares
1- 1,000	56
1,001 - 5,000	299
5,001 - 10,000	582
10,001 - 100,000	1,957
100,001 and over	978
Total	3,872

Holders of less than a marketable parcel: 267

Twenty Largest Shareholders

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

Shareholder	Number	% Held of Issued Ordinary Capital
Dathomir Mining Resources Sarl	240,000,000	13.93%
Huayou International Mining (Hong Kong) Ltd	186,000,000	10.80%
JP Morgan Nominees Australia Ltd	117,121,400	6.80%
HSBC Custody Nominees Australia Ltd	110,502,001	6.42%
BNP Paribas Nominee Pty Ltd (IB)	87,717,257	5.09%
BNP Paribas Nominees Pty Ltd (DRP)	43,081,800	2.50%
Citicorp Nominees Pty Ltd	30,607,372	1.78%
Langford Michael	26,500,000	1.54%
Pershing Australia Nominees Pty Ltd	21,300,000	1.24%
Mason John H + KA	19,278,800	1.12%
Guo Kai	14,392,656	0.84%
Flint Patrick	14,000,000	0.81%
Reeves Shane	13,937,044	0.81%
CommSec Nominees Pty Ltd	13,118,045	0.76%
Custodial SVCS Ltd	12,175,547	0.71%
Gasson Mark	12,000,000	0.70%
Samilisa Nominees Pty Ltd	10,000,000	0.58%
Ridgeback Holdings Pty Ltd	10,000,000	0.58%
Richardson Kyle	9,410,506	0.55%
Khnaizer Walid	8,200,000	0.48%
	999,342,428	58.04%

Substantial Shareholders

The names of the substantial shareholders:

Shareholder	Number	%
Dathomir Mining Resources Sarl	240,000,000	13.94
Huayou International Mining (Hong Kong) Ltd	186,000,000	10.80

Optionholding

The distribution of members and their holdings of listed options in the holding company as at 20 September 2017 is as follows:

Number Held	Class of Equity Securities $0.03 Listed Options
1- 1,000	1,027
1,001 - 5,000	30,000
5,001 - 10,000	311,142
10,001 - 100,000	9,450,037
100,001 and over	235,093,356
Total	244,885,562

Twenty Largest optionholders

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

Optionholder	Number	% Held of $0.03 Listed Options
Langford Michael	20,000,000	8.17%
Fenton Brian Edward	7,210,000	2.94%
Gasson Mark	6,500,000	2.65%
PR Perry Nominees Pty Ltd	6,484,008	2.65%
BKG Fenton Pty Ltd	6,000,000	2.45%
Griffith Benjamin	5,392,000	2.20%
JP Morgan Nominees Australia Ltd	5,000,000	2.04%
Yu Gilbert	4,500,000	1.84%
Soos Peter	4,226,702	1.73%
Hayres Gavin V + Yip A	3,400,000	1.39%
Steer Rebecca Jayne	3,300,000	1.35%
Teo Tze Hao	3,239,011	1.32%
Nicholls Laurie	3,140,000	1.28%
Jekor Pty Ltd	3,049,260	1.25%
Heuser JM + Gillam VM	3,000,000	1.23%
Lane Peter	2,700,000	1.10%
Top Class Holdings Pty Ltd	2,600,000	1.06%
Cossack Holdings Australia Pty Ltd	2,500,000	1.02%
Tradelink Food Brokers Pty Ltd	2,500,000	1.02%
BNP Paribas Nomine Pty Ltd	2,455,543	1.00%
	97,196,524	39.69%

Substantial Optionholders

The names of the substantial optionholders:

Shareholder	Number	%
Langford Michael	20,000,000	8.17

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, $0.10 options issued on 15 August 2017, expiring on or before 15 April 2019	86,000,000	1

Holders of more than 20% of unlisted options	**Number of unlisted options**	**Percentage of unlisted options**
Huayou International Mining (Hong Kong) Ltd	86,000,000	100%

Unquoted equity securities – performance rights	Number on issue	Number of holders
Performance Rights shall vest if the 10-day volume weighted average price of Shares on the ASX is $0.05 or higher during the period commencing 12 months from the date of issue	10,000,000	1
Performance Rights shall vest if the 10-day volume weighted average price of Shares on the ASX is $0.075 or higher during the period commencing 12 months from the date of issue	10,000,000	1
Performance Rights shall vest upon execution of the first binding offtake partnership, development finance or prepayment finance agreement with an Airguide introduced party	7,500,000	1

Holders of more than 20% of unlisted performance rights	Number of performance rights	Percentage of performance rights
Ridgeback Holdings Pty Ltd	20,000,000	72.7%
Airguide International Pte Ltd	7,500,000	27.3%

Voting Rights

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

(i) Ordinary Shares

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

(ii) Performance Rights and Unlisted Options

These securities have no voting rights.

Information required under ASX Listing Rule 5.3.3

List of current mining and exploration tenements:

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