



13 April 2018

## **Quarterly Report for the period ending 31 March 2018**

### **ASX: AVZ**

#### **HIGHLIGHTS**

##### *Exploration at the Manono Lithium Project, DRC*

- 20,000m drilling program commenced in early February with the aim to define an initial JORC compliant mineral resource.
- Significant down hole intersections of spodumene bearing pegmatite were recorded in drill holes MO18DD001 with 295.05m\*, MO18DD002 with 282.95m\*, MO18DD003 with 313.88m\*, MO18DD004 with 276.77m\*, MO18DD006 with 284.30m\* and MO18DD007 with 273.20m\*; all confirming the thickness of the Roche Dure pegmatite within this zone.
- All holes contain a high proportion of spodumene within the pegmatite.
- Further drill core has been despatched for assaying while drill-holes MO18DD006, 007 and 008 have been logged and sampled and await dispatch to the sample preparation laboratory in Lubumbashi.
- Drilling of holes MO18DD009, 010 and 011 are progressing towards completion.

\* Down-hole length. Additional drilling is required to confirm the true-thickness of the pegmatite.

##### *Infrastructure at the Manono Lithium Project*

- Initial company investigations have been commenced and road rehabilitation works commenced by China Railway and Engineering Company.
- Further investigation of the railway transport system will be initiated in the next quarter.

## *Corporate*

- Completed a \$15 million placement to a North American institutional client of Cantor Fitzgerald Canada Corporation.
- Raised an additional \$0.43 million pursuant to the exercise of options.
- Appointment of senior technical specialists, Mr Nigel Ferguson as Managing Director and Mr Rhett Brans as a Non-Executive Director to strengthen the board.
- Memorandum of Understanding signed with Guanzhou Tinci Materials Technology Co., Ltd and Beijing National Battery Technology Co., Ltd (BNBT) for potential investment in the Company and off-take opportunities for the Manono Lithium Project.
- BNBT Chairman and due diligence team completed a site visit at Manono.

**AVZ Minerals Limited** (ASX: AVZ) is pleased to provide the following report on activities for the quarter ending 31 March 2018.

### **MANONO LITHIUM PROJECT, DRC**

AVZ's interests in the Manono Lithium Project in the south of the Democratic Republic of Congo (DRC) (Figure 1) comprise:

- a 60% interest in PR13359, which covers approximately 188km<sup>2</sup> and includes the historic Manono and Kitotolo Mines; and
- a 100% interest in licences PR4029 and PR4030 that surround PR13359 and provide an additional 242.25km<sup>2</sup> of prospective area.

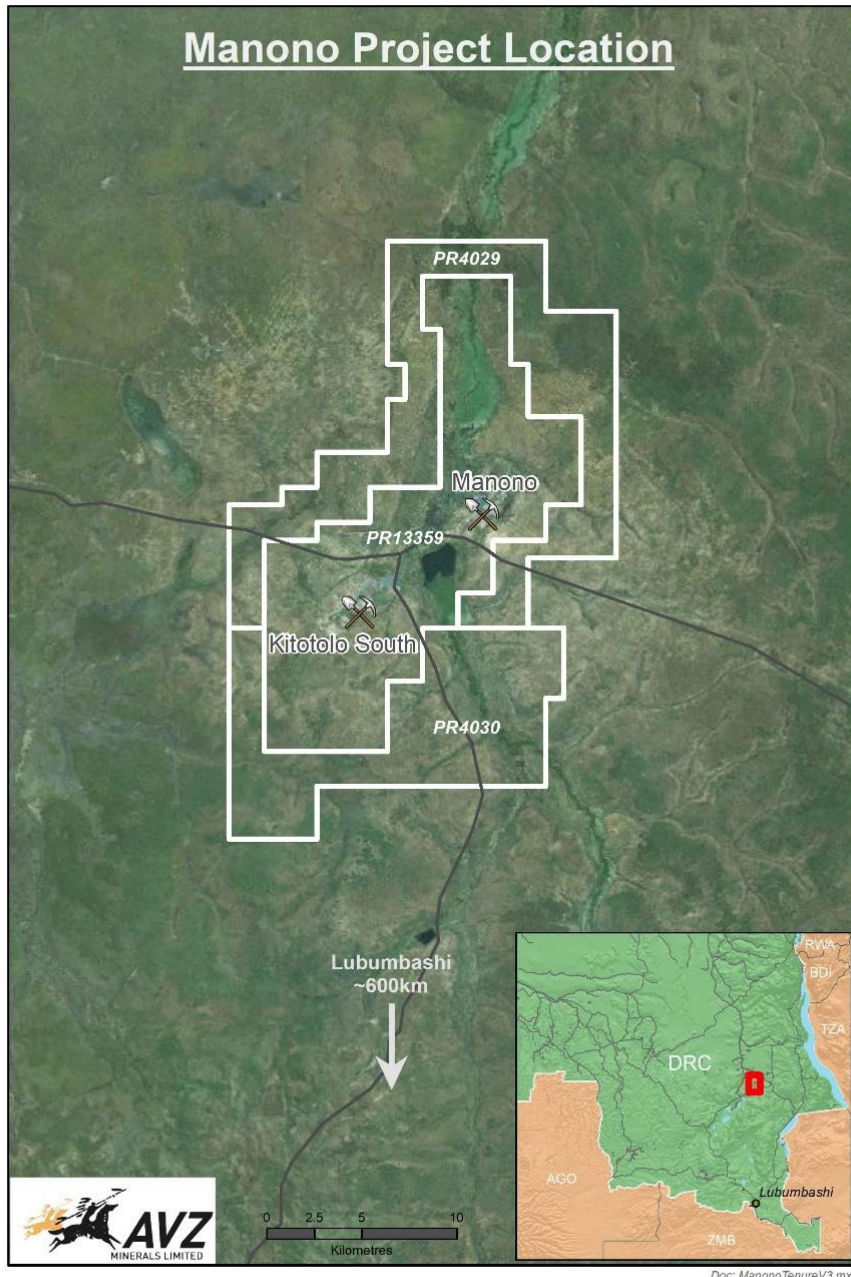


Figure 1: Location of the Manono Lithium Project licences in the DRC.

### Exploration Activities

AVZ commenced a 20,000m drilling program at the Manono Lithium Project in early February and engaged an additional drilling contractor (Equator Drilling) to ensure the completion of the initial program by mid to late Q2 2018. Four drilling rigs were operational on site by mid-March with a fifth rig mobilised from South Africa. Drilling production rates have increased significantly now that the drilling companies have settled into the specific characteristics of the rocks they are drilling.

The drilling rig was set up approximately 90m east of drill hole MO17DD001 on line 700mN, at the Roche Dure Pegmatite in the Kitotolo Sector. This allowed drilling beneath MO17DD001 to test depth extensions and thickness of the Roche Dure Pegmatite.

AVZ reported results during the quarter, with drill-holes MO18DD003, 004, 006 and 007 confirming the thickness of the Roche Dure pegmatite, intersecting 313.88m\*, 276.77m\*, 284.30m\* and 273.20\* of pegmatite respectively. All drill holes contained a high proportion of spodumene within the pegmatite. See Table 1 and Figure 2.

Hole ID	Drill Line	From (m)	To (m)	Length of Intersection* (m)	COMMENTS
MO18DD001	7000mN	62.00	357.05	295.05	Spodumene bearing pegmatite
MO18DD002	7000mN	63.20	346.15	282.95	Spodumene bearing pegmatite
MO18DD003	7000mN	59.01	372.89	313.88	Spodumene bearing pegmatite
MO18DD004	7000mN	54.00	330.77	276.77	Spodumene bearing pegmatite
MO18DD005	7000mN	82.00	85.50	N/A	Terminated in hanging wall
MO18DD006	6900mN	76.80	361.10	284.30	Spodumene bearing pegmatite
MO18DD007	7000mN	93.90	367.10	273.20	Spodumene bearing pegmatite
MO18DD008	N/A	54.80	126.80	72.00	Spodumene bearing pegmatite in Water Bore within camp site
MO18DD009	7100mN	44.50		In progress	In progress; data not available
MO18DD010	6900mN	52.13		In progress	In progress; data not available
MO18DD011	6900mN			In progress	In progress; pegmatite not reached yet

Table 1: Drill Hole details including geological intercept widths

\* Down-hole length. Additional drilling is required to confirm the true-thickness of the pegmatite.

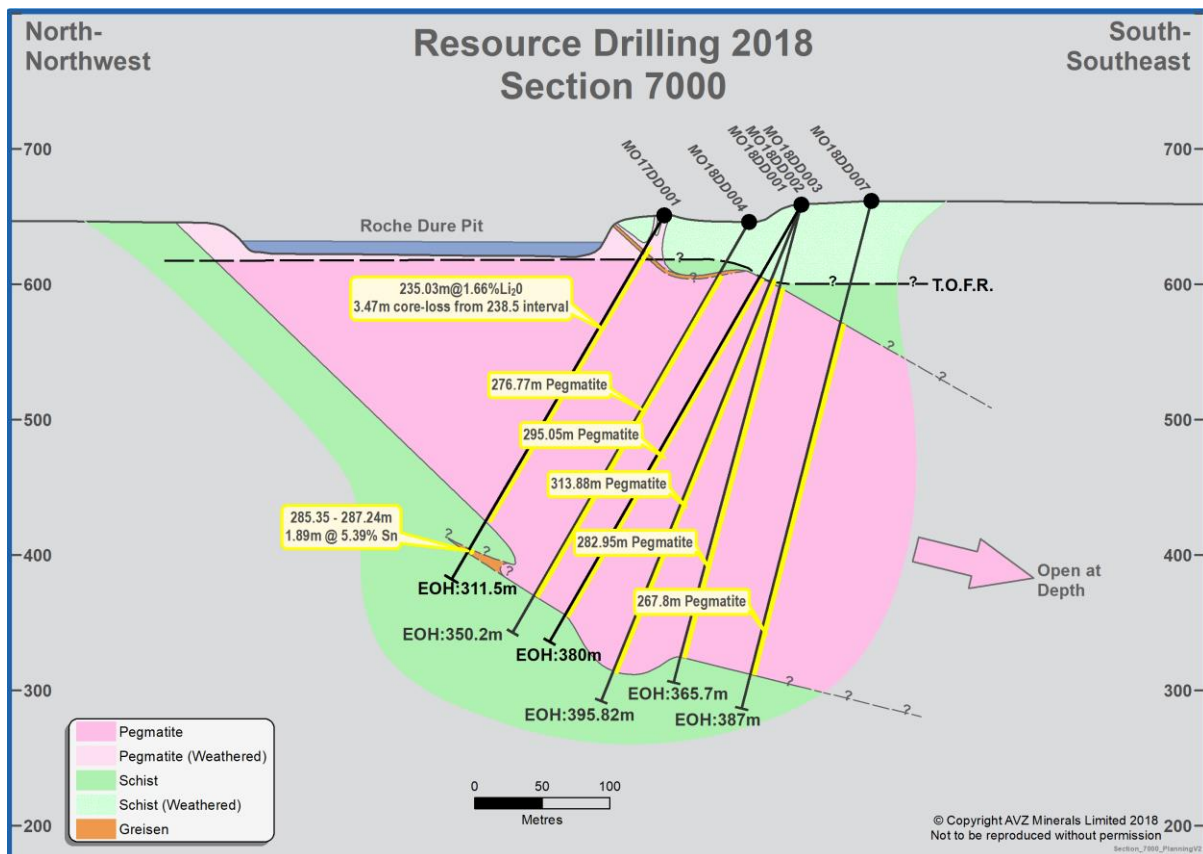


Figure 2: Schematic Cross Section - Line 7000mN, Roche Dure Pegmatite, Kitotolo Sector

As reported 6 April 2018, samples from holes MO18DD001 to MO18DD003 were in Perth awaiting assay and expected to be reported by the end of April. The core from MO18DD004 was in Lubumbashi ready to be sent to Perth and the core from MO18DD006, 007 and 008 had been logged, cut and sampled for despatch from site to Lubumbashi soon.

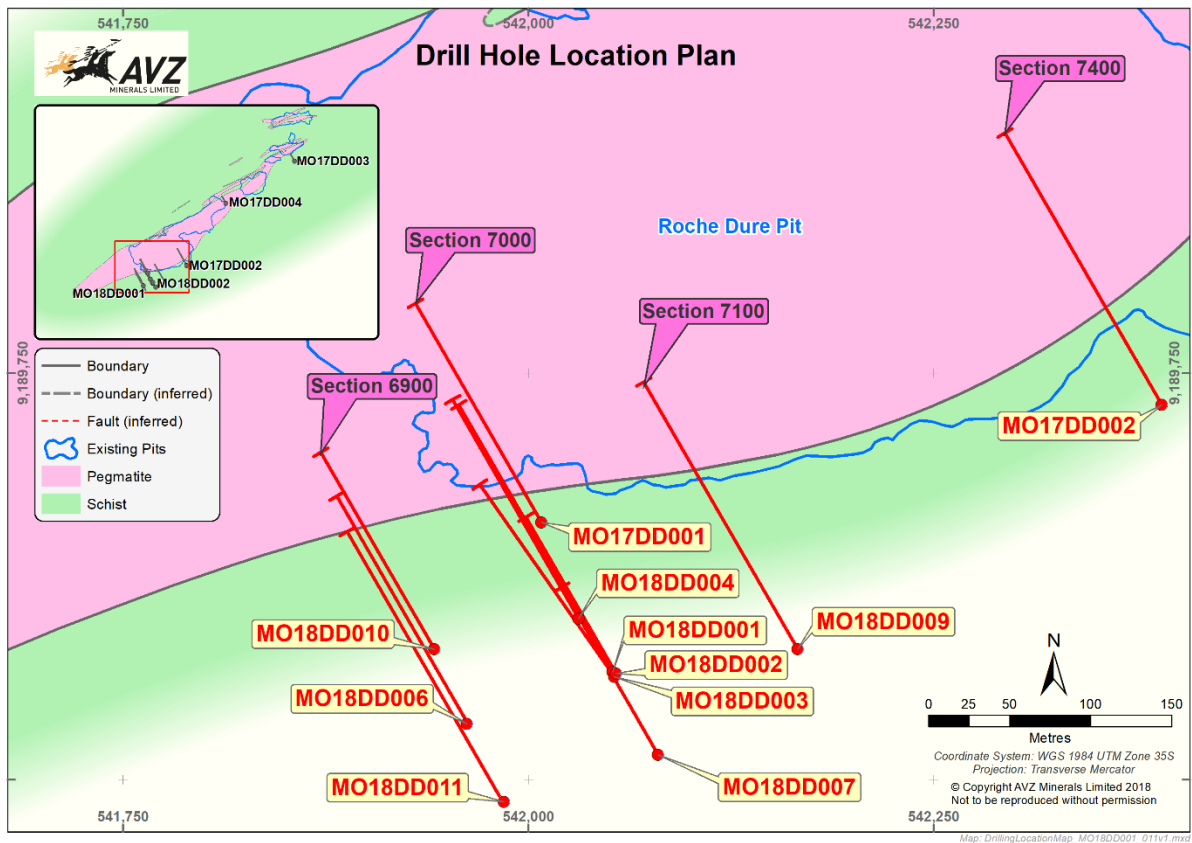


Figure 3: Drill hole collar plan - Roche Dure Pegmatite, Kitotolo Sector

AVZ has four drill rigs on-site to increase the drilling rate, concentrating on the Roche Dure pegmatite.

The Company confirmed its drilling rate would allow an initial JORC resource calculation by late Q2 2018.

### Investigation of the Carriere de l'Est Pegmatite

Fieldwork completed in 2017 suggested much of the outcrop of the southern part of the Carriere de l'Est Pegmatite is comprised of weakly weathered rock. This was confirmed by drill-hole MO17DD007. The recent collection of 18 samples, many yielding high-grade lithium and tin assay results provided further confirmation.

The presence of high tin grades in the weathered rock is a positive factor, as the value of the tin in the weathered material may compensate for the expected lithium depletion of the weathered material.

A significant number of the samples were minimally weathered and the presence of a large volume of unweathered rock at (or near) surface has important implications for defining a Mineral Resource and is a highly favourable characteristic.

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

## **Exploration Target**

Based on detailed prospect scale mapping, trenching and drill results and given the size and mineralised nature of the pegmatites at the Manono Lithium Project, AVZ generated an exploration target of between 1.0Bt to 1.2Bt of 1.25% to 1.5% Li<sub>2</sub>O for the entire Manono Lithium Project, including between 300Mt and 400Mt of 1.25% to 1.5% Li<sub>2</sub>O for the Roche Dure Pegmatite alone. It has also generated an exploration target for a 1,200m strike portion of the Carriere De L'est Pegmatite of between 200Mt and 300Mt of 1.25% to 1.5% Li<sub>2</sub>O.

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.

The Company is currently concentrating on drill assessment of the two main pegmatite sectors with an initial primary focus on the Roche Dure pegmatite to be followed by the Carriere de L'Est pegmatite.

## **Work Planned Q2 - 2018**

- Completion of Phase 1 drilling program at the Manono Lithium Project is expected to be completed mid to late Q2, 2018.
- The calculation of JORC compliant resources anticipated late Q2, 2018.
- Execution of the Phase 2 drilling program which will focus on increasing the confidence levels of the initial resource estimate.

## **Infrastructure Update**

AVZ can confirm that CREC9, the China Railway Engineering Company, has commenced work with an initial investigation of the first 250km of road heading north from the junction with the Lubumbashi – Kolwezi road. This sector of the road includes several bridges which will be upgraded and strengthened to accommodate trucks of up to 40 tonnes. Additional work and inspection has been undertaken on the 200km stretch on Manono side of the road. Remedial work was undertaken in the town and the plan is to move forward with rehabilitation of the entire road when the wet season abates in April.

Concurrently, AVZ has initiated investigation of the railway access and possible use for exporting product either through the traditional southern “copper cathode” route of Lubumbashi to South Africa or indeed north, through Kalemie and to the port town of Dar es Salaam in Tanzania. Further assessment will be undertaken in the next quarter with more detailed investigations being completed.

## **CORPORATE**

### **Capital Raising**

During the quarter, AVZ completed a \$15 million placement to a North American institutional client of Cantor Fitzgerald Canada Corporation. A total of 60 million shares at an issue price of 25 cents per share, together with 30 million attaching options exercisable at 30.5 cents, expiring 24 months from the date of issue, were issued under the placement. Funds will primarily be used for the planned 20,000m Phase 2 drilling and pre-feasibility programs at the Manono Lithium Project, as well as ongoing corporate and administration costs. The securities were issued under AVZ's existing placement capacity in accordance with Listing Rule 7.1.

In addition, AVZ issued a total of 14,183,997 ordinary shares following the exercise of listed options (at 3 cents each).



At 31 March 2018, AVZ's cash balance totalled approximately \$23.7 million.

### **Board and Management Changes**

In February 2018, AVZ appointed senior technical specialists, Mr Nigel Ferguson as Managing Director and Mr Rhett Brans as a Non-Executive Director as the Company prepares for completion of JORC resource and a feasibility study for the Manono Lithium Project.

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

Mr Brans is an experienced director and civil engineer with more than 45 years' project development experience. His strong experience in guiding feasibility work followed by planned development and commissioning is a coup for the Company as it advances the Manono Lithium Project.

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

### **Legal**

As previously advised, in July 2017 MMCS Strategic 1 (MMCS) filed an amended claim (Claim) seeking an order pursuant to the ASIC Act and the Corporations Act requiring AVZ to make announcements to the market to correct what MMCS claims were misleading or deceptive announcements (or announcements which were likely to mislead or deceive) made by AVZ concerning the Manono licence.

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

For further information, visit [www.avzminerals.com.au](http://www.avzminerals.com.au) or contact:

Mr Klaus Eckhof  
Executive Chairman  
AVZ Minerals Limited  
Phone: +377 680 866 300  
Email: [klauseckhof@monaco.mc](mailto:klauseckhof@monaco.mc)

Mr Nigel Ferguson  
Managing Director  
AVZ Minerals Limited  
Phone: +61 8 9380 6789  
Email: [nferguson@avzminerals.com.au](mailto:nferguson@avzminerals.com.au)

### **Competent Person's 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.



### Information required under ASX Listing Rule 5.3.3

List of current mining and exploration tenements (as at 31 March 2018):

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

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

AVZ Minerals Limited

### ABN

81 125 176 703

### Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(2,621)	(6,444)
(b) development	-	-
(c) production	-	-
(d) staff costs	(151)	(457)
(e) administration and corporate costs	(635)	(1,423)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	51	112
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (net GST/FBT activity)	(41)	(96)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,397)</b>	<b>(8,308)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(136)	(1,006)
(b) tenements (see item 10)	(624)	(624)
(c) investments	-	-
(d) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(760)</b>	<b>(1,630)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	15,000	30,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	426	3,506
3.4 Transaction costs related to issues of shares, convertible notes or options	(825)	(987)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>14,601</b>	<b>32,519</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	13,317	1,180
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,397)	(8,308)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(760)	(1,630)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	14,601	32,519
4.5 Effect of movement in exchange rates on cash held		
<b>4.6 Cash and cash equivalents at end of period</b>	<b>23,761</b>	<b>23,761</b>

5. <b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	23,761	13,317
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>23,761</b>	<b>13,317</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	151
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

	\$A'000
Payment to directors and related entities – director fees and corporate services (excluding GST)	84.5
Payment to director related entity – technical services (excluding GST)	66.5

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	6,000
9.2 Development	-
9.3 Production	-
9.4 Staff costs	150
9.5 Administration and corporate costs	500
9.6 Other (Instalment payment for the Manono Lithium Project due in May 2018)	1,333
<b>9.7 Total estimated cash outflows</b>	<b>7,983</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

### **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:       *(lodged electronically)*                      Date: 13 April 2018  
                    (Company secretary)

Print name:      Mathew O'Hara

### **Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.