



30 July 2018

Quarterly Report for the period ending 30 June 2018

ASX: AVZ

HIGHLIGHTS

Manono Lithium Project, DRC

- JORC compliant Mineral Resource Estimate to be completed by end of July 2018
- AVZ commences Scoping Study for Manono Project, expected to be completed in August 2018
- Positive preliminary metallurgical test work results for Manono Lithium Project reported
- Drilling on track, initial 20,000m program due for completion in September
- Results returned a new record intercept of 341.62m* which included a fresh-rock intersection of **302.10m* @ 1.54% Li₂O and 875ppm Sn**

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

Corporate

- Agreement with JNS Capital Corp entered into for the provision of marketing and promotional services in North America
- AVZ's contract with strategic advisor Airguide renewed for a further 12 months

AVZ Minerals Limited (ASX: AVZ) (the "Company") is pleased to provide the following report on activities for the quarter ending 30 June 2018.

MANONO LITHIUM PROJECT, DRC

Scoping Study

AVZ engaged Perth-based independent engineering group CPC Engineering ("CPC") to complete a Scoping Study for the Manono Lithium Project.

The Scoping Study aims to prepare initial capital and operating cost estimates based on a typical hard rock spodumene concentrate process flowsheet. As part of the study a high-level review of options to upgrade the spodumene concentrate will be undertaken, with the aim to minimise transportation costs.

A second high-level review will investigate opportunities to produce a cassiterite (SnO₂) concentrate as a secondary product stream. The estimate will capture the process plant, process and non-process infrastructure.

Positive Metallurgical Test Work

AVZ provided an update on initial and preliminary metallurgical test work completed on two samples of coarse assay sample reject material from drill holes MO17DD001 and MO17DD002, from the Roche Dure Pegmatite, Manono Lithium Project. The test work was performed at Nagrom Laboratories in Perth during the period.

The metallurgical test results for samples from reject diamond drill core material were encouraging with several potential processing routes now available to produce a spodumene concentrate product of +6% Li₂O at recoveries of 73% Dense Media Separation (DMS) to 94% Flotation.

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

Drilling progress

AVZ commenced a 20,000m drilling program at the Manono Lithium Project in early February and ramped up drilling with four drill rigs operating 24/7.

The Company reported results in late April from the first resource drill holes completed at the Manono Lithium Project, which included:

- MO18DD001: 295.03m* @ 1.75% Li₂O and 856 ppm Sn from 62.0m downhole;
- MO18DD002: 283.06m* @ 1.59% Li₂O and 807 ppm Sn from 63.1m downhole;
- MO18DD003: 13.1m* @ 1.11% Li₂O and 496ppm Sn from and 59.01m downhole and 289.58m* @ 1.63% Li₂O and 845 ppm Sn from 83.3m downhole; and
- MO18DD004: 276.72m* @ 1.61% Li₂O and 947 ppm Sn from 54.0m

These drill holes intersected the Roche Dure pegmatite at shallower depths than anticipated, suggesting the Roche Dure pegmatite is, in part at least in this location, closer to the surface than expected.

AVZ reported further results in June which included:

- MO18DD006: 284.47m* @ 1.52% Li₂O and 846 ppm Sn;
- MO18DD007: 272.65m* @ 1.56% Li₂O and 631 ppm Sn;
- MO18DD008, drilled as a water-bore in the Manono sector but hit pegmatite, intersecting 71.8m* @ 1.25% Li₂O and 1113 ppm Sn. Hole terminated at 149.5m;
- MO18DD010: 263.24m* @ 1.52% Li₂O and 950 ppm Sn; and
- MO18DD011: 248.22m* @ 1.72% Li₂O and 685 ppm Sn.

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

MO18DD010 and MO18DD011 were drilled approximately 50m either side of previously reported hole MO18DD006 on section line 6900mN, confirming the consistency of mineralisation within the Roche Dure pegmatite.

In late June, AVZ announced a record intersection from drilling of 341.62m* including an upper interval of weathered rock beneath a fresh-rock intersection of **302.10m* @ 1.54% Li₂O and 875ppm Sn** from hole MO18DD009. Adjacent drill-hole MO18DD012 intersected 299.88m* of the Roche Dure pegmatite with the fresh-rock interval being 268.75m* @ 1.55% Li₂O and 751 ppm Sn. MO18DD015 intersected 303.16m* of the Roche Dure pegmatite with the fresh-rock interval being 278.96m* @ 1.58% Li₂O and 1053 ppm Sn.

In early July, AVZ reported assay results from MO18DD014 which confirmed the continuity of the Roche Dure pit to the west. The hole intercepted 67.15m* at 1.45% Li₂O and 1256ppm Sn within unweathered pegmatite and included significant tin concentrations in weathered pegmatite including 30.15m* @ 1256ppm Sn.

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

However, the depth of weathering is known to vary locally and is influenced by the presence of faults, with zones of highly fractured rock potentially being weathered to greater depths. This appears to be the case with MO18DD014, where mild weathering extends to 68m but is restricted to fracture zones.

The significant grades of tin mineralisation present within the weathered pegmatite is likely to be of economic importance.

A Mineral Resource Estimate for Roche Dure is on track for completion by end of July 2018.

Work Planned Q3 - 2018

- Scoping study progress and completion
- Further work on infrastructure and routes for delivery of product
- Further metallurgical test work will be required on the back of the Mineral Resource Estimate
- Complete initial 20,000m of diamond drilling
- Commence geotechnical and metallurgical drilling

CORPORATE

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

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

JNS Capital Corp agreement

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

Airguide contract renewed

The Company agreed to re-engage Airguide International Pte Ltd as its Strategic Advisor for an additional 12-months.

Board changes

During the quarter, Mr. Klaus Eckhof resigned as AVZ's Executive Chairman. AVZ is seeking a suitable candidate to replace Mr Eckhof in the role and expand the Board by enhancing the skillsets available to the Company.

Performance Rights

As per the ASX announcement on 5 February 2018, it was proposed that, subject to shareholders approval, to issue Mr Ferguson (or his nominee) 12 million Performance Rights and Mr Brans (or his nominee) 4.5 million Performance Rights. These Performance Rights shall vest in three equal tranches upon the following milestones being achieved:

- 1) Tranche 1 shall vest if the volume weighted average share price ("VWAP") for the shares on the ASX is A\$0.34 or higher during the vesting period;
- 2) Tranche 2 shall vest if the VWAP for the shares on the ASX is A\$0.40 or higher during the vesting period; and
- 3) Tranche 3 shall vest if the VWAP for the shares on the ASX is A\$0.44 or higher during the vesting period.

The vesting period for Mr Ferguson's and Mr Brans' Performance Rights are 6 months from the date of appointment to expiry three years from the date of issue.

Following further review by the Board, it was proposed that the vesting conditions of these proposed Performance Rights above be changed to be aligned with the Company's objective which is to increase the value of the Project. The new proposed Performance Rights shall vest in four equal tranches upon the following milestones being achieved:

- 1) Tranche 1 shall vest upon definition of a 150Mt Measured and Indicated Mineral Resource in accordance with JORC Guidelines (as that term is defined for the purposes of JORC Guidelines for lithium) of lithium oxide (Li₂O) that meets the agreed minimum specification of greater than 1% lithium oxide (Li₂O) being delineated within the Manono Project Area (being the licence area of PR13359) within 12 months of the date of issue of the Employee Performance Rights.
- 2) Tranche 2 shall vest upon the completion of Feasibility Study on the Manono Project.
- 3) Tranche 3 shall vest upon executing an offtake agreement for at least 25% of the product from the Manono Project.
- 4) Tranche 4 shall vest upon the completion of the Manono Project financing.

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

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

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

Contact Details

The Company's new contact details are:

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For further information, visit www.avzminerals.com.au or contact:

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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 30 June 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")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(5,607)	(12,051)
(b) development	-	-
(c) production	-	-
(d) staff costs	(151)	(608)
(e) administration and corporate costs	(389)	(1,812)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	57	169
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)	(66)	(162)
1.9 Net cash from / (used in) operating activities	(6,156)	(14,464)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(1,006)
(b) tenements (see item 10)	(1,339)	(1,963)
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
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)	-	-
2.6 Net cash from / (used in) investing activities	(1,339)	(2,969)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	30,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	71	3,577
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(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)	-	-
3.10 Net cash from / (used in) financing activities	71	32,590

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	23,761	1,180
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(6,156)	(14,464)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,339)	(2,969)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	71	32,590
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	16,337	16,337

5. Reconciliation of cash and cash equivalents 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	16,337	23,761
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	16,337	23,761

6. Payments to directors of the entity and their associates	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)	76
Payment to director related entity – technical services (excluding GST)	75

7. Payments to related entities of the entity and their associates	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

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	5,500
9.2 Development	-
9.3 Production	-
9.4 Staff costs	150
9.5 Administration and corporate costs	500
9.6 Other	-
9.7 Total estimated cash outflows	6,150

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
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:


(Company secretary)

Date: 30 July 2018

Print name: Leonard Math

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.