MINERALS LIMITED

ASX ANNOUNCEMENT

30 January 2019

Quarterly Activities Report
for the quarter ended 31 December 2018

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Directors
Managing Director: Nigel Ferguson
Technical Director: Graeme Johnston
Non-Executive Director: Rhett Brans
Non-Executive Director: Hongliang Chen
Non-Executive Director: Guy Loando

Issued Capital
1,888 M Ordinary Shares

Market Cap
$102 M

ASX Code: AVZ

Highlights

- Manono Scoping Study released confirming Manono as the largest undeveloped hard rock lithium project globally in terms of grade, mine life and expandability

- Subsequent transport costs savings identified yielding a 26% drop in transport costs and decline in total operating costs of 16% vs original October 2018 Scoping Study

- Updated Manono Mineral Resource released highlighting a 54% increase in Measured, Indicated & Inferred Resource to 400mt @ 1.66% Li_2O (spodumene), substantial tin and tantalum credits and very low levels of deleterious elements

- Drilling continued throughout the Quarter demonstrating potential for yet further upgrade to categories of the Manono Mineral Resource

- Definitive Feasibility Study for the Manono Lithium and Tin Project progressing

- Wide spaced drilling at Carrière De L'Este in the northern Manono Sector confirms visible spodumene in drill core with assay results pending

- Congo royalty rates for lithium remain unchanged after Congo Government review

AVZ Minerals Ltd (ASX: AVZ) is pleased to provide the following report on its activities for the quarter ended 31 December 2018.

The December Quarter has been a decisive one for the company. Whilst the AVZ Board reasonably expects the size and quality of the Manono JORC resource to continue to grow, the Project has now moved decisively beyond the pure exploration stage and, with the help of the recently announced modest capital raising, it is moving into the Pre-Development Phase.

The Scoping Study delivered during the quarter has confirmed Manono ***as the largest undeveloped hard rock lithium project globally in terms of grade, mine life and expandability.*** The resource is now the largest lithium project with the highest grade owned by an ASX listed company. The economics of the project are also extremely compelling, with a pre-tax pre-royalties NPV (100% basis) estimated at US$1.6bn and an IRR of over 90%.

Importantly, work for the Scoping Study and subsequent analysis has identified very cost effective transport solutions for Manono ore. The company expects that yet further improvements to the already impressive transport economics can be made.

AVZ's Managing Director Nigel Ferguson commented: "The recent quarter has been a busy one for the company. We are extremely proud of where we have taken the Manono asset in a relatively short period of time. With the October 2018 Scoping Study, we have demonstrated to the market the compelling economics of the Project and a commercial transportation route which we expect will unlock the potential of this asset. Transport is the key here and we aren't the first company in the DRC to take the export ore eastwards from the DRC. With the delivery of a DFS in this half of 2019 and yet further resource upgrades, we would expect the market to better appreciate the size and economic potential of Manono".

MANONO LITHIUM AND TIN PROJECT, DRC

Scoping Studies

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

- Case 1 (2 Mtpa) pre-tax pre-royalties NPV10 of approximately US$1.6 Billion (Bn) (AVZ's 60% share is approximately US$0.93Bn) with an estimated IRR greater than 90% based on ±35% accuracy and including US$36M in capital contingency
- Scope for annual production of approximately 440,000 tonnes per annum (tpa) at a minimum of 5.8% Li_2O concentrate from Case 1 throughput of 2 million tonnes per annum (Mtpa) of pegmatite ore with low strip ratio of 0.7:1.
- F.O.B. Operating costs to Dar-es-Salaam estimated at approximately US$355 per tonne (t) of concentrate for 2Mtpa.
- Metallurgical test work indicates recoveries in excess of 80% are achievable.
- Capex estimated for Case 1 throughput at approximately US$150 to $160 Million (accurate to ±35% and includes US$36M contingency).
- Study for Case 2 for 5Mtpa and Case 3 for 10Mtpa in progress and will be completed as soon as practicable.

The Study confirmed Manono as the largest undeveloped hard rock lithium project globally in terms of grade, mine life and expandability and demonstrated its potential for excellent economic outcomes. AVZ expects that the project economics can be further improved, especially regarding transport, processing, power costs and recovery of tin as a by-product.

During the quarter, AVZ commenced work on an increased 5Mtpa (previously 4Mtpa) and 10Mtpa scoping studies for the Manono Project. AVZ decided to study 5Mpta modules given the expected economies of scale from this strategy and the size and potential of the world-class resource available to us at Manono.

These studies are expected to be completed within the first quarter of 2019.

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

Transport Options and Update of 2Mtpa Scoping Study

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

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

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

After reviewing the 2Mpta study in light of transport cost savings, AVZ found:

- F.O.B. Operating costs to Dar-es-Salaam reduced by US$58/t to US$297/t from original estimates of approximately US$355/t of concentrate for 2Mtpa, (a 16% reduction in the total cash cost estimate) with total transport costs now estimated at USD163/t – a 26% reduction
- Case 1 (2 Mtpa) pre-tax pre-royalties NPV10 increased by approximately US$190 Million (M) to US$1.79 Billion (B) (AVZ's 60% share is approximately US$1.04 B) with an estimated IRR greater than 90% based on ±35% accuracy and including US$36M in capital contingency.
- Capex estimated remained the same for Case 1 throughput at approximately US$150 to $160 Million (accurate to ±35% and includes US$36M contingency).

AVZ anticipates potential further transport-related cost savings through negotiating volume discounts with transport providers and assessing in more detail other available transport routes and methods.

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

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

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

Updated Mineral Resource

AVZ Minerals announced a maiden Mineral Resource for the Manono Lithium and Tin Project ("Manono Project") in August 2018 of **259.9Mt grading 1.63% Li_2O** (spodumene). This confirmed Manono's potential to become a world leader in the global lithium market.

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

This represented a:

- 54.1% increase in total Measured, Indicated and Inferred Resources from 259.9Mt to 400.4Mt grading 1.66% Li_2O (spodumene) containing 6.64 million tonnes of lithium oxide (Li_2O), 300kt of tin as cassiterite grading 750ppm Sn and 13,200 tonnes of Tantalum grading 33ppm Ta (Tantalum);
- 117% increase in Measured Resources from 43.0Mt to 93.5Mt grading 1.69% Li_2O, 811ppm Sn and 34ppm Ta; Indicated Resources of 96.3Mt grading 1.64% Li_2O, 759ppm Sn and 34ppm Ta;

In addition to Sn, Ta and Li_2O, potentially deleterious element Fe_2O_3 was also estimated at an average grade of 0.99% Fe2O3, which when compared to other ASX-listed hard rock deposits, is one of the lowest reported.

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

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

Recent and ongoing drilling significantly increased the level of confidence in the central portion of the Roche Dure pegmatite where almost half of the new holes were drilled since August 2018 were located, hence the significant conversion of Indicated to Measured Resources. However, further drilling beyond the area included in the Maiden Resource (effective 30 July 2018) confirmed significant Inferred Resources in areas along strike drilled during the quarter.

Approximately 95% of the strike of Roche Dure has now been drilled, and shown to carry significant spodumene mineralisation. The down-dip extensions of these new areas, however, have yet to be taken to the targeted - 350 metre depth which indicates that there is still potential for down dip extensions to the Roche Dure orebody to be identified. This indicates the potential for the Mineral Resource to increase further.

Additionally, AVZ plans to drill test the M'Pete and Tempete pegmatites at the Kitotolo Sector just north of Roche Dure although the Company has recently commenced wide spaced reconnaissance drilling at the Carrière de L'Este pegmatite at the northern Manono sector where visible spodumene has been logged in the drill core.

Drilling Activities and Results

Assay results from the six holes received in December are expected to upgrade the various categories of the JORC estimate when all holes up to MO18DD083 are included in the next JORC estimate. Holes drilled towards the end of the 2018 programme were mostly shallow holes planned to increase Measured Resources closer to the pit floor and are not expected to significantly increase overall tonnages of spodumene bearing pegmatite.

Assay results from the drilling at Roche Dure leading up to the end of 2018 will be reported on in early 2019 as will the wide spaced reconnaissance drillholes from Carrière De L'Este. Once all of the Roche Dure assay results have been reported, AVZ will rerun the JORC estimate again in the March 2019 quarter to include the new assay and geological data from the extra holes MODD18069 to MODD18083 inclusive. It is anticipated that there may be some extra tonnes added to the overall resource estimate but as many of these new holes are close to, or within, the recently modelled resource, it is more likely that there will be a shift in resource categories to higher levels of confidence (eg. Indicated to Measured Resources.)

A summary of drilling activities and results are disclosed in Appendix 1.

Metallurgical Sampling

Five dedicated wide diameter (PQ sized) holes were drilled into the Roche Dure orebody to give wide spaced coverage across the orebody. This intact core weighing approximately 12 tonnes has been packed and placed in a sea container for transport to the Nagrom metallurgical laboratory in Perth, Western Australia. The metallurgical test regime in Perth will gather information required for the optimal recovery of the spodumene as well as the physical rock characteristics needed for the process plant design, especially the front end comminution circuit. Additionally, there will be a series of tests developed to estimate the likely tin and tantalum recovery from the ore which will allow AVZ to finally quantify the future credits to be recovered from the tin and tantalum production.

The bulk metallurgical sample will be in transit form Lubumbashi to Dar Es Salaam in the final week of January for transport to Fremantle in Western Australia.

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

a) the presence of spodumene across the orebody
b) determine if the pegmatite continues to the SSW beneath cover and along strike from the original due diligence hole MODD17001 drilled in July 2017 and;
c) to try and obtain a feel for the orientation of the orebody if possible.

The core from the 6 holes was cut in mid-December and the samples were prepared and sent to Perth for assay. This is a standalone project being geographically located approximately 5.6 kilometres along strike from Roche Dure in the northern Manono Sector. It is planned to carry on with the wide spaced drilling at Carrière De L'Este in the March 2019 quarter but this drilling may be superseded by the Definitive Feasibility Study programmes as and when they can proceed given weather conditions and local access.

Later in Q1, emphasis in the field will naturally progress from exploration to more mining related studies. Geotechnical information will have to be collated from all sources on the Roche Dure deposit and this will include both a desktop appraisal of the drilling carried out so far, possibly some dedicated geotechnical drillholes and also a field appraisal of the base of the Roche Dure pit and the pit walls after the water has been pumped out. It is anticipated that the pumping will take 3 to 4 months up to the middle of the year depending on the wet season.

There will also be a requirement to examine the hydrogeological conditions in and around Roche Dure in order to draw up a water management plan for the life of mine (the water management plan will be included in the Environmental Impact Assessment). This will involve a physical appraisal of both surface and sub-surface water occurrences and may require the installation of piezometers close to the Roche Dure pit to model the free standing water table.

Prospective areas for future critical mine infrastructure including the location of the processing plant, tailings pond and waste dumps, haul roads etc will all have to be examined for both geotechnical and hydrogeological suitability and this work is likely to commence in the March quarter as part of the Feasibility Study.

In addition to the above it is planned to conduct a small blasting trial at both Roche Dure and Carrière De L'Este to look at fracture patterns and the physical response of the rock to a certain powder factor. The information gained from this will allow a more accurate estimate of the amount and type of explosives required for future open pit mining practices. The timing for this has not been determined yet as the wet season is still ongoing but planning and quotes for this programme will be collected in the quarter.

There will be a requirement to include all of the outcomes from the various mining studies into the Environmental Impact Assessment (EIA). Dathcom has been dealing with 2 local environmental consulting companies based out of Lubumbashi. Both of these companies will be approached and given the opportunity to tender for the larger EIA which will form part of the Feasibility Study. These companies will be approached with a Scope of Work in Q1 in order to provide AVZ management with the information they will require to move the Feasibility Study forward in 2019.

CORPORATE

Congo royalty rates

In November, DRC's Prime Minister and Mines Minister declared cobalt, coltan and germanium as "Strategic Mineral Resource", meaning under the executed decree, the strategic minerals will attract a royalty rate of 10%, up from 3.5%. Lithium was not included in this ruling and the royalty rates for lithium remains unchanged.

Potential Acquisition of Further Interest in the Manono Lithium and Tin Project

AVZ is currently in discussions with its Joint Venture partners of the Manono Lithium and Tin Project ("Manono Project"), Cominière SA and Dathomir Mining SA ("Dathomir") to purchase up to 5% each of their interest in the Manono Project.

AVZ currently holds 60% interest in the Manono Project while Cominière SA and Dathomir holding 30% and 10% respectively.

At the current stage of the discussions, there is no certainty that an agreement will be reached between the Joint Venture partners.

Fully Underwritten Share Purchase Plan

Post the quarter ending 31 December 2018, the Company announces it is offering by way of a prospectus, a Share Purchase Plan ("SPP") to raise a minimum of *A$5 million* (up to a maximum of A$10 million before costs) to advance its Manono Project in the Democratic Republic of Congo ("DRC") and for general working capital. The SPP will afford the Company's Eligible Shareholders the opportunity to participate and support their Company.

The SPP will be underwritten to A$5 million by Patersons Securities Limited ("Patersons") which is acting as Lead Manager and Underwriter to the offer. The New Shares (as defined below) will be issued at a *20% discount to the VWAP trading price over the 5 trading days before the date of issue of the New Shares* and will only be offered to Eligible Shareholders (as defined below) free of brokerage and fees.

Funds raised will be used to fast-track pre-development activity such as the Definitive Feasibility Study including hydrogeological test-work, environmental studies, pit dewatering and for general working capital.

Additionally, the Company has agreed that Patersons may facilitate an offer of New Shares that may be issued to sophisticated investors at the same price as those under the SPP ("Top-Up Placement") to raise a further A$5 million (before costs).

The maximum number of New Shares that may be issued under the Top-Up Placement will be equal to the Company's remaining placement capacity as per ASX Listing Rules 7.1 and 7.1A on completion of the SPP or such lower number as nominated by the Company.

Under the SPP, Eligible Shareholders (being those whose registered address is in Australia or New Zealand as at the Record Date) ("**Eligible Shareholders**") will be given the opportunity to purchase up to A$15,000 worth of New Shares in the Company at a discount and without incurring brokerage or transaction costs.

Appointment of Corporate Advisor

AVZ is also pleased to announce that it has appointed Patersons as Corporate Advisor. As a leading arranger of equity capital for small and mid-cap companies in Australia with a strong group of resource analysts and specialists, Patersons with over 68,000 clients and A$14bn of client funds under advice is well placed to assist the company in an advisory capacity to achieve its stated goals.

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

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Company Secretary
AVZ Minerals Limited
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Email: admin@avzminerals.com.au

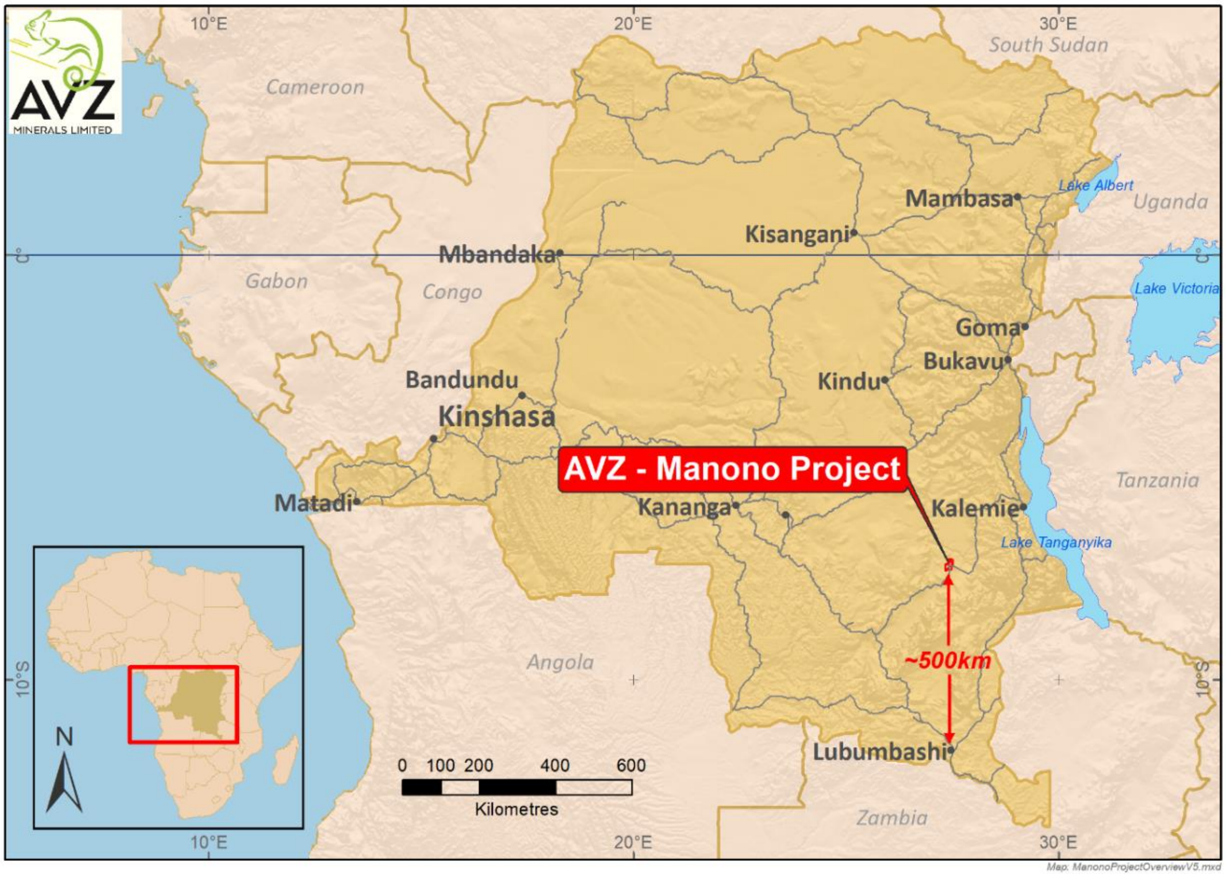
Competent Person's Statement

The information in this report that relates to mineral composition investigations is based on information compiled by Mr. Michael Cronwright, a Competent Person whom is a fellow of The Geological Society of South Africa and Pr. Sci. Nat. (Geological Sciences) registered with the South African Council for Natural Professions. Mr. Cronwright is a full-time employee of The MSA Group Pty Ltd. Mr Cronwright has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Cronwright consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Information required under ASX Listing Rule 5.3.3

List of current mining and exploration tenements (as at 31 December 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 12436, PR 12449, PR 12450,PR 12454,	60%	Granted


AVZ
MINERALS LIMITED
10°E
20°E
30°E
South Sudan
Cameroon
Mambasa
Lake Albert
Uganda
Kisangani
Mbandaka
Gabon
Congo
Lake Victoria
Goma
Bukavu
Bandundu
Kindu
Kinshasa
AVZ - Manono Project
Tanzania
Matadi
Kananga
Kalemie
Lake Tanganyika
Angola
~500km
10°S
N
0 100 200 400 600
Kilometres
Lubumbashi
Zambia
Map: ManonoProjectOverviewV5.mxd

Appendix 1: Drilling Results

Drilling Activities and Results

In October 2018, AVZ reported further high-grade results from its mineral resource drilling at Manono. These results included:

Drill Hole ID	Section	Intersections of the Roche Dure Pegmatite
MO18DD032	7200mN	84.92m – 91.23m; 6.31m @ 0.07% Li_2O & 703ppm Sn (with 0.95m of core loss) **105.03m – 367.05m; 262.02m @ 1.74% Li_2O & 698ppm Sn**
MO18DD036	7400mN	**Previously reported 154.0m – 390.47m; 236.47m @ 1.70% Li_2O & 422ppm Sn (with 2.65m of internal waste)** 415.6m – 422.9m; 7.3m @ 0.16% Li_2O & 609ppm Sn 429.18m – 452.82m; 23.64m @ 0.03% Li_2O & 173ppm Sn (with 7.5m of internal waste) 467.47m – 474.35m; 6.88m @ 0.36% Li_2O & 563ppm Sn
MO18DD050	7400mN	**146.3m- 497.25m; 350.95m @ 1.44% Li_2O & 376ppm Sn (with 0.35m of internal waste)**
MO18DD051	Between 6800 & 6900mN	0m – **8.27**m; 8.27m @ 0.41% Li_2O & 848ppm Sn 14.5m – 28.72m; 14.22m @ 0.31% Li_2O & 1100ppm Sn **28.9m – 180.3m: 150.5m @ 1.32% Li_2O & 1198ppm Sn (with 1.4m of internal waste and 0.15m of core loss)**
MO18DD052	Between 7500 & 7600mN	5.54m – 91.41m; 85.87m @ 0.62% Li_2O & 974ppm Sn (including 0.25m internal waste and 1.13m of core loss) 93.95m – 94.39m; 0.44m @ 0.035% Li_2O & 300ppm Sn **99.13m – 256.44m; 157.31m @ 1.76% Li_2O & 1175ppm Sn**
MO18DD053	6700mN	19.63m – 26.63m; 7m @ 0.07% Li_2O & 1014ppm Sn 41.05m – 59.0m; 17.95m @ 0.24% Li_2O & 629ppm Sn (with 1m core loss) **59.0m – 220.47m; 161.47m @ 1.06% Li_2O & 979ppm Sn (with 0.5m core loss)**
MO18DD054	7300mN	7.97m – 35.2m; 27.23m @ 0.18% Li_2O & 1360ppm Sn (with 1.05m internal waste and 5.45m core loss) **35.2m – 240.24m; 205.04m @ 1.63% Li_2O & 1173ppm Sn**
MO18DD055	Between 7500 & 7600mN	**6.5m – 69.7m; 63.2m @ 1.62% Li_2O & 1118ppm Sn (with 0.77m of internal waste)** **82.0m – 112.05m; 30.05m @ 1.69% Li_2O & 1260ppm Sn** **119.4m – 192.9m; 73.5m @ 1.60% Li_2O & 1214ppm Sn (with 1.14m of internal waste)**

Table 2: Intersections achieved by MO18DD032, 036 (extended), 050, 051, 052, 053, 054 and MO18DD055

The Company reported further high-grade results in November 2018 which included:

Hole I.D.	Section	Intersections of the Roche Dure pegmatite
MO18DD056	6800mN	24.75m – 30.8m; 6.05m @ 0.14%Li_2O & 977ppm Sn (with 4.64m of core loss) 36.6m – 38.35m; 1.75m @ 0.16%Li_2O & 441ppm Sn (with 0.23m of core loss) 115.12m – 116m; 0.88m @ 0.02%Li_2O & 6,350ppm Sn 134.19m – 137.6m; 3.41m @ 0.20%Li_2O & 1,781ppm Sn **151.98m – 385.45m; 233.47m @ 1.31%Li_2O & 765ppm Sn (with 0.14m of core loss)**
MO18DD057	6800mN	1.5m – 137.36m; 135.86m @ 0.66%Li_2O & 1,324ppm Sn (with 3.35m of core loss) 153.64m – 159.85m; 6.21m @ 0.02%Li_2O & 30,508ppm Sn
MO18DD058	7700mN	13.9m – 20.45m; 6.55m @ 0.20%Li_2O & 779ppm Sn (with 2.2m of core loss) 21.9m – 23.56m; 1.66m @ 0.14%Li_2O & 799ppm Sn 27.5m – 32.84m; 5.34m @ 0.15%Li_2O & 1,059ppm Sn (with 1.35m of core loss) 52.6m – 53.74m; 1.14m @ 0.25%Li_2O & 139ppm Sn **58.29 m – 89.92 m; 31.63 m @ 1.80 %Li_2O & 772 ppm Sn** **101.92 m – 273.47 m; 171.55 m @ 1.69 %Li_2O & 858 ppm Sn**
MO18DD059	6900mN	90.82m – 92.08m; 1.26m @ 0.03%Li_2O & 94ppm Sn **165.2m – 387.03m; 221.83m @ 1.53%Li_2O & 848ppm Sn**
MO18DD060	6800mN	12.35m – 25m; 12.65m @ 0.11%Li_2O & 587ppm Sn (with 2.1m of core loss) 31m – 174.1m; 143.1m @ 0.21%Li_2O & 1,191ppm Sn (with 7.78m of core loss)
MO18DD061*	7700mN	14.12m – 69.03m; 54.91m @ 1.46%Li_2O & 1,075ppm Sn (with 0.68m of core loss) 73.5m – 74.06m; 0.56m @ 0.07%Li_2O & 275ppm **75.71m – 163m; 87.29m @ 1.57%Li_2O & 947ppm** 166.14m – 167.32m; 1.18m @ 0.12%Li_2O & 912ppm 170.8m – 222.24m; 51.44m @ 0.91%Li_2O & 861ppm Sn (with 0.29m of core loss)
MO18DD062	6600mN	89m – 100.03m; 11.03m @ 0.03%Li_2O & 142ppm Sn (with 2.03m of internal waste) 107.29m – 124.05m; 16.76m @ 0.02%Li_2O & 80ppm Sn 130.06m – 141m; 10.94m @ 0.05%Li_2O & 124ppm Sn (with 1.42m of internal waste) 151.45m – 333.37m; 181.92m @ 0.72%Li_2O & 604ppm Sn **(including 174m-254m; 80m @ 1.25%Li_2O & 883ppm Sn)**

Table 3: Intersections achieved by MO18DD056, 057, 058, 059, 060, 061 and MO18DD062

** - One CRM (sample 38025) in the batch containing the samples for MO18DD061, marked as GTA-04 plotted outside the accepted -3xSD but falls within the limits of GTA-06. All other QC samples fall within acceptable limits for this batch and this failure is interpreted as an incorrectly captured CRM into the database. Additional testwork is in progress to confirm this.*

AVZ continued its infill drilling program, with pegmatite intervals in infill holes demonstrating substantial thicknesses of higher grade material ranging in depth from just under the weathered zones to deeper in the deposit.

AVZ reported further results in December which were not included in the Nov 30, 2018 Resource Upgrade which included:

Hole I.D.	Section	Intersections of the Roche Dure pegmatite
MO18DD066	6600mN	55.3m – 57.4m; 2.1m @ 0.02%Li_2O & 74ppm Sn 84.6m – 87.75m; 3.15m @ 0.01%Li_2O & 54ppm Sn (with 1.45m of internal waste) 109.68m – 140.75m; 31.07m @ 0.12%Li_2O & 2,101ppm Sn (with 1.88m of internal waste) **141.52m – 219m; 77.48m @ 1.4%Li_2O & 3,082ppm Sn (with 0.3m of core loss and including 141.52m – 148.0m; 6.48m @ 25,252ppm Sn)** 219.0m – 264.65m; 45.65m @ 0.49%Li_2O & 592ppm Sn
MO18DD067	~20m south of 7900mN	**1m – 93.31m; 92.31m @ 1.74%Li_2O & 1,180ppm Sn (with 1.58m of core loss)** 98.34m – 130.5m; 32.16m @ 1.52%Li_2O & 1,252ppm Sn pm Sn
MO18DD068	Between 7500 & 7600mN	**0.15m – 49.46m; 49.31m @ 1.67%Li_2O & 1,167ppm Sn (with 0.33m of core loss)** 53.47m – 89.03m; 35.56m @ 1.62%Li_2O & 894ppm Sn 100.17m – 134.76m; 34.59m @ 1.73%Li_2O & 1,239ppm Sn 144.79m – 158.89m; 14.1m @ 1.71%Li_2O & 888ppm Sn
MO18DD069	7800mN	**0.35m – 169.87m; 169.52m @ 1.49%Li_2O & 1,061ppm Sn (with 4.74m of core loss)**
MO18DD070	7100mN	**220.28m – 329.2m; 108.92m @ 1.73%Li_2O & 1,253ppm Sn**
MO18DD027	7300mN	16.65m – 17.26m; 0.61m @ 0.02%Li_2O & 101ppm Sn 52.15m – 57.65m; 5.5m @ 0.09%Li_2O & 1,151ppm Sn (with 1.99m of core loss) 58.65m – 66.02m; 7.37m @ 0.26%Li_2O & 519ppm Sn **68.0m – 320.18m; 252.18m @ 1.67%Li_2O & 860ppm Sn (with 6.77m of internal waste)**

Table 4: Intersections achieved by MO18DD027, 066, 067, 068, 069 and MO18D70

+Rule 5.5

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	**Quarter ended ("current quarter")**
81 125 176 703	31 December 2018

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(4,743)	(12,398)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(279)	(654)
	(e) administration and corporate costs	(674)	(1,032)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	39	92
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)	26	(42)
1.9	**Net cash from / (used in) operating activities**	**(5,631)**	**(14,034)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(341)
	(b) tenements	-	-
	(c) investments [1]	-	(1,059)
	(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements	-	-
	(c) investments	-	-
	(d) other non-current assets [1]	-	7
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**	**-**	**(1,393)**

1. Advance payment of US$750,000 to Cominiere SPRL, as part of acquisition cost.

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
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**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	6,541	16,337
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,631)	(14,034)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(1,393)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**910**	**910**

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	910	6,541
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)**	**910**	**6,541**

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	231
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)	105
Payment to director related entity – technical services (excluding GST)	126

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

	8. Financing facilities available *Add notes as necessary for an understanding of the position*	**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.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	1,095
9.2	Development	1,610
9.3	Production	-
9.4	Staff costs	300
9.5	Administration and corporate costs	325
9.6	Other (Capital Raising costs*)	1,000
9.7	**Total estimated cash outflows**	**4,330**

The Company is undertaking a fully underwritten Share Purchase Plan raising a minimum of $5 million up to $10 million with a further $5 million Top-Up placement. The Share Purchase Plan is fully underwritten for $5 million by Patersons. The estimated expenditures above is based on a full subscription of $15 million and will be scaled down accordingly based on the total amount raised.

Based on $15 million raised

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: Date: 30 January 2019

(Company secretary)

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.