



AVZ Minerals Limited

ABN 81 125 176 703

Interim Financial Report

31 December 2022



Corporate Directory

| | |
|--|---|
| Directors | John Clarke (Non-Executive Chairman) Nigel Ferguson (Managing Director) Graeme Johnston (Technical Director) Rhett Brans (Non-Executive Director) |
| Chief Financial Officer | Jan de Jager |
| Joint Company Secretaries | Jan de Jager Benjamin Cohen |
| Principal Place of Business & Registered Office | Level 2, 1 Walker Avenue West Perth WA 6005 T: +61 8 6186 7600 F: +61 8 6118 2106 |
| Share Registry | Automic Registry Services Level 5, 191 St George's Terrace Perth WA 6000 T: 1300 288 664 (within Australia) F: +61 8 9698 5414 (outside Australia) E: hello@automic.com.au |
| Auditor | Hall Chadwick WA Audit Pty Ltd 283 Rokeby Road Subiaco WA 6008 T: +61 8 9226 0666 |
| Securities Exchange Listing | Australian Securities Exchange (Home Exchange: Perth, Western Australia) Code: AVZ OTC Markets Group Code: AZZVF |
| Website Address | www.avzminerals.com.au |

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AVZ Minerals Limited

Directors' Report

The directors present their report on the consolidated entity consisting of AVZ Minerals Limited ('AVZ') and the entities it controlled ('the consolidated entity' or the 'Group') at the end of, or during the half-year ended 31 December 2022.

Directors

The following persons were directors of AVZ Minerals Limited during the half-year (or as disclosed) and up to the date of this report:

| | |
|-----------------|---|
| John Clarke | Non-Executive Chairman |
| Nigel Ferguson | Managing Director |
| Graeme Johnston | Technical Director |
| Rhett Brans | Non-Executive Director |
| Peter Huljich | Non-Executive Director (resigned 3 August 2022) |

Chief Financial Officer

Jan de Jager

Joint Company Secretaries

Jan de Jager
Benjamin Cohen

Review of Operations

Manono Lithium and Tin Project ("Manono Project"), Democratic Republic of the Congo ("DRC")

Highlights

- AVZ's securities remained in Voluntary Suspension during the HY22 period, pending a resolution and clarity of the mining and exploration rights for the Manono Project;
- AVZ continued its high-level discussions with the DRC Government with respect to the grant of the Manono Project Mining Licence (PE) to Dathcom Mining SA ("Dathcom") and other permits (refer also to *After Reporting Date Events*);
- The DRC General Inspectorate of Finance released its report ("IGF Report") on the mis-management of DRC mining assets by La Congolaise D'Exploitation Minière ("Cominière");
- AVZ continued to affirm its legal rights to a 75% interest in Dathcom and its pre-emptive rights over 15% of the 25% interest held by Cominière in the Manono Project, which is the subject of arbitration proceedings before the International Chamber of Commerce in Paris ("ICC");
- The Roche Dure North-East Extension drilling program continued with widespread, high-grade spodumene lithium mineralisation confirmed both along strike and down dip from the current open pit design;
- Only essential construction works at Camp Colline, infrastructure upgrades and the procurement of early works equipment continued throughout the period; and
- The completion date for the US\$240M Transaction Implementation Agreement with Suzhou CATH Energy Technologies ("CATH") was most recently extended to 31 March 2023.

Overview

The half year ending December 2022 has proved incredibly frustrating for the Company in its endeavours to secure the Mining Licence for the world-class, Manono Project.

The AVZ team delivered a highly positive Definitive Feasibility Study ("DFS") into the Manono Project (April 2020). The DFS comprised more than 8,500 pages and was completed within the third year of an initial five-year licence period – which is a significant achievement given the challenges commonly faced in this jurisdiction.

The process for the award of the Permis d'Exploitation ("PE" or "Mining Licence") required (i) environmental approvals (a total of 7 ESIA's approved for all aspects of the project); (ii) financial capability, (iii) technical approval of the DFS report by the Directorate of Mines, and (iv) Cadastre Minier (CAMI) approval.

AVZ received all approvals and was then issued with a Ministerial Decree to award the Mining Licence for the Manono Project. The Ministerial Decree to award the Mining Licence covered the entirety of the Roche Dure JORC Mineral Resource and Reserve and the Carriere de l'Este exploration target. The Ministerial Decree excluded a portion of the land holding to the north.

The DRC Mining Code required CAMI to calculate the surface rights fee (within five days of the Ministerial Decree being awarded) and officially award the Mining Licence, following the receipt of payment and ceding 10% to the Government. Dathcom has not received the surface rights fee invoice despite its endeavours to force CAMI to fulfil their legal obligations required by the DRC Mining Code.

The two Ministerial Decrees dated 28 January 2023 (see ASX announcement dated 6 February 2023) appear to be irregular and Dathcom has written to the DRC Government to obtain clarity on them.

Third-party campaign to undermine the rights of the Company

AVZ has been the subject of a hostile third-party campaign, run by parties seeking to acquire an interest in the Manono Project through questionable and irregular means, some of whom are the subject of the DRC General Inspectorate of Finance report on the management of mining assets in the DRC (Refer to previous ASX Announcement dated 6 December 2022).

The Company has strong grounds to believe an orchestrated misinformation campaign is being undertaken by hostile parties, who are attempting to diminish the credibility of the Company and its management.

The Company has become aware of the conduct of various non-state actors generally compromising AVZ's ability to develop the Manono Project, including by surreptitiously obtaining unauthorised access to and disseminating AVZ's confidential and legally privileged information.¹

The Company is steadfast in its resolve of achieving a positive outcome for shareholders and sincerely appreciates the support it continues to receive, through what it knows are frustrating times for all concerned.

Cominière and Zijin Mining / Jin Cheng Dispute

Through its wholly-owned subsidiaries, AVZ has at all material times held a right of first refusal over 15% of shares in Dathcom (noting that Cominière holds a 25% interest in Dathcom to which this right of first refusal applies and Cominière must cede 10% out of its 25% interest to the DRC Government as a condition of the award of the Mining Licence for the Manono Project).

On 10 September 2021, Cominière purported to conclude a Share Transfer Agreement with Jin Cheng for 15% of the shares in Dathcom. This purported sale and transfer breached AVZ's right of first refusal, is null and void under DRC law and has not been recognised by Dathcom.

Jin Cheng filed an International Chamber of Commerce arbitration claim in Paris in May 2022 against AVZ citing "an abuse of majority" and based on the arbitration clause provided in Dathcom's Articles of Association is seeking to be recognised as a minority shareholder of Dathcom.

AVZ is seeking the dismissal of Jin Cheng's claims by the ICC's sole arbitrator as Jin Cheng does not have the capacity to rely on the arbitration clause agreement provided by Dathcom's Articles of Association, to which Jin Cheng is not a party.

AVZ successfully obtained the bifurcation of the arbitration so the arbitrator will rule first on AVZ's challenge of Jin Cheng's capacity to rely on the arbitration agreement.

AVZ considers it has a strong legal standing in these matters and prospects of success.

¹ See the paragraph dealing with 'source materials' on the second page of the Company's ASX announcement dated 10 February 2023.

Dathomir Dispute

In 2019 and 2020, AVZ (through its wholly owned subsidiary) and Dathomir entered into Share Purchase Agreements under which Dathomir agreed to sell and AVZ agreed to purchase 5% and 10% equity interests in Dathcom ("Dathomir SPAs").

In May 2021, Dathomir purported to terminate the Dathomir SPAs without a legitimate cause.

In August 2021, AVZ paid to Dathomir the outstanding purchase price payable, and as a result, duly performed and completed the Dathomir SPAs, acquiring a 15% interest in Dathcom (taking AVZ's equity interest in Dathcom and therefore the Manono Project to 75%).

Dathomir has thereafter taken various baseless steps to challenge this acquisition.

However, as both of the Dathomir SPAs contain and are subject to, arbitration agreements (as has been accepted by the DRC courts), only a properly constituted arbitral tribunal has jurisdiction to overturn AVZ's acquisition.

In December 2022, AVZ filed two International Chamber of Commerce Requests for Arbitration in Paris against Dathomir to affirm AVZ's acquisition in August 2021 of a 15% interest in Dathcom from Dathomir under the Dathomir SPAs and to put an end, once and for all, to Dathomir's claims and to recover losses sustained from them.

AVZ considers it has a strong legal standing in this matter and prospects of success.

IGF Report

On 30 November 2022, the DRC's General Inspectorate of Finance released its report on the management of mining assets in the DRC by Cominière (IGF Report).

A copy of the original IGF report is available at <http://igf.gouv.cd/rapports>

An English version of the IGF Report is published on AVZ's website at www.avzminerals.com.au

The DRC General Inspectorate of Finance was authorised to investigate the following matters:

- Whether Cominière's purported sale of its 15% interest in the issued shares of Dathcom to Jin Cheng Mining ("Jin Cheng Sale") was proper and appropriate;
- Any liability in connection with the Jin Cheng Sale; and
- The legality of Cominière's and Dathomir's other recent conduct.

By way of summary, the IGF Report included the following conclusions reached by the DRC General Inspectorate of Finance:

- Cominière has acted in violation of its Articles of Association in respect of its transfers of mining titles to "external partners" without obtaining financial guarantees;
- Cominière has acted contrary to the DRC Mining Code in respect of its transfers of mining licences without such transfer having undergone the required prior assessment by a competent DRC governmental authority;
- The Jin Cheng Sale was subject to a number of irregularities including the failure to select the Government's technical body for the valuation of the 15% interest the subject of the Jin Cheng Sale, and the failure to consider the Definitive Feasibility Study valuation completed by Dathcom in respect of the Manono Project;
- Cominière had inappropriately allocated approx. US\$6,800,000 out of the total US\$33,440,000 in proceeds from the purported Jin Cheng Sale for operating needs (including for commissions, fees and exceptional remunerations of all those who would have otherwise contributed to the operation) to the detriment of productive investments;
- Dathomir failed to comply with its obligations under the incorporated Joint Venture Agreement in respect of Dathcom dated 27 January 2017, as amended from time to time ("Dathcom JVA"); and -
- Dathcom allegedly transferred mining exploration permits 12436, 12449 and 12450 illegally to third parties.

In response to the findings of the DRC General Inspectorate of Finance, AVZ confirmed:

- AVZ acquired valid and legal title to the 60% of shares issued in Dathcom, including, for the avoidance of doubt, as a consequence of the waiver of any rights of Cominière and Dathomir under the Dathcom JVA by virtue of their entry into that same agreement;
- following AVZ's acquisition of its initial 60% of shares issued in Dathcom, AVZ performed the funding obligations under the Dathcom JVA; and
- neither it nor any of its representatives had any involvement in, nor any prior knowledge of, the transfers of mining exploration permits 12436, 12449 and/or 12450 to any third party. AVZ further confirms that it is continuing to cooperate with all competent DRC governmental authorities regarding the findings within the IGF Report.

Further information on sub-sections of the Manono Project Overview is provided below:

Voluntary Suspension and Mining Licence

AVZ's securities remained in Voluntary Suspension during the HY22 period, pending a resolution and clarity on the mining and exploration rights for the Manono Project.

The Company has been actively engaged with the highest levels of the DRC Government with respect to the grant of the Mining Licence (PE) and Dathcom's continuing exploration rights for the Manono Project.

On 6 February 2023, the Company confirmed it was in receipt of two additional Ministerial Decrees from the DRC Minister of Mines, dated 28 January 2023, which had the effect of:

1. Reversing the Ministerial Decree which converted the southern portion of licence PR13359 from a Permis de Recherche (PR or Exploration Licence) to a Permis d'Exploitation (PE or Mining Licence); and
2. Reversing the Ministerial Decree which acknowledged a declaration of partial renunciation of PR13359 by Dathcom, i.e. the excluded northern portion of PR13359 that was not covered by the Ministerial Decree to convert the PR to a PE or Mining Licence.

The Company announced it is seeking independent legal advice regarding both Ministerial Decrees, while expediting discussions to clarify the intentions of the competent DRC authorities (refer to *After Reporting Date Events* for further details).

The Company is confident of a positive outcome in relation to the award of the Mining Licence pending resolution of the ICC arbitrations (refer above Cominière and Zijin Mining / Jin Cheng Dispute and Dathomir Dispute below Note 9 Contingencies).

On 28 February 2023², the Company extended its Voluntary Suspension until 31 March 2023 or until such time that it had a resolution and clarity on its mining and exploration rights for the Manono Project.

¹ Refer ASX Announcement dated 6 February 2023, "Issue of two new Ministerial Decrees Manono Lithium and Tin Project"

² Refer ASX Announcement dated 28 February 2023, "Request for Extension to Voluntary Suspension"

Diamond Drilling Program at Roche Dure North-East Extension

The Company received further widespread, high-grade spodumene lithium mineralisation from 8 of 54 planned resource drill holes at the Roche Dure North-East Extension during the period.

Drilling results demonstrated solid grade continuity both along strike and down dip from the current open pit design.

Seventy-five samples from the first four drill holes returned values greater than 2% Li₂O, including three individual samples grading greater than 3% Li₂O, with the highest value being from hole MO22DD003 from 122 metres to 124m downhole grading 3.59% Li₂O³.

Fifty-eight samples from the second four drill holes returned values greater than 2% Li₂O, including two individual samples grading greater than 3% Li₂O, with the highest value being from hole MO22DD005 from 8.7m to 10m downhole, grading 3.41% Li₂O⁴.

Drilling results from Section 8,200mN provide further evidence of Roche Dure's orebody dipping at significantly shallower angles. This resulted in a redesign of the original drilling programme to accommodate additional drill holes at shorter depth to maintain coverage.

A fourth diamond drill rig joined the drilling fleet during the December Quarter 2022 to increase the progress being made on the Roche Dure North-East extension drilling program.

Further assay results have been received from the Roche Dure Extension Drilling Program (see After Reporting Date Events)

³ Refer ASX Announcement dated 31 October 2022, "Positive Results from Initial Roche Dure Extension Drilling Program"

⁴ Refer ASX Announcement dated 1 December 2022, "Further positive results confirmed at Roche Dure extension drilling program"

Extension of Transaction Implementation Agreement

On 30 September 2022⁵, AVZ's wholly owned subsidiary, AVZ International Pty Ltd ("AVZI"), and Suzhou CATH Energy Technologies ("CATH") mutually agreed to extend the completion date for the Transaction Implementation Agreement ("TIA") to 31 December 2022.

On 3 January 2023 and thereafter on 28 February 2023⁶, the Company, AVZI and CATH agreed to further extend the completion date to 31 March 2023.

Under the TIA, CATH will invest US\$240M in the Manono Project for a 24% direct equity interest, as well as funding their pro rata portion of project development capital.

The parties remain committed to close the TIA and expedite development of the Manono Project.

^{5&6} Refer ASX announcements dated 30 September 2022, 3 January 2023 and 28 February 2023, "Extension of End Date to the Transaction Implementation Agreement"

Proposed Class Action

AVZ is aware of an announcement by litigation funder Omni Bridgeway that it has agreed to fund a class action by shareholders of AVZ against the Company⁹. As of 16 March 2023, no proceedings have been served on AVZ in connection with Omni Bridgeway's announcement.

AVZ treats such allegations seriously and reiterates it has and continues to comply with the Company's disclosure obligations under the *Corporations Act 2001* and the ASX Listing Rules.

⁹ Refer ASX Announcement dated 23 December 2022, 'Omni Bridgeway announcement' and 15 December 2022, "Disclosure Clarifications – AFR Article"

Early works and Camp Colline construction

The Company continued to build the construction and permanent accommodation facilities in Manono during the HY22 period. The work focused on using local labour and materials employing approximately 160 artisans and labourers and buying locally manufactured bricks and timber.

The Company also purchased mobile equipment including a wheel loader, grader, compactor, 50-tonne crane and self-loading concrete mixer, which had been on order for some time.



Figure 1: Accommodation and construction progress at Camp Colline

Corporate

The Perth corporate office and project team continue to focus on various workstreams to optimise the value of the Manono Project. These workstreams are focused on ensuring optimised process flow sheets, transportation routes and general operational readiness actions. The Board is confident that the continued corporate and in country efforts will put the Board in a position to make the Final Investment Decision ("FID") once the final government approvals and mining licence is received.

AVZ was removed from the S&P/ASX 200 Index and S&P/ASX 300 Index during the HY22 period, due to the Company's ongoing Voluntary Suspension.

In August 2022, Mr. Peter Hujlich resigned as Non-Executive Director.

A total of 7,633,000 Performance Rights lapsed during the HY22.

As of 31 December 2022, the Company's securities on issue were as follows:

| Quoted Securities | Number |
|---------------------|---------------|
| Ordinary Fully Paid | 3,528,729,748 |
| Unquoted Securities | Number |
| Performance Rights | 54,541,600 |

Information required under ASX Listing Rule 5.3.3

List of current mining and exploration tenements (as of 31 December 2022):

| Country / Project | Tenement | Interest | Status |
|--------------------------------|--------------------|----------|----------------------|
| DRC – Manono Project | PR 13359 | 75%* | Granted ² |
| DRC – Manono Extension Project | PR 4029 PR 4030 | 100% | Granted |

*AVZ through its wholly owned entity, AVZ International Pty Ltd ("AVZI"), has a legal 75% interest in the Manono Project. On 27 September 2021, AVZ announced that Suzhou Cath Energy Technologies ("CATH") will earn a 24% interest in the Manono Project subject to the satisfaction or waiver of several conditions precedent stipulated in the Transaction Implementation Agreement ("TIA"). Since 30 November 2021, both parties have agreed on several occasions to amend the closure date for the Transaction Implementation Agreement ("TIA"). On 28 February 2023, both parties agreed to amend the TIA end date to 31 March 2023.

Roche Dure Main Pegmatite Ore Reserve Estimate (as of 31 December 2022):

| Reserve Category | Tonnes (Mt) | Grade Li ₂ O % | Contained Li ₂ O (Mt) | Grade Sn (g/t) | Contained Sn (kt) |
|------------------|--------------|---------------------------|----------------------------------|----------------|-------------------|
| Proved | 65.0 | 1.64 | 1.07 | 942 | 61.2 |
| Probable | 66.6 | 1.61 | 1.075 | 1.037 | 69.1 |
| Total | 131.7 | 1.63 | 2.14 | 990 | 130.3 |

Note: The Ore Reserve estimate has been based on a cut-off > US\$0.00 block value comprising an economic block by block calculation. Figures may not sum due to rounding.

² Subject to clarifying matters surrounding the two ministerial decrees dated 28 January 2023.

Roche Dure Main Pegmatite Mineral Resource at a 0.5% Li₂O cut-off (as of 31 December 2022):

| Category | Tonnes (Millions) | Li ₂ O % | Sn ppm | Ta ppm | Fe ₂ O ₃ % | P ₂ O ₅ % |
|--------------|-------------------|---------------------|------------|-----------|----------------------------------|---------------------------------|
| Measured | 100 | 1.67 | 870 | 35 | 0.93 | 0.30 |
| Indicated | 174 | 1.65 | 807 | 35 | 0.97 | 0.29 |
| Inferred | 128 | 1.65 | 585 | 31 | 1.01 | 0.28 |
| Total | 401 | 1.65 | 752 | 34 | 0.97 | 0.29 |

Competent Person Statement

The technical information in the document that relates to the geology of the Roche Dure pegmatite is based upon information compiled by Mr Michael Cronwright, who is a fellow of The Geological Society of South Africa (GSSA) and is a registered professional with the South African Council for Natural Professions (SACNASP). Mr Cronwright was a Principal Consultant with The MSA Group (Pty) Ltd (an independent consulting company). Mr Cronwright has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the JORC Code. Mr Cronwright consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The Roche Dure pegmatite Mineral Resource estimate has been completed by Mr Anton Geldenhuys (BSc Hons, MEng) who is a geologist with 20 years' experience in exploration and mining as well as Mineral Resource evaluation and reporting. He is a Principal Resource Consultant for CSA Global Pty Ltd (an independent consulting company), is a member in good standing with the South African Council for Natural Scientific Professions (SACNASP) and is a Member of the Geological Society of South Africa (GSSA). Mr Geldenhuys has the appropriate relevant qualifications and experience to be considered a Competent Person for the activity being undertaken as defined in the 2012 edition of the JORC Code.

The information that relates to Roche Dure pegmatite Ore Reserves is based on information compiled by Mr. Daniel Grosso who is an employee of CSA Global Pty Ltd. Mr Grosso takes overall responsibility for the Report as Competent Person. Mr. Grosso is a Member of the Australian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style or mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the JORC Code (2012 Edition). The Competent Person, Daniel Gross, has reviewed the Ore Reserve statement and given permission for the publication of this information in the form and context within which it appears.

The information in this report that relates to geology and the exploration results is based on information compiled by Mr. Nigel Ferguson (BSc) FAusIMM MAIG, a Competent Person who is a Fellow of the Australian Institute of Mining and Metallurgy and a Member of the Australia Institute of Geoscientists. Mr. Ferguson is the Managing Director of AVZ Minerals Limited and 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. Ferguson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

No new information

This document may include references to information that relates to Mineral Resources and Ore Reserves prepared and first disclosed under the JORC Code (2012 Edition). The information references the Company's previous ASX Announcements noting the following:

- Mineral Resources and Ore Reserves for the Manono Lithium and Tin Operations "MLTO" or Roche Dure reference the Company's previous ASX announcements "JORC Ore Reserves increase by 41.6% at Roche Dure" released to the ASX on 14 July 2021" and "Updated Mineral Resource Estimate Includes Pit Floor "Wedge" Drill Results" released to the ASX on 24 May 2021.

- Any reference to Carriere de l'Este mineral resource estimate (MRE) should be read in conjunction with the Company's previous ASX Announcements "Assays from Carriere de l'Este drilling confirms deposit a likely rival to Roche Dure" released to the ASX on 16 August 2021.
- Any reference to tin exploration targets should be read in conjunction with the Company's previous ASX Announcement "Initial Exploration Target for Alluvial Placer Hosted Tin Defined at the Manono Lithium and Tin Project" released to the ASX on 18 May 2021.
- The Definitive Feasibility Study (DFS) refers to the April 2020 DFS released to the ASX on 21 April 2020.

These announcements are available on the Company's website at www.avzminerals.com.au

The Company confirms it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources and Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the relevant original market announcements.

After Reporting Date Events

On 3 January 2023^{10&11}, AVZ, AVZI and Suzhou CATH Energy Technologies ("CATH") mutually agreed to extend the completion date for its Transaction Implementation Agreement ("TIA") from 31 December 2022 to 28 February 2023.

On 28 February 2023¹², AVZ, AVZI and Suzhou CATH Energy Technologies ("CATH") mutually agreed to extend the completion date for its Transaction Implementation Agreement ("TIA") from 28 February 2023 to 31 March 2023. All parties remain 100% committed to closing the TIA and developing the Manono Project.

^{10,11&12} Refer ASX Announcements dated 27 September 2021 "Cornerstone investor secured for development of Manono Lithium and Tin Project, 3 January 2023 "Extension of End Date to the Transaction Implementation Agreement" and 28 February 2023 "Extension of End Date to the Transaction Implement Agreement".

On 31 January 2023, AVZ extended its tenure of Voluntary Suspension until 28 February 2023 as the subject of the original trading halt remained incomplete. On 28 February 2023, AVZ further extended its tenure of Voluntary Suspension until 31 March 2023 on the same basis as the previous extension period.

On 6 February 2023¹³, AVZ announced it was in receipt of notices, whereby the DRC Minister of Mines (MoM) issued two additional Ministerial Decrees, dated 28 January 2023, concerning the Manono Project licence. The decrees have the effect of:

1. Reversing the Ministerial Decree which converted the southern portion of licence 13359 from a Permis de Recherche (PR or Exploration Licence) to a Permis d'Exploitation (PE or Mining Licence); and
2. Reversing the Ministerial Decree which acknowledged a declaration of partial renunciation of PR13359 by Dathcom, i.e. the excluded northern portion of PR13359 that was not covered by the Ministerial Decree to convert the PR to a PE or Mining Licence.

AVZ noted the abovementioned Ministerial Decrees, dated 28 January 2023, and acknowledged the:

- Requirement for a harmonious and healthy cooperation between the shareholders of Dathcom as a precondition to progress the development of the Manono Project; and
- Ongoing disagreements, conflicts and differences between the shareholders that have stalled the development of the Manono Project and the resulting deadlock prevents the State from benefiting from the development of PE 13359.

The Company continues to have full legal rights over its tenure for PR 13359 and is seeking independent legal advice regarding both Ministerial Decrees dated 28 January 2023, whilst expediting discussions to clarify the intentions of the competent DRC authorities.

¹³ Refer ASX Announcement dated 6 February 2023, "Issue of two new Ministerial Decrees Manono Lithium and Tin Project".

AVZ Minerals Limited Directors' Report

On 28 February 2023¹⁴, AVZ announced further strong results from its Mineral Resource drilling program at the Manono Project, having received assay results from the third consignment of four drill holes at the Roche Dure North-East Extension drilling program.

The results confirmed further widespread, high-grade spodumene lithium mineralisation including 113.33m @ 1.79% Li₂O and 860ppm Sn, which included a higher-grade zone of 36.0m @ 2.06% Li₂O and 887ppm Sn.

Fifty-four samples returned values greater than 2% including five individual samples grading greater than 3% Li₂O with the highest value being from hole MO22DD009 from 56.0 to 58.0 metres downhole grading 4.39% Li₂O.

The original drilling program was designed for 45 drill holes but was expanded to 54 as a result of a significant change in the geometry of the orebody with deeper drill holes no longer required.

Two diamond drill holes are still to be finished to complete the Roche Dure Extension drilling program.

¹⁴ Refer ASX Announcement dated 28 February 2023, "Further Positive Results from Roche Dure Extension Drilling Program"

No other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

Auditor's Independence Declaration

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

This report is made in accordance with a resolution of directors made pursuant to section 306(3) of the *Corporations Act 2001*.



Nigel Ferguson
Managing Director

Perth, Western Australia, 16 March 2023

To the Board of Directors

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit Director for the review of the financial statements of AVZ Minerals Limited for the half year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours Faithfully,

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD


CHRIS NICOLOFF CA
Director

Dated this 16th day of March 2023
Perth, Western Australia

AVZ Minerals Limited
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2022

| | Notes | 31 December 2022 \$ | 31 December 2021 \$ |
|--|-------|---------------------------|---------------------------|
| Revenue | | | |
| Other income | 4 | 150,702 | - |
| Interest received | | 356,239 | 81,870 |
| Expenses | | | |
| Administration costs | | (5,120,105) | (1,920,252) |
| Directors and consultancy expenses | | (65,000) | (120,000) |
| Share-based payments expense | 8 | (294,786) | (6,990,205) |
| Compliance and regulatory expenses | | (175,416) | (215,691) |
| Insurance expenses | | (372,480) | (189,830) |
| Depreciation expense | | (404,591) | (48,052) |
| Depreciation expense of right-of-use assets | | (143,194) | (36,074) |
| Movement in fair value of financial liabilities | | - | 2,738,705 |
| Interest expense | | (42,540) | (975) |
| Impairment – relinquishment of tenements | | - | (638,047) |
| Foreign exchange gain/(loss) | | - | (443,565) |
| Loss before income tax | | (6,111,171) | (7,782,116) |
| Income tax expense | | - | - |
| Loss after income tax for the half-year | | (6,111,171) | (7,782,116) |
| Other comprehensive (loss)/income: | | | |
| Items that may be reclassified to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | 1,649,819 | 3,470,810 |
| Total comprehensive (loss)/income for the half-year | | (4,461,352) | (4,311,306) |
| Basic and diluted loss per share (cents per share) | | (0.17) | (0.24) |
| Loss for the half-year is attributable to: | | | |
| Owners of AVZ Minerals Limited | | (6,005,669) | (7,750,806) |
| Non-controlling interests | | (105,502) | (31,310) |
| | | (6,111,171) | (7,782,116) |
| Total comprehensive loss for the half-year attributable to: | | | |
| Owners of AVZ Minerals Limited | | (4,562,413) | (4,651,357) |
| Non-controlling interests | | 101,061 | 340,051 |
| | | (4,461,352) | (4,311,306) |

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

AVZ Minerals Limited
Condensed Consolidated Statement of Financial Position
As at 31 December 2022

| | | Consolidated | |
|---|-------|---------------------|--------------------|
| | Notes | 31 December 2022 | 30 June 2022 |
| | | \$ | \$ |
| Current Assets | | | |
| Cash and cash equivalents | | 36,587,527 | 60,726,221 |
| Trade and other receivables | | 2,285,620 | 1,713,135 |
| Total Current Assets | | 38,873,147 | 62,439,356 |
| Non-Current Assets | | | |
| Mining exploration and evaluation | 5 | 167,535,429 | 145,670,930 |
| Property, plant and equipment | | 1,969,531 | 2,319,138 |
| Right-of-use asset | | 1,220,334 | 1,356,774 |
| Total Non-Current Assets | | 170,725,294 | 149,346,842 |
| Total Assets | | 209,598,441 | 211,786,198 |
| Current Liabilities | | | |
| Trade and other payables | | 2,708,663 | 640,575 |
| Provisions | | 99,175 | 78,183 |
| Lease liability | | 124,045 | 238,467 |
| Total Current Liabilities | | 2,931,883 | 957,225 |
| Non-Current Liabilities | | | |
| Lease liability | | 1,137,159 | 1,133,008 |
| Total Non-Current Liabilities | | 1,137,159 | 1,133,008 |
| Total Liabilities | | 4,069,042 | 2,090,233 |
| Net Assets | | 205,529,399 | 209,695,965 |
| Equity | | | |
| Contributed equity | 6 | 226,455,235 | 226,455,235 |
| Reserves | | 21,871,299 | 21,247,125 |
| Accumulated losses | | (58,505,117) | (53,613,316) |
| Capital and reserves attributable to owners of AVZ Minerals Limited | | 189,821,417 | 194,089,044 |
| Non-controlling interests | | 15,707,982 | 15,606,921 |
| Total Equity | | 205,529,399 | 209,695,965 |

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

AVZ Minerals Limited
Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2022

| Consolidated | Contributed Equity | Accumulated Losses | Share Options Reserve | Foreign Currency Reserves | Total | Non-controlling Interests | Total Equity |
|--|--------------------|---------------------|-----------------------|---------------------------|--------------------|---------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 107,916,233 | (34,977,319) | 5,842,246 | (2,402,476) | 76,378,684 | 10,527,756 | 86,906,440 |
| Loss for the half-year | - | (7,750,806) | - | - | (7,750,806) | (31,310) | (7,782,116) |
| Exchange differences on translation of foreign operations | - | - | - | 3,099,449 | 3,099,449 | 371,361 | 3,470,810 |
| Total comprehensive loss for the half-year | - | (7,750,806) | - | 3,099,449 | (4,651,357) | 340,051 | (4,311,306) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | | |
| Share issue (net of costs) | 109,608,055 | - | - | - | 109,608,055 | - | 109,608,055 |
| Share-based payments expense | - | - | 6,990,205 | - | 6,990,205 | - | 6,990,205 |
| Performance Rights lapsed | - | 227,262 | (227,262) | - | - | - | - |
| Conversion of Performance Rights | 1,180,287 | - | (1,180,287) | - | - | - | - |
| Exercise of Unlisted Options | 166,500 | - | - | - | 166,500 | - | 166,500 |
| Non-controlling interests on acquisition of subsidiary | - | - | - | - | - | 4,126,986 | 4,126,986 |
| Total transactions with owners in their capacity as owners | 110,954,842 | 227,262 | 5,582,656 | - | 116,764,760 | 4,126,986 | 120,891,746 |
| Balance at 31 December 2021 | 218,871,075 | (42,500,863) | 11,424,902 | 696,973 | 188,492,087 | 14,994,793 | 203,486,880 |
| Balance at 1 July 2022 | 226,455,235 | (53,613,316) | 13,819,046 | 7,428,079 | 194,089,044 | 15,606,921 | 209,695,965 |
| Loss for the half-year | - | (6,005,669) | - | - | (6,005,669) | (105,502) | (6,111,171) |
| Exchange differences on translation of foreign operations | - | - | - | 1,443,256 | 1,443,256 | 206,563 | 1,649,819 |
| Total comprehensive loss for the half-year | - | (6,005,669) | - | 1,443,256 | (4,562,413) | 101,061 | (4,461,352) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | | |
| Share issue (net of costs) | - | - | - | - | - | - | - |
| Share-based payments expense | - | - | 294,786 | - | 294,786 | - | 294,786 |
| Performance Rights lapsed or cancelled | - | 1,113,868 | (1,113,868) | - | - | - | - |
| Conversion of Performance Rights | - | - | - | - | - | - | - |
| Exercise of Unlisted Options | - | - | - | - | - | - | - |
| Non-controlling interests on acquisition of subsidiary | - | - | - | - | - | - | - |
| Total transactions with owners in their capacity as owners | - | 1,113,868 | (819,082) | - | 294,786 | - | 294,786 |
| Balance at 31 December 2022 | 226,455,235 | (58,505,117) | 12,999,964 | 8,871,335 | 189,821,417 | 15,707,982 | 205,529,399 |

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

AVZ Minerals Limited
Condensed Consolidated Statement of Cash flows
For the half-year ended 31 December 2022

| | Consolidated | |
|---|----------------------------|----------------------------|
| | 31 December | 31 December |
| | Notes | 2021 |
| | 2022 | 2021 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Payments to suppliers and employees | (6,000,217) | (3,426,321) |
| Interest received | 356,239 | 81,870 |
| Interest expense | (42,540) | (975) |
| R&D tax incentive | 137,533 | - |
| Net cash outflows from operating activities | <u>(5,548,985)</u> | <u>(3,345,426)</u> |
| Cash flows from investing activities | | |
| Payments for exploration and evaluation | (18,838,341) | (5,186,773) |
| Payment for additional exploration interests | - | (27,045,367) |
| Payments for property, plant and equipment | (52,239) | - |
| Proceeds from sale of property, plant and equipment | 14,894 | (223,077) |
| Net cash outflows from investing activities | <u>(18,875,686)</u> | <u>(32,455,217)</u> |
| Cash flows from financing activities | | |
| Share placement (net of capital raising costs) | - | 109,608,055 |
| Proceeds from exercise of options | - | 166,500 |
| Payment of lease liability | (117,024) | (38,296) |
| Net cash flow from financing activities | <u>(117,024)</u> | <u>109,736,259</u> |
| Net increase / (decrease) in cash and cash equivalents | <u>(24,541,695)</u> | <u>73,935,616</u> |
| Cash and cash equivalents at the beginning of the period | 60,726,221 | 2,463,632 |
| Foreign currency differences | 403,001 | (84,681) |
| Cash and cash equivalents at the end of the period | <u>36,587,527</u> | <u>76,314,567</u> |

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

1. Basis of preparation of half-year report

The half-year consolidated financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. The consolidated financial statements of the Company for the half-year ended 31 December 2022 include the Company and its controlled entities, together referred to as the Consolidated Group.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by AVZ Minerals Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The half-year report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

New and amended standards adopted

In the period ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2022.

As a result of this review, the Directors have determined that there is no material impact of new Standards and Interpretations issued and, therefore, no change is necessary to the Group's accounting policies.

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2022.

2. 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.

3. Dividends

No dividends have been paid or recommended during the current or prior interim reporting period or subsequent to reporting date.

4. Other income

| | Consolidated | |
|-------------------------------|---------------------|---------------------|
| | 31 December 2022 | 31 December 2022 |
| | \$ | \$ |
| R&D tax incentive | 137,533 | - |
| Net gain on disposal of asset | 13,169 | - |
| | <u>150,702</u> | <u>-</u> |

5. Mining exploration and evaluation

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 December 2022 | 30 June 2022 |
| | \$ | \$ |
| Opening balance | 145,670,930 | 90,525,946 |
| Acquisition of further interest (i) | - | 27,045,299 |
| Exploration costs | 19,644,499 | 19,075,932 |
| Less: Impairment (ii) | - | (643,339) |
| Net exchange differences on translation | 2,220,000 | 9,667,092 |
| Closing balance | <u>167,535,429</u> | <u>145,670,930</u> |

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.
- i. In August 2021, the Company increased its interest in the Manono Project from 60% to 75% by exercising options to purchase Dathomir's minority shareholding of 15% equity in Dathcom Mining for US\$20 million.
 - ii. Impairment due to 50% relinquishment of tenements comprising PR 4029 and PR 4030
 - iii. On 28 January 2023 the Minister of Mines ("MoM") of the Democratic Republic of Congo "DRC" issued two ministerial decrees. Decree 0031 appears to have reversed the earlier ministerial decree granting the mining licence for the Southern Section of tenement PR13359. Decree 0032 appears to have reversed an earlier ministerial decree which acknowledged a declaration of partial renunciation of PR13359 by Dathcom, i.e. the excluded northern portion of PR13359 that was not covered by the ministerial decree

AVZ Minerals Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2022

5. Mining exploration and evaluation (continued)

to convert the PR to a PE or Mining Licence. The Company continues to have full legal rights over its tenure for PR13359 and is seeking clarification of matters surrounding the two ministerial decrees dated 28 January 2023.

6. Contributed Equity

| | Consolidated | | Consolidated | |
|---------------------------------|----------------------|----------------------|---------------------|--------------------|
| | 31 December 2022 | 30 June 2022 | 31 December 2022 | 30 June 2022 |
| | Shares | Shares | \$ | \$ |
| (a) Contributed equity | | | | |
| Ordinary shares – fully paid | 3,528,729,748 | 3,528,729,748 | 226,455,235 | 226,455,235 |
| Total contributed equity | 3,528,729,748 | 3,528,729,748 | 226,455,235 | 226,455,235 |

| | Date | Number of shares | Fair value \$ | Total \$ |
|---|-----------|----------------------|---------------------|--------------------|
| (b) Movement in share capital | | | | |
| Opening Balance 1 July 2021 | | 2,906,165,175 | | 107,916,233 |
| Issue of shares ¹ | 7-Jul-21 | 307,692,308 | 0.130 | 40,000,000 |
| Issue of shares ² | 15-Jul-21 | 1,648,530 | 0.190 | 313,221 |
| Exercise of Unlisted Options ³ | 15-Jul-21 | 1,000,000 | 0.067 | 66,500 |
| Exercise of Unlisted Options ⁴ | 9-Aug-21 | 1,666,667 | 0.060 | 100,000 |
| Conversion of Performance Rights ⁵ | 30-Nov-21 | 13,450,400 | 0.088 | 1,180,287 |
| Issue of shares ⁶ | 3-Dec-21 | 60,000,000 | - | - |
| Issue of shares ⁷ | 17-Dec-21 | 150,000,000 | 0.500 | 75,000,000 |
| Less: Transaction costs arising on share issues | | - | - | (5,705,166) |
| Closing balance at 31 December 2021 | | 3,441,623,080 | | 218,871,075 |
| Opening Balance 1 July 2022 | | 3,528,729,748 | | 226,455,235 |
| Issue of shares | | - | | - |
| Less: Transaction costs arising on share issues | | - | | - |
| Closing balance at 31 December 2022 | | 3,528,729,748 | | 226,455,235 |

¹ On 7 July 2021, the Company completed a \$40 million placement through the issue of 307,692,308 shares at \$0.13 per share to institutional, professional and sophisticated investors.

² On 15 July 2021, 1,648,350 shares were issued to a Mincore Pty Ltd as part consideration for the completion of FEED study.

³ On 15 July 2021, 1,000,000 Unlisted Options (exercisable at \$0.0665 on or before 5 May 2022) were exercised.

⁴ On 9 August 2021, 1,666,667 Unlisted Options (exercisable at \$0.06 on or before 8 April 2022) were exercised.

⁵ On 30 November 2021, 5,651,800 Class E Performance Rights, 1,101,000 Class H Performance Rights, 587,200 Class K Performance Rights, 2,000,000 Class L Performance Rights, 2,202,000 Class M Performance Rights, and 1,908,400 Class N Performance Rights vested and converted to Ordinary Shares. The fair value of the Performance Rights of \$1,180,287 was transferred from the Share Based Payment Reserve to Issued Capital.

⁶ On 3 December 2021, 60,000,000 shares were issued as Collateral shares at nil cash consideration under an At-the-Market (ATM) Subscription Deed with Acuity Capital. The Company may, however, at any time cancel the ATM as well as buy back (and cancel) those shares for no cash consideration (subject to shareholder approval). The ATM facility limit is \$50,000,000 and matures on 20 March 2024.

⁷ On 17 December 2021, the Company completed a \$75 million placement through the issue of 150,000,000 shares at \$0.50 per share to institutional and sophisticated investors.

AVZ Minerals Limited
Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2022

7. Share Options and Performance Rights

(a) Share Options

Movement on Options:

There are no options on issue at 31 December 2022 (30 June 2022: Nil).

| | Expiry date | Exercise price (cents) | Balance at 1 July 2021 | Granted during the period | Exercised during the period | Cancelled/ lapsed during the period | Balance at 31 December 2021 |
|-------------|-------------|------------------------|------------------------|---------------------------|-----------------------------|-------------------------------------|-----------------------------|
| 2021 | | | | | | | |
| Unlisted | 5-Mar-22 | 6.65 | 1,000,000 | - | (1,000,000) | - | - |
| Unlisted | 8-Apr-22 | 6.00 | 78,333,335 | - | (1,666,667) | - | 76,666,668 |
| | | | 79,333,335 | - | (2,666,667) | - | 76,666,668 |

(b) Performance Rights

Movement on Performance Rights:

| | Expiry date | Exercise price (cents) | Balance at 1 July 2022 | Granted during the period | Converted during the period | Cancelled/ lapsed during the period | Balance at 31 December 2022 |
|-------------|-------------|------------------------|------------------------|---------------------------|-----------------------------|-------------------------------------|-----------------------------|
| 2022 | | | | | | | |
| Class M | 9-Dec-23 | - | 17,398,000 | - | - | (2,000,000) | 15,398,000 |
| Class N | 29-Jun-24 | - | 3,291,600 | - | - | (633,000) | 2,658,600 |
| Class O | 7-Sep-24 | - | 13,235,000 | - | - | (1,500,000) | 11,735,000 |
| Class P | 7-Sep-24 | - | 24,750,000 | - | - | - | 24,750,000 |
| Class Q | 7-Oct-22 | - | 3,500,000 | - | - | (3,500,000) | - |
| | | | 62,174,600 | - | - | (7,633,000) | 54,541,600 |

| | Expiry date | Exercise price (cents) | Balance at 1 July 2021 | Granted during the period | Converted during the period | Cancelled/ lapsed during the period | Balance at 31 December 2021 |
|-------------|-------------|------------------------|------------------------|---------------------------|-----------------------------|-------------------------------------|-----------------------------|
| 2021 | | | | | | | |
| Class E | 3-Dec-21 | - | 7,700,000 | - | (5,651,800) | (2,048,200) | - |
| Class F | 2-Jun-22 | - | 8,000,000 | - | - | - | 8,000,000 |
| Class H | 3-Dec-21 | - | 1,500,000 | - | (1,101,000) | (399,000) | - |
| Class K | 3-Dec-21 | - | 800,000 | - | (587,200) | (212,800) | - |
| Class L | 3-Dec-21 | - | 2,000,000 | - | (2,000,000) | - | - |
| Class M | 9-Dec-23 | - | 19,600,000 | - | (2,202,000) | - | 17,398,000 |
| Class N | 29-Jun-24 | - | 5,200,000 | - | (1,908,400) | - | 3,291,600 |
| Class O | 7-Sep-24 | - | - | 16,675,000 | - | - | 16,675,000 |
| Class P | 7-Sep-24 | - | - | 31,750,000 | - | - | 31,750,000 |
| Class Q | 7-Oct-22 | - | - | 3,500,000 | - | - | 3,500,000 |
| | | | 44,800,000 | 51,925,000 | (13,450,400) | (2,660,000) | 80,614,600 |

8. Share Based Payments

(a) Options

No options were issued to current directors and executives as part of their remuneration during the the half-year ended 31 December 2022.

(b) Performance Rights

No Performance Rights were issued during the half-year ended 31 December 2022.

No Performance Rights were exercised during the half-year ended 31 December 2022.

During the half-year ended 31 December 2022, \$294,786 (December 2021: \$6,990,205) was recognised as share based payment expense in relation to different classes of Performance Rights.

9. Contingencies

The consolidated entity has given bank guarantees as at 31 December 2022 of \$199,508 (June 2022: \$199,508) to a landlord for the lease of office building.

The Company currently defends a case in the International Chamber of Commerce (“ICC”) brought against its subsidiary AVZ International Pty Ltd (“AVZI”) by Jin Cheng Mining Company regarding a 15% interest Jin Cheng purportedly acquired from Cominière in Dathcom. The status of the Jin Cheng proceedings is as follows:

On 5 October 2022, the sole arbitrator upheld AVZI’s application to bifurcate proceedings. The document production phase completed on 22 February 2023.

On 9 December 2022, Jin Cheng submitted its Statement on Jurisdiction.

AVZI submitted its Reply on Jurisdiction on 10 March 2023. Jin Cheng will submit a rejoinder on jurisdiction on 22 March 2023, and the hearing on jurisdiction will take place on 19 - 20 April 2023.

AVZI remains of the view that its jurisdictional challenge will be successful; an award on jurisdiction can reasonably be expected to be handed down mid-2023.

It should be noted that this does not finally determine whether the sale of shares from Cominière to Jin Cheng was effective, which will remain to be determined in separate proceedings.

The Company (AVZ) and its subsidiary AVZI lodged claims against Dathomir Mining SARL (“Dathomir”) with the ICC to affirm AVZ’s acquisition in August 2021 of a 15% interest in Dathcom from Dathomir under the Dathomir SPAs and to put an end, once and for all, to Dathomir’s claims and to recover losses sustained from them. The status of the Dathomir proceedings is as follows:

- Dathomir has filed its Answer and Counterclaims in respect of both proceedings on 18 January and 27 February 2023;
- AVZI filed its Reply to Dathomir’s counterclaims on 24 February 2023 in ICC Case No. 27401 (re. SPA 2020), and is expected to file its Reply on 30 March 2023 in ICC Case No. 27425/SP (re. SPA 2019);
- Dathomir has withdrawn its nomination of Jackson Francis Ngie Kamga in both proceedings and nominated instead Caroline DeClercq (ICC Case No. 27401) and Marc Henry as co-arbitrator (ICC Case No. 27425/SP);
- On 8 February 2023, Dathomir filed an application for early dismissal of ICC Case No. 27425/SP (re SPA 2019) on grounds of a prima facie test of lack of jurisdiction. AVZI will comment on and object to the application once the ICC Secretariat has decided whether to refer the matter to the ICC Court or the Arbitral Tribunal (at which time it will invite AVZI to comment); and

10. Contingencies (continued)

- On 27 February 2023, Dathomir objected to the confirmation of the co-arbitrator designated by AVZI in the ICC case No. 27425/SP. AVZI is preparing a reply to this objection.

AVZI remains of the view that it will be successful in the Dathomir proceedings. An award in both proceedings is unlikely to occur before September 2024.

AVZ continued to affirm its legal rights to a 75% interest in Dathcom, the entity under which the Manono Project is held, and its pre-emptive rights over 15% out of Cominière's 25% interest in the Manono Project with no claims from these proceedings expected to impact on the Company.

11. Related Party Transactions

There has been no material change in the related party transactions described in the last annual report.

12. Events Occurring Subsequent to Reporting Date

On 3 January 2023^{10&11}, AVZ, AVZI and Suzhou CATH Energy Technologies ("CATH") mutually agreed to extend the completion date for its Transaction Implementation Agreement ("TIA") from 31 December 2022 to 28 February 2023.

On 28 February 2023¹², AVZ, AVZI and Suzhou CATH Energy Technologies ("CATH") mutually agreed to extend the completion date for its Transaction Implementation Agreement ("TIA") from 28 February 2023 to 31 March 2023. All parties remain 100% committed to closing the TIA and developing the Manono Project.

^{10,11&12} Refer ASX Announcements dated 27 September 2021 "Cornerstone investor secured for development of Manono Lithium and Tin Project, 3 January 2023 "Extension of End Date to the Transaction Implementation Agreement" and 28 February 2023 "Extension of End Date to the Transaction Implement Agreement".

On 31 January 2023, AVZ extended its tenure of Voluntary Suspension until 28 February 2023 as the subject of the original trading halt remained incomplete. On 28 February 2023, AVZ further extended its tenure of Voluntary Suspension until 31 March 2023 on the same basis as the previous extension period.

On 6 February 2023¹³, AVZ announced it was in receipt of notices, whereby the DRC Minister of Mines (MoM) issued two additional Ministerial Decrees, dated 28 January 2023, concerning the Manono Project licence. The decrees have the effect of:

- Reversing the Ministerial Decree which converted the southern portion of licence 13359 from a Permis de Recherche (PR or Exploration Licence) to a Permis d'Exploitation (PE or Mining Licence); and
- Reversing the Ministerial Decree which acknowledged a declaration of partial renunciation of PR13359 by Dathcom, i.e. the excluded northern portion of PR13359 that was not covered by the Ministerial Decree to convert the PR to a PE or Mining Licence.

AVZ noted the abovementioned Ministerial Decrees, dated 28 January 2023, and acknowledged the:

- Requirement for a harmonious and healthy cooperation between the shareholders of Dathcom as a precondition to progress the development of the Manono Project; and
- Ongoing disagreements, conflicts and differences between the shareholders that have stalled the development of the Manono Project and the resulting deadlock prevents the State from benefiting from the development of PE 13359.

The Company continues to have full legal rights over its tenure for PR13359 and is seeking independent legal advice regarding both Ministerial Decrees dated 28 January 2023, whilst expediting discussions to clarify the intentions of the competent DRC authorities.

¹³ Refer ASX Announcement dated 6 February 2023, "Issue of two new Ministerial Decrees Manono Lithium and Tin Project".

12. Events Occurring Subsequent to Reporting Date (continued)

On 28 February 2023¹⁴, AVZ announced further strong results from its Mineral Resource drilling program at the Manono Project, having received assay results from the third consignment of four drill holes at the Roche Dure North-East Extension drilling program.

The results confirmed further widespread, high-grade spodumene lithium mineralisation including 113.33m @ 1.79% Li₂O and 860ppm Sn, which included a higher-grade zone of 36.0m @ 2.06% Li₂O and 887ppm Sn.

Fifty-four samples returned values greater than 2% including five individual samples grading greater than 3% Li₂O with the highest value being from hole MO22DD009 from 56.0 to 58.0 metres downhole grading 4.39% Li₂O.

The original drilling program was designed for 45 drill holes but was expanded to 54 as a result of a significant change in the geometry of the orebody with deeper drill holes no longer required.

Two diamond drill holes are still to be finished to complete the Roche Dure Extension drilling program.

¹⁴ Refer ASX Announcement dated 28 February 2023, "Further Positive Results from Roche Dure Extension Drilling Program"

No other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

AVZ Minerals Limited
Directors' Declaration
For the half-year ended 31 December 2022

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Nigel Ferguson
Managing Director

Perth, Western Australia
16 March 2023

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AVZ MINERALS LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of AVZ Minerals Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AVZ Minerals Limited and Controlled Entities does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 that are relevant to our audit of the annual 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 review report.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD



CHRIS NICOLOFF CA
Director

Dated this 16th day of March 2023
Perth, Western Australia