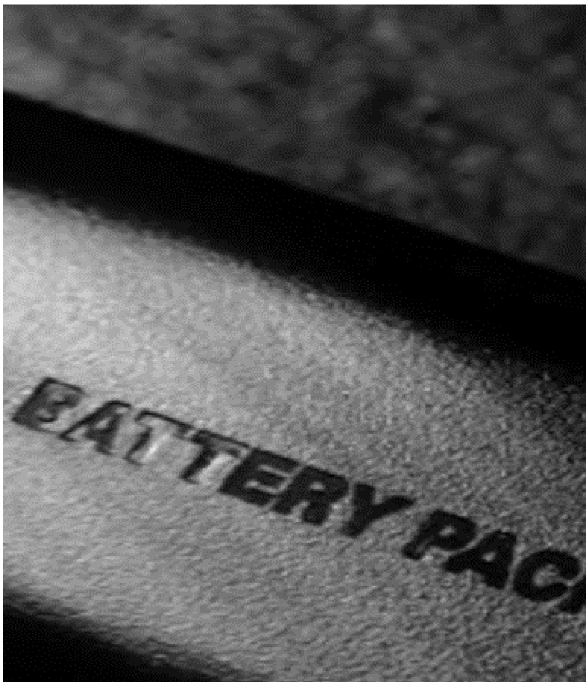
AVZ Minerals Limited

ABN 81 125 176 703

Interim Financial Report

31 December 2020



Corporate Directory

Directors	John Clarke – Non-Executive Chairman Nigel Ferguson – Managing Director Graeme Johnston – Technical Director Rhett Brans – Non-Executive Director Peter Huljich – Non-Executive Director
CFO & Company Secretary	Leonard Math
Registered Office	Level 2, 8 Colin Street West Perth WA 6005 PO Box 520, West Perth, WA 6872 Australia Telephone: +61 8 6117 9397 Facsimile: +61 8 6118 2106
Share Registry	Automic Registry Services Level 2, 267 St George's Terrace Perth WA 6000 Telephone: 1300 288 664 (within Australia) Facsimile: +61 8 9324 2099 (outside Australia) Email: hello@automic.com.au
Auditor	Bentleys Audit & Corporate (WA) Pty Ltd Level 3, 216 St Georges Terrace Perth WA 6000 Telephone: +61 8 9226 4500
Securities Exchange Listing	Australian Securities Exchange (Home Exchange: Perth, Western Australia) Code: AVZ
Website Address	www.avzminerals.com.au

Contents

Your directors present their report on the consolidated entity consisting of AVZ Minerals Limited and the entities it controlled ("AVZ" or "Group") at the end of, or during the half-year ended 31 December 2020.

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

CFO & Company Secretary

Leonard Math

Review of Operations

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

Highlights:

- First lithium offtake agreement signed with GFL International Co. Limited (GFL), a subsidiary of Ganfeng Lithium Co Ltd, China's largest lithium compound producer on favourable terms:
  - Initial 5-year term with option to extend for a further 5 years
  - GFL to purchase up to 160,000 metric tonnes per annum of Spodumene Concentrate
- Negotiations continued with several other offtake partners for significant volumes of Spodumene Concentrate and Tin
- Discussions continued with financiers, with several expressions of interest being received
- Planning for a Manono Special Economic Zone to deliver long-term economic benefits for the Manono Project and surrounding region progressed with key Congolese Government agencies
- Secured rights to purchase an additional 10% equity in Manono Project for US$15.5M, giving AVZ 75% ownership of the Manono Project on completion of the transaction. Deposit of US$500,000 paid
- Discussions continued around acquiring additional equity in the Manono Project
- Pit floor drilling of the Roche Dure 'wedge' was completed with a view to potentially upgrading additional Inferred Resources to Indicated Resources
- New Ore Reserves to be generated from optimised mine design
- Geotechnical and hydrogeological investigations undertaken around the process plant site and tailings storage facility site
- Unmarketable parcel share sale facility completed

Overview

The half-year ending 31 December 2020 has been a challenging period due to the impacts caused by the global COVID-19 pandemic. However, in the middle of a global pandemic, AVZ has still delivered significant progress for its world-class Manono Lithium and Tin Project.

The Company achieved a significant milestone in December 2020 when it executed its first lithium offtake agreement with GFL International Co. Limited, a subsidiary of one of China's largest lithium compound producers, Ganfeng Lithium Co Ltd. GFL has agreed to take 30 per cent of the Manono Project's initial SC6 yearly tonnage. During the last six months of 2020, the Company also advanced discussions on multiple offtake agreements for Spodumene Concentrate and Tin.

Planning for a Manono Special Economic Zone to deliver long-term economic benefits for the Manono Project and surrounding region and the potential refurbishment of the Mpiana Mwanga Hydro-Electric Power Plant were also significantly advanced during the last half of 2020.

At an operational level, the Company advanced its licensing, permitting and environmental approvals for the Manono Project, as well as undertaking all the necessary engineering and technical work required, prior to the Board making its Financial Investment Decision to mine by mid-2021.

On the corporate front, AVZ executed a Share Sale Purchase Agreement ("Agreement") for an additional 10% equity stake in Dathcom Mining SA (which holds 100% of the Manono Project) from its joint venture partner, Dathomir Mining Resources SARLU ("Dathomir Mining"). As announced in June 2019, the Company has secured 5% equity interest from Dathomir Mining for a total consideration of US$5.5M, with an advance payment already made of US$500,000. AVZ will own 75% of the joint venture company, Dathcom Mining SA upon completion of both agreements. The remaining 25% of the joint venture company is owned by La Congolaise D'Exploitation Miniere SA, the DRC Government.

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

Offtake Agreements

In late December, AVZ secured a strategic, long-term lithium offtake partnership with GFL International Co. Limited ("GFL"), a subsidiary of China's largest lithium compounds producer, Ganfeng Lithium Co Ltd ("Ganfeng Lithium").

GFL signed an initial five-year offtake agreement and an option to extend for a further five years, with supply ramping up to 160,000 dry metric tonnes of SC6 from year three onwards. The agreed offtake tonnage is approximately 30 per cent of the Manono Project's initial saleable SC6 yearly production.

GFL is a leading global battery materials producer that is continuing to expand both its lithium carbonate and lithium hydroxide production capacity while Ganfeng Lithium is a top three lithium compound producer and the largest producer of lithium metal globally.

The Company was also in detailed negotiations with several other offtake partners for SC6 and tin.

Project Financing

Significant progress was achieved in the latter half of 2020 to secure the required project debt financing to fund the major proportion of the Manono Project's required pre-production capital expenditure. Discussions were held with several major commercial and non-commercial banks with many of the parties being granted access to the Company's project data room.

Most interest was shown by the Pan African Development Finance Institutions (DFIs), which is understandable due to the project's central African location. The Company received expressions of interest from a number of these DFIs, with discussions continuing with other financiers.

Securing the equity funding of the pre-production capital expenditure also attracted several interested industry participants and private equity investors, with discussions ongoing.

Special Economic Zone

The Company made significant progress during the second half of 2020 around finalising plans for a Special Economic Zone ("SEZ") for the Manono region.

At a two-day workshop with senior Congolese Government officials held in late October, the Company presented its proposed terms of reference for the Manono SEZ and its rationale for the Manono Project, which included the development of the Manono Project itself, rehabilitation of the Mpiana Mwanga Hydro-Electric Power Plant and refurbishment of the Manono to Kabondo Dianda road and the Lualaba River crossing. AVZ also submitted its proposed framework of economic incentives for review and consideration and inclusion in the proposed Manono SEZ regional development framework.

In February 2020, AVZ executed a Memorandum of Understanding with the Ministry of Industry to create a SEZ for the Manono region under a Public Private Partnership framework. In summary, a positive outcome should provide AVZ with significant, long-term economic benefits for the project, as well as protecting the Company's substantial investment in the Democratic Republic of Congo.

Figure 1-4: The workshop attended by senior Congolese Government officials, AVZ management and legal counsel

Engineering

During the half-year, the Company assessed and adjudicated tenders for the process plant as well as the Kabondo Dianda intermodal staging site, mine-site buildings and construction crew quarters, diesel supply and camp catering packages. A tender for the rehabilitation of the Mpiana Mwanga Hydro Electric Power Plant (HEPP) was also issued with all tenders received by the end of the year. Contracts will be awarded once AVZ's Board makes a Final Investment Decision to mine Manono.

Environmental and Social Impact Assessments (ESIA) for the HEPP, access road and power transmission line, Kabondo Dianda road development, river crossing and intermodal staging systems were completed.

At half-year, the Company was in the process of completing a tailings facility configuration option study. The Company had also engaged in positive discussions with the Angola Railway Company regarding the potential use of its rail services and is also now engaged in similar talks with the DRC equivalent, SNCC.

Technical

Nine new geological resource holes for 1,657m of diamond drilling were completed during the half-year around the Roche Dure pit floor 'wedge' with a view to increasing the potential to upgrading some Inferred Resources to additional Indicated Resources. Assay results were still pending at the year end.

Figure 5: Rig 4 on drillhole M020DD002

The resource drilling campaign occurred in previously undrilled areas beneath the historical pit which were inaccessible and under water during earlier resource drilling programs. These Inferred Resources are still categorised as waste material in the Company's current mining and financial model due to a lack of drilling data and under the original model this material has to be pre-stripped as waste before ore can be sent to the processing plant.

The Company will collate the new data and re-run the models to calculate both new geological resources and then upgraded mineable ore reserves to be fed into an optimised feasibility study.

In addition to the geological resource drilling program conducted at Roche Dure, various geotechnical and hydrogeological investigations were also undertaken during the last six months around the process plant site and tailings storage facility site.

Corporate

Equity in Manono Project

In September 2020, AVZ executed a Share Sale Purchase Agreement ("Agreement") for an additional 10% equity stake in Dathcom Mining SA (which holds 100% of the Manono Project) from its joint venture partner, Dathomir Mining Resources SARLU ("Dathomir Mining"). Under the Agreement, AVZ paid US$500,000 to Dathomir Mining as an advance payment with the remaining US$15M to be paid at any time within 12 months of the Agreement being executed or as soon as AVZ secures a minimum of US$50M project financing.

As announced in June 2019, the Company previously secured an option to purchase 5% equity interest from Dathomir Mining for a total consideration of US$5.5M, with an advance payment made of US$500,000. The balance of the consideration (US$5M) can be paid at any time within 36 months from execution of that Agreement.

AVZ will own 75% of the joint venture company, Dathcom Mining SA, upon completion of both agreements. The remaining 25% of the joint venture company is owned by La Congolaise D'Exploitation Miniere SA, the DRC Government.

Exercise of Options and Expiration of Performance Rights

During the period, the Company received A$1,728,000 from the exercise of 25 million options at 6 cents each and 4 million options at 5.7 cents each respectively, while 3,000,000 performance rights expired.

Issue of Performance Rights

During the period, the Company issued 4,000,000 performance rights to a consultant of the Company, with an expiry date of 3 December 2021. Refer to Note 9 for the terms of this issuance.

Unmarketable Parcel Share Sale Facility

The Company also completed an Unmarketable Parcel Share Sale Facility during the half-year, with a total of 5,985,461 shares sold at an average price of 5.94 cents per share. The total number of shareholders was reduced by approximately 1,550 at the completion of the facility.

Information required under ASX Listing Rule 5.3.3

List of current mining and exploration tenements (as at 31 December 2020):

Country / Project	Tenement	Interest	Status
DRC – Manono Project	PR 13359	60%	Granted
DRC – Manono Extension Project	PR 4029 PR 4030	100%	Granted

Roche Dure Main Pegmatite Ore Reserve Estimate

Reserve Category	Tonnes (Millions)	Grade Li2O %	Contained Li20 (Mt)	Grade Sn (g/t)	Contained Sn (kt)
Proved	44.6	1.62	0.72	958	42.7
Probable	48.5	1.54	0.75	1,016	49.3
Total	**93.0**	**1.58**	**1.47**	**988**	**92.0**

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

Refer ASX Announcement dated 21 April 2020 "AVZ delivers highly positive Definitive Feasibility Study for Manono Lithium and Tin Project".

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.

AVZ confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources and Ore Reserves, 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 Person's findings are presented have not materially changed from the original market announcement.

Roche Dure Main Pegmatite Mineral Resource at a 0.5% Li_2O cut-off as at 31 December 2020:

Category	Tonnes (Millions)	Li_2O %	Sn ppm	Ta ppm	Fe_2O_3 %	P_2O_5 %
Measured	107	1.68	836	36	0.93	0.31
Indicated	162	1.63	803	36	0.96	0.29
Inferred	131	1.66	509	30	1.00	0.28
Total	**400**	**1.65**	**715**	**34**	**0.96**	**0.29**

Competent Person Statement

The information in this report that relates to metallurgical test work results is based on, and fairly represents information complied and reviewed by Mr Nigel Ferguson, a Competent Person who is a Fellow of The Australasian Institute of Mining and Metallurgy and Member of the Australian Institute of Geoscientists. Mr Ferguson is a Director of AVZ Minerals Limited. Mr Ferguson 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 Resource and Ore Reserves". Mr Ferguson consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The 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 Scientific Professions (SACNSAP). Mr Cronwright is a full time employee of CSA Global 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 Mineral Resource estimate has been completed by Mrs Ipelo Gasela (BSc Hons, MSc (Eng) who is a geologist with 14 years' experience in mining geology, Mineral Resource evaluation and reporting. She is a Senior Mineral Resource Consultant for The MSA Group (an independent consulting company), is registered with the South African Council for Natural Scientific Professions (SACNASP) and is a Member of the Geological Society of South Africa (GSSA). Mrs Gasela 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. Mrs Gasela consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Operating Result

The loss from continuing operations for the half-year after providing for income tax was $1,411,603 (31 December 2019: $2,751,418).

Additional information on the operations and financial position of the Group and its business strategies and prospects is set out in this Directors' report and the interim financial report.

After Reporting Date Events

On 5 January 2021, 5,000,000 unlisted options were exercised at 6 cents and converted into ordinary shares. Further, on 13 January 2021, 11,666,667 unlisted options were exercised at 6 cents each and converted into ordinary shares.

Additionally, on 19 January 2021, the below options were exercised and converted into ordinary shares;

- 4,000,000 unlisted options exercised at 6.65 cents;
- 1,000,000 unlisted options exercised at 4.75 cents; and
- 1,000,000 unlisted options exercised at 5.7 cents.

On 9 March 2021, AVZ and Shenzhen Chengxin Lithium Group Co.,Ltd ("Chengxin") signed a binding offtake agreement for the supply of up to 180,000 tonnes per annum of spodumene concentrate (SC6) from the Manono Lithium and Tin Project for an initial 3-year term following commencement of production with mutually agreed options to extend.

Other than the above, 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 12.

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, 12 March 2021

Bentleys
THINKING AHEAD

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit Partner for the review of the financial statements of AVZ Minerals Limited for the half year ended 31 December 2020, 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

Bentleys

BENTLEYS
Chartered Accountants

Chris Nicoloff

CHRIS NICOLOFF CA
Partner

Dated at Perth this 12th day of March 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-year ended 31 December 2020

	Notes	Consolidated 31 December 2020 $	31 December 2019 $
Revenue			
Other income		193,792	62,692
Expenses			
Administration costs		(818,973)	(833,337)
Directors and consultancy expenses		(197,840)	(107,733)
Share-based payments expense	9	(295,277)	(1,277,384)
Compliance and regulatory expenses		(95,686)	(77,382)
Insurance expenses		(57,799)	(38,818)
Depreciation		(179,967)	(152,920)
Amortisation		(36,074)	(36,074)
Movement in fair value of financial liabilities	6	323,751	(297,002)
Interest expense		(6,323)	(7,173)
Foreign exchange gain/(loss)		(241,207)	13,713
Loss before income tax		**(1,411,603)**	**(2,751,418)**
Income tax expense		-	-
Loss after income tax for the half-year		**(1,411,603)**	**(2,751,418)**
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(9,897,842)	(79,097)
Total comprehensive (loss)/income for the half-year		**(11,309,445)**	**(2,830,515)**
Basic and diluted loss per share (cents per share)		(0.05)	(0.12)
Loss for the half-year is attributable to:			
Owners of AVZ Minerals Limited		(1,342,837)	(2,691,779)
Non-controlling interests		(68,766)	(59,639)
		(1,411,603)	**(2,751,418)**
Total comprehensive loss for the half-year attributable to:			
Owners of AVZ Minerals Limited		(9,922,130)	(2,772,327)
Non-controlling interests		(1,387,315)	(58,188)
		(11,309,445)	**(2,830,515)**

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

Condensed Consolidated Statement of Financial Position
As at 31 December 2020

	Notes	Consolidated 31 December 2020 $	30 June 2020 $
Current Assets			
Cash and cash equivalents		8,253,298	14,202,294
Trade and other receivables		356,017	395,980
Total Current Assets		**8,609,315**	**14,598,274**
Non-Current Assets			
Mining exploration and evaluation	4	81,461,065	84,896,432
Property, plant and equipment		814,308	1,092,204
Right-of-use asset	5	84,174	120,248
Total Non-Current Assets		**82,359,547**	**86,108,884**
Total Assets		**90,968,862**	**100,707,158**
Current Liabilities			
Trade and other payables		286,542	393,576
Provisions		49,756	36,714
Lease liability	5	38,497	72,881
Total Current Liabilities		**374,795**	**503,171**
Non-Current Liabilities			
Financial liabilities	6	5,473,086	5,796,838
Lease liability	5	51,351	51,351
Total Non-Current Liabilities		**5,524,437**	**5,848,189**
Total Liabilities		**5,899,232**	**6,351,360**
Net Assets		**85,069,630**	**94,355,798**
Equity			
Contributed equity	7	105,223,333	103,495,333
Reserves		1,001,504	9,332,520
Accumulated losses		(31,457,946)	(30,162,109)
Capital and reserves attributable to owners of AVZ Minerals Ltd		74,766,891	82,665,744
Non-controlling interests		10,302,739	11,690,054
Total Equity		**85,069,630**	**94,355,798**

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

Condensed Consolidated Statement of Changes in Equity
For the Half-year Ended 31 December 2020

Consolidated	Contributed Equity $	Accumulated Losses $	Other Reserves $	Foreign Currency Reserves $	Total $	Non-controlling Interests $	Total Equity $
Balance at 1 July 2019	**81,097,191**	**(25,347,888)**	**6,361,769**	**3,268,870**	**65,379,942**	**11,615,453**	**76,995,395**
Loss for the half-year	-	(2,691,779)	-	-	(2,691,779)	(59,639)	(2,751,418)
Exchange differences on translation of foreign operations	-	-	-	(80,548)	(80,548)	1,451	(79,097)
Total comprehensive loss for the half-year	-	(2,691,779)	-	(80,548)	(2,772,327)	(58,188)	(2,830,515)
Transactions with owners in their capacity as owners:							
Share-based payments expense	141,000	-	1,277,384	-	1,418,384	-	1,418,384
Performance Rights lapsed	-	320,600	(320,600)	-	-	-	-
Conversion of Performance Rights	1,921,000	-	(1,921,000)	-	-	-	-
Exercise of listed options	43,500	-	-	-	43,500	-	43,500
Total transactions with owners in their capacity as owners	2,105,500	320,600	(964,216)	-	1,461,884	-	1,461,884
Balance at 31 Dec 2019	**83,202,691**	**(27,719,067)**	**5,397,553**	**3,188,322**	**64,069,499**	**11,557,265**	**75,626,764**
Balance at 1 July 2020	**103,495,333**	**(30,162,109)**	**5,189,576**	**4,142,944**	**82,665,744**	**11,690,054**	**94,355,798**
Loss for the half-year	-	(1,342,837)	-	-	(1,342,837)	(68,766)	(1,411,603)
Exchange differences on translation of foreign operations	-	-	-	(8,579,293)	(8,579,293)	(1,318,549)	(9,897,842)
Total comprehensive loss for the half-year	-	(1,342,837)	-	(8,579,293)	(9,922,130)	(1,387,315)	(11,309,445)
Share-based payments expense	-	-	295,277	-	295,277	-	295,277
Performance Rights lapsed	-	47,000	(47,000)	-	-	-	-
Exercise of unlisted options	1,728,000	-	-	-	1,728,000	-	1,728,000
Total transactions with owners in their capacity as owners	1,728,000	47,000	248,277	-	2,023,277	-	2,023,277
Balance at 31 Dec 2020	**105,223,333**	**(31,457,946)**	**5,437,853**	**(4,436,349)**	**74,766,891**	**10,302,739**	**85,069,630**

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

Condensed Consolidated Statement of Cash flows
For the Half-year Ended 31 December 2020

	Notes	Consolidated 31 December 2020 $	31 December 2019 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,221,930)	(910,314)
Interest received		47,394	48,417
Interest expense		(6,323)	(7,173)
COVID-19 Cashflow Boost		37,500	-
R&D Tax Incentive		155,932	-
Net cash outflows from operating activities		(987,427)	(869,070)
Cash flows from investing activities			
Payments for exploration and evaluation		(5,424,775)	(4,989,323)
Payment for additional exploration interests		(685,235)	(712,490)
Payments for property, plant and equipment		(4,482)	(68,842)
Net cash outflows from investing activities		(6,114,492)	(5,770,655)
Cash flows from financing activities			
Proceeds from exercise of options		1,728,000	43,500
Payment of lease liability		(34,383)	(33,491)
Net cash flow from financing activities		1,693,617	10,009
Net decrease in cash and cash equivalents		(5,408,302)	(6,629,716)
Cash and cash equivalents at the beginning of the period		14,202,292	8,750,642
Foreign currency differences		(540,692)	43,576
Cash and cash equivalents at the end of the period		8,253,298	2,164,502

Amounts shown above relating to payments to suppliers and employees include goods and services tax. The above 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 2020 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 2020 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 2020, 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 2020.

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.

1. Basis of preparation of half-year report (continued)

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Group incurred a loss for the period of $1,411,603 and net cash outflows from operating activities of $987,427. As at 31 December 2020, the Consolidated Group has a working capital surplus of $8,234,520.

Whilst the Consolidated Group is in a net asset position, the incurred losses and operating cash outflows indicate a material uncertainty that may cast significant doubt about the Consolidated Group's ability to continue as a going concern. The directors have prepared a cash flow forecast, which indicates that the Consolidated Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Included in the cash flow forecast is the completion of an optimised definitive feasibility study, early works and raising capital from equity markets and managing cashflow.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Consolidated Group's financial position as at 31 December 2020 and their ability to contain costs and capital commitments if required.

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 2020.

Key Estimates – Impairment

The Directors assess impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The ultimate recoupment of value is dependent on the successful development and commercial exploitation or sale of the respective areas.

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.

		Consolidated	
		31 December 2020 $	30 June 2020 $
4.	**Mining exploration and evaluation**		
	Exploration and evaluation phase		
	Opening balance	84,896,432	74,184,250
	Exploration costs	5,362,665	9,456,611
	Acquisition of further interest (i)	685,235	-
	Net exchange differences on translation	(9,483,267)	1,255,571
	Closing balance	81,461,065	84,896,432

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) On 21 September 2020, AVZ executed a Share Sale Purchase Agreement for an additional 10% equity stake in Dathcom Mining SA from its joint venture partner, Dathomir Mining for US$15.5M. Under the agreement, AVZ paid US$500,000 in September 2020 to Dathomir Mining as an advance payment, with the remaining US$15M to be paid to Dathomir Mining at any time within 12 months of the Share Sale Purchase Agreement being executed, or as soon as AVZ secures a minimum of US$50M project financing. Should the payment not be made within 12 months, AVZ will forego its US$500,000 advance payment and lose the rights to secure the additional 10% equity in the Manono Project.

	Consolidated 31 December 2020 $	Consolidated 30 June 2020 $
5. Leases		
(a) Amounts recognised in the balance sheet		
Rights-of-use asset		
Balance as at 1 July	120,248	-
Right-of-use assets recognised as at 1 July	-	192,397
Less: Depreciation	(36,074)	(72,149)
Closing balance	84,174	120,248
Lease liabilities		
Balance as at 1 July	124,232	-
Lease liabilities recognised as at 1 July	-	192,397
Add: Interest	4,881	10,364
Less: Payments	(39,265)	(78,529)
Closing balance	89,848	124,232
(b) Amounts recognised in the consolidated statement of profit or loss		
Depreciation of right-of-use asset	36,074	72,149
Interest expense on lease liabilities	4,881	10,364

(c) Leasing Activities

The Company leases the office property at Level 2, 8 Colin Street, West Perth. The lease of the property commenced on 1 March 2019 and remains in force until 28 February 2022.

The lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

Initial measurement

Assets and liabilities from a lease are initially measured on a present value basis. The lease liability includes the present value of the fixed payments and variable lease payments that depend on an index, initially measured using the index as at the commencement date (reconciled and adjusted for actual index each year). The lease payments are discounted using the Company's incremental borrowing rate of 6.66%.

The right-of-use asset is measured at cost comprising of the initial measurement of the lease liability.

Subsequent measurement

The right-of-use asset is subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

The lease liability is subsequently measured to reflect the interest on the lease liability, the lease payments made and any reassessment of the variable payments.

	Consolidated 31 December 2020 $	Consolidated 30 June 2020 $
6. Financial Liabilities		
Acquisition of a 60% interest in Dathcom Mining SA on 23 May 2017*		
Deferred Consideration		
Current Liability		
Principal	-	1,425,456
Principal repayments (i)	-	(1,450,241)
Fair value increase/(decrease) on repayment	-	24,785
Transfer between current/non-current	-	-
Total Current Liability	**-**	**-**

(i) Paid to La Congolaise D'Exploitation Miniere SA in deferred consideration under the terms of the Joint Venture Agreement. The key terms of the Joint Venture Agreement were disclosed in the company's ASX announcement dated 2 February 2017.

	31 December 2020 $	30 June 2020 $
Acquisition of a 5% interest in Dathcom Mining SA on 24 June 2019*		
Deferred Consideration		
Current Liability		
Principal	-	712,901
Principal repayments	-	(712,490)
Fair value decrease on repayment	-	(411)
Closing balance	**-**	**-**
Non-Current Liability		
Principal	5,796,838	5,074,286
Fair value increase/(decrease)	(323,752)	722,552
Closing balance	**5,473,086**	**5,796,838**
Total	**5,473,086**	**5,796,838**

On 24 June 2019, the Company announced that it had executed a Share Sale Purchase Agreement ("Agreement") with Dathomir Mining Resources SARLU to increase the Group's equity in the Manono Lithium and Tin Project for a total consideration of US$5,500,000. Under the Agreement, the first tranche payment of US$500,000 is to be paid within 14 days of execution and the balance of the consideration can be paid at any time within 36 months from execution of the Agreement. The first tranche payment of US$500,000 was paid in July 2019.

The value of the deferred consideration is the board's assessment of the value of contracted future payments issued under the agreement for the acquisition of Dathcom Mining SA*. The fair value is based on assumptions to present value the future payments based on a discount rate of 12%. The principal payments are contractually required in U.S. dollars and have been converted to Australian dollars at 31 December 2020.

*SAS corporation was converted to SA corporation in August 2019.

	31 December 2020 $	30 June 2020 $
Total Deferred Consideration		
Total current liability	-	-
Total non-current liability	5,473,086	5,796,838
Total Liability	**5,473,086**	**5,796,838**

	Consolidated 31 December 2020 Shares	Consolidated 30 June 2020 Shares	Consolidated 31 December 2020 $	Consolidated 30 June 2020 $
7. Contributed Equity				
(a) Contributed equity				
Ordinary shares – fully paid	2,867,498,508	2,838,498,508	105,223,333	103,495,333
Total contributed equity	**2,867,498,508**	**2,838,498,508**	**105,223,333**	**103,495,333**

	Date	Number of Shares $	Fair Value $	Total $
(b) Movements in share capital				
Opening Balance 1 July 2019		2,287,198,459		81,097,190
Conversion of Performance Right[1]	19 Jul 2018	-	$0.029	580,000
Share based payment[2]	5 Jul 2019	3,000,000	$0.047	141,000
Conversion of Performance Right[3]	11 Jul 2019	13,950,000	$0.100	1,341,000
Exercise of listed options[4]	23 Dec 2019	1,450,000	$0.030	43,500
Closing Balance at 31 December 2019		**2,305,598,459**		**83,202,690**
Opening Balance 1 July 2020		2,838,498,508		103,495,333
Exercise of unlisted options[5]	21 Oct 2020	10,000,000	$0.060	600,000
Exercise of unlisted options[5]	24 Nov 2020	5,000,000	$0.060	300,000
Exercise of unlisted options[5]	10 Dec 2020	10,000,000	$0.060	600,000
Exercise of unlisted options[6]	14 Dec 2020	4,000,000	$0.057	228,000
Closing Balance at 31 December 2020		**2,867,498,508**		**105,223,333**

[1]On 19 July 2018, 20,000,000 Performance Rights vested and were converted to Ordinary Shares. The fair value of the Performance Rights of $580,000 was transferred from Share based payment reserve to Share Capital during the half-year ended 31 December 2019.
[2]On 5 July 2019, 3,000,000 shares were issued to a supplier in lieu of cash payments for investor relations services received.
[3]On 11 July 2019, 5,000,000 Class C Performance Rights and 8,950,000 Class E Performance Rights vested and converted to Ordinary Shares. The fair value of the Performance Rights of $1,341,000 was transferred from Share based payment reserve to Share Capital.
[4]During the half-year ended 31 December 2019, a total of 1,450,000 Listed Options (exercisable at $0.03 on or before 24 May 2020) were exercised.
[5]During the half-year ended 31 December 2020, a total of 25,000,000 Unlisted Options (exercisable at $0.06 on or before 8 April 2022) were exercised.
[6]During the half-year ended 31 December 2020, a total of 4,000,000 Unlisted Options (exercisable at $0.057 on or before 5 September 2021) were exercised.

	Expiry date	Exercise price	Balance at 1 July 2020	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance at 31 December 2020
8. Share Options and Performance Rights							
(a) 2020 Share option details							
Unlisted	5 Mar 2021	4.75 cents	1,000,000	-	-	-	1,000,000
Unlisted	5 Sep 2021	5.7 cents	5,000,000	-	(4,000,000)	-	1,000,000
Unlisted	5 Mar 2022	6.65 cents	5,000,000	-	-	-	5,000,000
Unlisted	8 April 2022	6 cents	120,000,002	-	(25,000,000)	-	95,000,002
			131,000,002	-	**(29,000,000)**	-	102,000,002

8. Share Options and Performance Rights (con't)

	Expiry date	Exercise price	Balance at 1 July 2020	Granted during the period	Converted during the period	Cancelled/ lapsed during the period	Balance at 31 December 2020
(b) 2020 Performance Rights details							
Class D	Various	-	3,600,000	-	-	-	3,600,000
Class E	3 Dec 2021	-	17,400,000	-	-	-	17,400,000
Class F	2 Jun 2022	-	8,000,000	-	-	-	8,000,000
Class H	3 Dec 2021	-	3,000,000	-	-	-	3,000,000
Class I	11 Nov 2020	-	3,000,000	-	-	(3,000,000)	-
Class K	3 Dec 2021	-	1,600,000	-	-	-	1,600,000
Class L	3 Dec 2021	-	-	4,000,000	-	-	4,000,000
Class M	9 Dec 2023	-	-	24,100,000	-	-	24,100,000
			36,600,000	28,100,000	-	(3,000,000)	61,700,000

	Expiry date	Exercise price	Balance at 1 July 2019	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance at 31 December 2019
(c) 2019 Share option details							
Unlisted	28 Feb 2020	30.5 cents	30,000,000	-	-	-	30,000,000
Unlisted	5 Mar 2021	4.75 cents	1,000,000	-	-	-	1,000,000
Unlisted	5 Sep 2021	5.7 cents	5,000,000	-	-	-	5,000,000
Unlisted	5 Mar 2022	6.65 cents	5,000,000	-	-	-	5,000,000
Listed	24 May 2020	3 cents	203,649,049	-	(1,450,000)	-	202,199,049
			244,649,049	-	(1,450,000)	-	243,199,049

	Expiry date	Exercise price	Balance at 1 July 2019	Granted during the period	Converted during the period	Cancelled/ lapsed during the period	Balance at 31 December 2019
(d) 2019 Performance Rights details							
Class B	30 Nov 2021	-	7,500,000	-	-	(7,500,000)	-
Class C	12 Oct 2018	-	5,000,000	-	(5,000,000)	-	-
Class D	Various	-	14,850,000	-	-	(11,250,000)	3,600,000
Class E	3 Dec 2021	-	35,800,000	-	(8,950,000)	(750,000)	26,100,000
Class F	2 Jun 2022	-	8,000,000	-	-	-	8,000,000
Class G	2 Jun 2022	-	3,000,000	-	-	(3,000,000)	-
Class H	3 Dec 2021	-	4,500,000	-	-	-	4,500,000
Class I	11 Nov 2020	-	-	3,000,000	-	-	3,000,000
Class J	1 Nov 2022	-	-	3,000,000		-	3,000,000
			78,650,000	6,000,000	(13,950,000)	(22,500,000)	48,200,000

9. 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 2020.

(b) Performance Rights

On 11 November 2020, 3,000,000 Performance Rights relating to Class I expired unexercised.

4,000,000 Performance Rights were issued to a consultant of the Company on 12 October 2020. These Performance Rights are split into three equal tranches with the following vesting conditions:

1. shall vest if upon achieving 50% of offtake for the Manono Lithium and Tin outputs.
2. shall vest if upon achieving 75% of offtake for the Manono Lithium and Tin outputs.
3. shall vest if upon achieving 100% of offtake for the Manono Lithium and Tin outputs.

9. Share Based Payments (con't)

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Value per Performance Right on Grant Date ($)	Total Fair Value ($)	% Vested
Class L	4,000,000	12 Oct 2020	Nil	3 Dec 2021	0.08	$320,000	0%

During the half-year ended 31 December 2020, the share based payment expense recognised in relation to Class L performance rights was $91,694.

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date ($)	Total Fair Value ($)	% Vested
Class M	24,100,000	10 Dec 2020	Nil	9 Dec 2023	0.098	$2,361,800	0%

24,100,000 Performance Rights were issued to various employees and KMPs of the Company on 10 December 2020. These Performance Rights are split into three equal tranches with the following vesting conditions:

1. shall vest upon executing an offtake agreement for at least 25% of the product in the Manono Lithium Project.
2. shall vest upon completion of Manono Lithium Project financing.
3. shall vest upon the Company making a decision to mine in respect of the Manono Lithium Project.

During the half-year ended 31 December 2020, the share based payment expense recognised in relation to Class M performance rights was $178,264.

The Performance Rights are probability weighted to be 100% on management's best estimate on the portion that will vest.

10. Contingencies & Commitments

On 21 September 2020, AVZ executed a Share Sale Purchase Agreement for an additional 10% equity stake in Dathcom Mining SA from its joint venture partner, Dathomir Mining for US$15.5M. Under the agreement, AVZ has paid US$500,000 to Dathomir Mining as an advance payment, with the remaining US$15M committed to be paid to Dathomir Mining at any time within 12 months of the Share Sale Purchase Agreement being executed, or as soon as AVZ secures a minimum of US$50M project financing.

Apart from the above, there have been no other changes in commitments from 30 June 2020. Further, there are no changes in contingent liability from 30 June 2020.

11. Related Party Transactions

The following Performance Rights were issued to key management personnel of the Company during the half-year ending 31 December 2020:

John Clarke	9,000,000
Nigel Ferguson	3,000,000
Graeme Johnston	2,000,000
Rhett Brans	1,500,000
Peter Huljich	1,500,000
Michael Hughes	2,000,000
Leonard Math	1,500,000

The terms and conditions of these Performance Rights are disclosed in Note 9.

Apart from the above, there has been no material changes in the related party transactions described in the last annual report.

12. Events Occurring Subsequent to Reporting Date

On 5 January 2021, 5,000,000 unlisted options were exercised at 6 cents and converted into ordinary shares. Further, on 13 January 2021, 11,666,667 unlisted options were exercised at 6 cents each and converted into ordinary shares.

Additionally, on 19 January 2021, the below options were exercised and converted into ordinary shares;

- 4,000,000 unlisted options exercised at 6.65 cents;
- 1,000,000 unlisted options exercised at 4.75 cents; and
- 1,000,000 unlisted options exercised at 5.7 cents.

On 9 March 2021, AVZ and Shenzhen Chengxin Lithium Group Co.,Ltd ("Chengxin") signed a binding offtake agreement for the supply of up to 180,000 tonnes per annum of spodumene concentrate (SC6) from the Manono Lithium and Tin Project for an initial 3-year term following commencement of production with mutually agreed options to extend.

Other than the above, 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.

The Directors of the Company declare that:

(a) the consolidated financial statements and notes, as set out on pages 13 to 25 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards AASB 134 Interim Financial Reporting, the *Corporations Regulations 200*1; and other mandatory requirements

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date

(b) In the Directors' opinion there are reasonable grounds to believe that AVZ Minerals Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Nigel Ferguson
Managing Director

Perth, Western Australia
12 March 2021

Bentleys
THINKING AHEAD

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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 consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 AVZ Minerals Limited financial position as at 31 December 2020 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 AVZ Minerals Limited 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 2020 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.

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Partner

Dated at Perth this 12th day of March 2021