



31 July 2017

**Quarterly Report for the period ending 30 June 2017
ASX: AVZ**

HIGHLIGHTS

- AVZ acquired a 60% interest in the Manono Lithium Project, DRC, following the completion of its due diligence review. The Manono Lithium Project has the potential to host one of the world's largest lithium-rich LCT (Lithium Caesium Tantalum) pegmatite deposits.
- Exploration activities at the Manono Lithium Project during the quarter included:
 - Completion of an independent technical review by specialist lithium consultant, Mr Peter Spitalny
 - Assay results of samples collected from reconnaissance trenches confirmed the presence of lithium mineralisation in pegmatites extending along strike for more than 13kms
 - Potential exists for extensions to the south west and the north east of up to an additional 10kms in total
 - Within the 13kms strike length there are six separate, large pegmatites defined to date, with strike lengths of between 400m and 5,400m
 - The six largest pegmatites all contain spodumene, with spodumene mineralisation constituting up to 30% of the rock volume
 - The initial seven hole diamond core drilling program for 1,734m was completed
 - Assays from AVZ's first reported diamond drill hole, MO17DD002, returned 202.8m* @ 1.57% Li₂O and 1078ppm Sn
 - Assays for the remaining six drill holes are expected by the end of August 2017
 - An extensive RC and diamond drilling program is planned for late Q3 / early Q4 2017
- AVZ engaged Airguide International Pte Ltd as its Strategic Adviser to facilitate and advise the Company on key relationships in China. Airguide has advised there is strong interest from a number of large groups in China in discussing investment and offtake opportunities with AVZ.

* Down-hole length. Additional drilling is required to confirm the pegmatite's true-thickness, but it is estimated to be approximately 190m.

AVZ Minerals Limited (ASX: AVZ) is pleased to provide the following report on activities to be read in conjunction with the Appendix 5B for the quarter ending 30 June 2017.

MANONO LITHIUM PROJECT

Acquisition of Project Interest

In February 2017, AVZ entered into a conditional agreement to acquire a 60% interest in the historic Manono Mine and surrounding area (Manono Lithium Project) in the south of the Democratic Republic of Congo (DRC). The Manono Lithium Project comprises PR13359, covering approximately 188km². AVZ previously secured a 100% interest in licences PR4029 and PR4030 that surround PR13359 and provide an additional 242.25 km² of prospective area.

The Company completed a detailed due diligence review during the quarter, including a review of available information from historic mining activities at Manono, completion of ground truthing in the form of detailed geological mapping, trench and rock chip sampling programs, commencement of the initial diamond drilling program and completion of a legal review. In May 2017, the Company elected to proceed to acquire the 60% interest in the Manono Lithium Project (refer news release dated 18 May 2017).

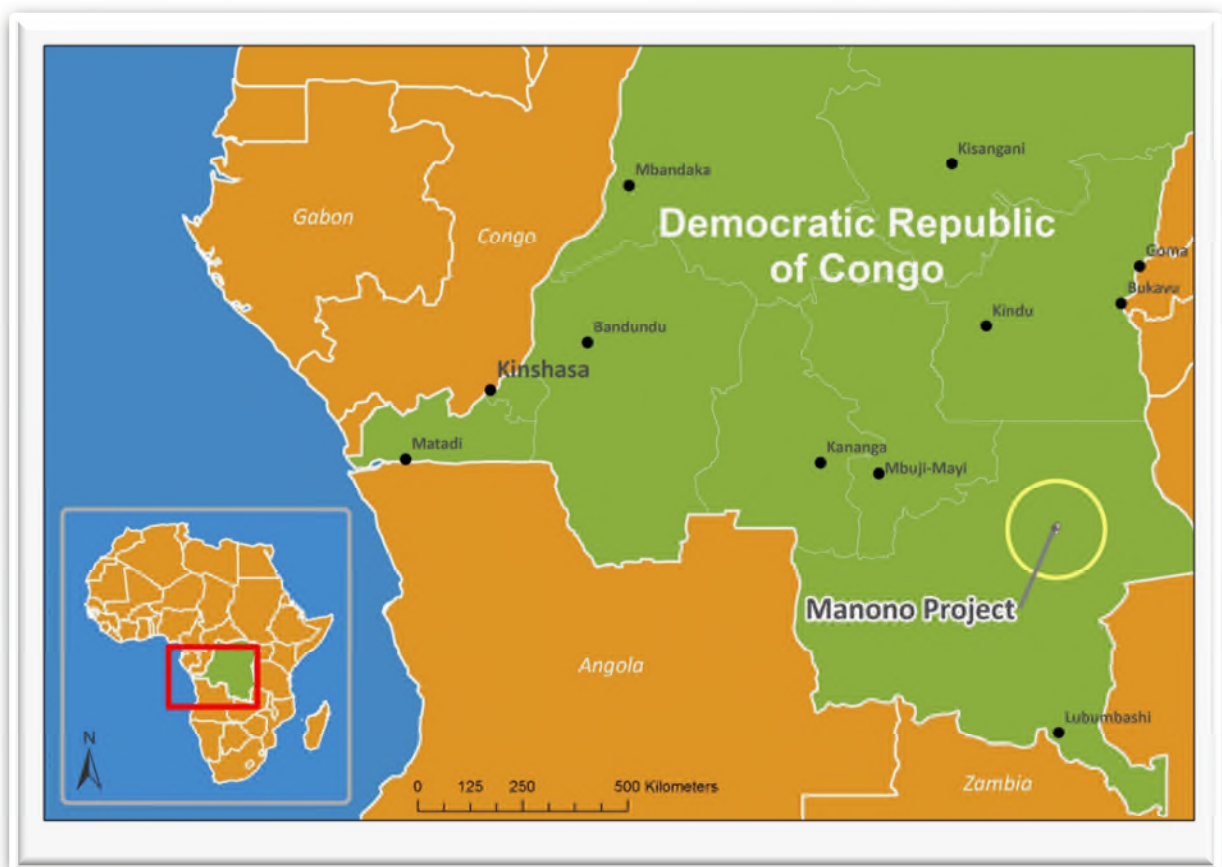


Figure 1. Location of the Manono Project in the Democratic Republic of Congo

Exploration Activities

AVZ's activities during the quarter included a review of available information from historic mining activities, geological mapping, trenching and rock chip sampling programs, completion of the initial diamond drilling program and completion of an independent technical review by specialist lithium consultant, Mr Peter Spitalny (refer news release dated 30 June 2017).

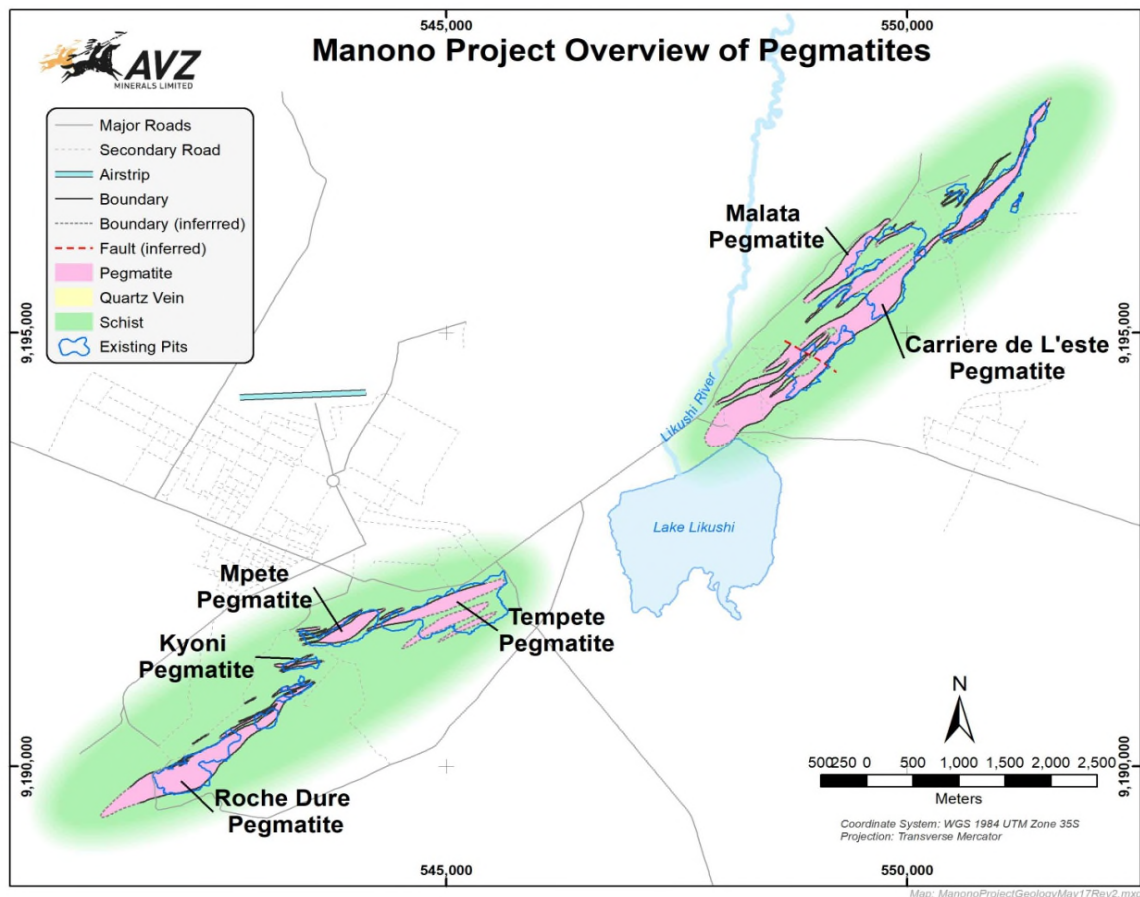


Figure 2: Manono Project Pegmatites

Key outcomes from this work were:

- The Manono pegmatite extends for a strike length of at least 13km, with potential extensions to the south west and the north east of up to an additional 10km in total
- Within the 13kms there are six separate large pegmatites defined to date with lengths from 400m to 5,400m
- The six large pegmatites all contain spodumene, with spodumene mineralisation constituting up to 30% of the rock volume.
- Observations of outcrops suggest that the main Li mineral in the large pegmatites is spodumene. The Malata Pegmatite contains in addition to spodumene, some lepidolite. There is at least one small pegmatite exposed in the Kahungwe West pit (northern end of Manono sector) that is a lepidolite pegmatite.
- Outcrops and exposures in pits suggest that the two largest pegmatites are the Carriere de L'est Pegmatite and the Roche Dure Pegmatite. Each of these alone is evidently as large or larger than the famous Greenbushes Pegmatite in Western Australia where current resources are stated as 120Mt of 2.4% Li_2O .

- A total of 37 reconnaissance trenches were excavated to the end of the quarter for a total length of 2,797m. From these trenches 1,205 composite rock-chip samples were collected, mostly from 2m intervals. AVZ has received assay results for 511 samples (from six trenches) to date. These results demonstrate the widespread occurrence of distinct lithium (Li) anomalism.
- Results received for the initial trenching include (at Roche Dure Trench 3) 146m @ 0.26% Li₂O including 18m @ 0.48%, 32m @ 0.44% and 52m @ 0.39% Li₂O within weathered spodumene pegmatite. This result supports the potential for fresh pegmatite to hold higher grades of lithium – this expectation has been tested by the drilling program.
- The initial due diligence drilling program comprising 7 holes for a total of 1,734m was completed. The program tested five of the large pegmatites. Samples have been forwarded to ALS Global laboratories in Lubumbashi for preparation work with assay determinations being completed at ALS Global laboratory in Perth, WA.
- In each of the seven holes, thick intervals of pegmatite were intersected and spodumene is present within all the pegmatites.
- Spodumene ranging between 5% to 30% of whole rock volume and minor cassiterite/coltan is clearly visible in the core. The estimated base of weathering is approximately 60 metres below surface with a short transitional zone and then fresh pegmatite below.
- Assays from AVZ's first reported diamond drill hole, MO17DD002, returned 202.8m* @ 1.57% Li₂O and 1078ppm Sn (refer news release dated 28 July 2017)
- The six drill hole results remaining are expected by the end of August 2017

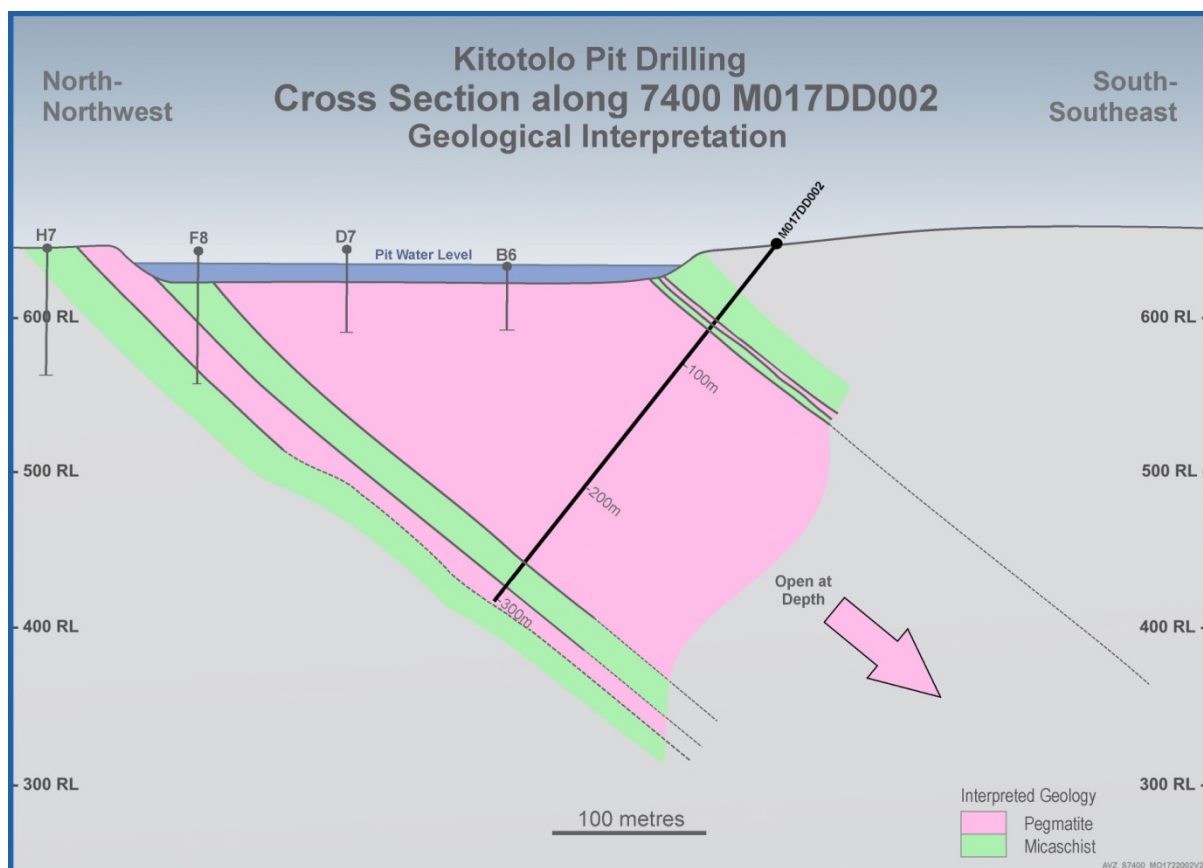


Figure 3: Cross section showing MO17DD002 intersecting the Roche Dure Pegmatite

The historic data review identified beneficiation test work carried out by Belgium government (1956, 1976 and 1981) demonstrated that a 6.82% lithium concentrate was produced using a combination of heavy media separation, tables and spirals. These are considered to be promising results for basic heavy liquid testing. It is anticipated that further grind size optimisation and potentially a flotation stage would see further improvement. AVZ is planning to commence initial metallurgical test-work in H2 2017 utilising diamond drill core already available and with specifically targeted new diamond core drill holes.

The work completed to date demonstrates excellent potential for the pegmatite bodies at the Manono Lithium Project to host significant lithium, tin and tantalum mineralisation.

Conceptual Exploration Target

Given the size and mineralised nature of the pegmatites at Manono, the Company generated an exploration target tonnage of between 400 and 800Mt at grade between 1% to 1.5% Li₂O within pegmatite ore. The potential quantity and grade as stated, is conceptual in nature as there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

This conceptual target is based on detailed prospect scale mapping, 37 trenches totalling 2,797m producing 1,200 assay samples and approximately 1,734m of logs relating to diamond core drilling from 7 drill holes as completed to-date.

The Company intends to embark on a significant drilling program commencing late Q3 / early Q4 to enable drill definition of Mineral Resources to JORC 2012 standard.

Legal

In May 2017 the Company was advised (refer news release dated 8 May 2017) the DRC Supreme Court of Justice (SCJ) had dismissed a claim for the annulment of an order by the DRC Minister of Mines which cancelled the mining right (PE 12202) previously held by a third party named Manono Minerals Sarl (Manomin) in respect of the area covered by PR 13359 (Manono Tenement).

In March 2017 MMCS Strategic 1 (MMCS, a shareholder of Manomin) filed a writ of summons in the Supreme Court of Western Australia (Court) seeking a declaration that the rights conferred under PE 12202 in the DRC remain valid (WA Proceedings). AVZ applied to the Court to have the WA Proceedings permanently stayed. MMCS was granted leave to amend its claim, and as a result, the declaratory relief previously sought by MMCS as to the validity of Manomin's rights in respect of the Manono Tenement has been abandoned. Instead, MMCS is seeking an injunction pursuant to the ASIC Act and the Corporations Act, requiring AVZ to make announcements to the market to correct what MMCS claims were misleading or deceptive announcements previously made by AVZ. AVZ will strenuously defend the claims made by MMCS under the amended MMCS Claim (refer news release dated 31 July 2017).

CORPORATE

Corporate Advisor

AVZ engaged Airguide International Pte Limited ("Airguide") as its Strategic Adviser to facilitate and advise the Company on key relationships and a broader work program aimed at securing value-adding commercial agreements with relevant counter-parties in China. The objective is to secure binding off-take agreements, partnership agreements, investment agreements and / or joint venture

agreements with industry leaders involved in commodity investment and asset management in China (refer news release dated 2 June 2017).

Airguide has advised there is strong interest from a number of large groups in China in discussing investment and offtake opportunities with AVZ.

Placement and acquisition settlement

AVZ completed settlement of various transactions during the quarter including the issue of shares related to the acquisition of the interest in the Manono Lithium Project, the issue of shares and options pursuant to the second tranche of the share placement announced on 2 February 2017 (raising \$2.5 million), the issue of performance rights and advisor options and the issue of deferred consideration shares related to the acquisition of the Manono Extension Project.

For more information contact:

Klaus Eckhof
Executive Chairman
Phone: +377 680 866 300
Email: klauseckhof@monaco.mc

Competent Person's Statement – Exploration Results

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled by Mr. Peter Spitalny, a Competent Person whom is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Spitalny is a full-time employee of Hanree Holdings Pty Ltd. Mr Spitalny has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Spitalny consents to the inclusion in the report of the matters based on his information in the form and context in which it appears

Information required under Listing Rule 5.3.3

List of current mining and exploration tenements (as at 30 June 2017):

<i>Country / Project</i>	<i>Tenement</i>	<i>Interest</i>	<i>Status</i>
DRC – Manono Project	PR 13359	60%	Granted
DRC – Manono Extension	PR 4029, PR 4030	100%	Granted
DRC-Katanga Regional	PR 12206, PR 12436, PR 12449, PR 12450, PR 12454, PR 12459, PR 12461	60%	Granted

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

AVZ Minerals Ltd

ABN

81 125 176 703

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(1,132)	(1,864)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(411)	(912)
1.3 Dividends received (see note 3)		
1.4 Interest received	4	17
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (net GST / FBT Activity)	(9)	(25)
1.9 Net cash from / (used in) operating activities	(1,548)	(2,784)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)	(3,558)	(4,486)
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	2
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(3,558)	(4,484)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,500	6,765
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(189)	(364)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Proceeds from application funds held in trust	(49)	-
3.10	Net cash from / (used in) financing activities	2,262	6,401

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,024	2,047
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,548)	(2,784)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,558)	(4,484)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,262	6,401

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,180	1,180

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,180	4,024
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,180	4,024

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	137
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

	\$A'000
Payment to directors and related entities– fees, technical and corporate services(excluding GST)	\$ 88
Payment to director-related entity – technical (excluding GST)	\$ 49.5

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

	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

--

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

--

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	450
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	200
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	650

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Namibia EPL 4283 EPL 4284 EPL 4285	Direct Direct Direct	95% 95% 95%	- - -
10.2 Interests in mining tenements and petroleum tenements acquired or increased	PR13359	Direct	-	60%

Mining exploration entity and oil and gas exploration entity quarterly report

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

Sign here: *(lodged electronically)* Date: 31 July 2017
(Director/Company secretary)

Print name: Gary Steinepreis

Notes

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