AVZ Minerals Limited

ABN 81 125 176 703

Interim Financial Report

31 December 2017

Corporate Directory

Executive Chairman
Klaus Eckhof

Managing Director
Nigel Ferguson

Executive Director
Guy Loando

Non-Executive Directors
Hongliang Chen
Rhett Brans

Company Secretary
Mathew O'Hara

Principal & Registered Office
Level 2, Suite 9, 389 Oxford Street
Mt Hawthorn WA 6016
Telephone: (08) 9380 6789
Facsimile: (08) 9380 6761

Share Registry
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333

Auditor
BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Stock Exchange Listing
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: **AVZ, AVZO**
Frankfurt Stock Exchange
Code: **AOMXC7**

Website Address
www.avzminerals.com.au

Directors' Report

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 2017.

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:

Klaus Eckhof – Executive Chairman
Nigel Ferguson – Executive Director, appointed Managing Director 5 February 2018
Guy Loando – Executive Director (appointed 21 August 2017)
Hongliang Chen – Non-Executive Director (appointed 21 August 2017)
Rhett Brans – Non-Executive Director (appointed 5 February 2018)
Patrick Flint – Non-Executive Director (resigned 6 March 2018)
Gary Steinepreis – Non-Executive Director (resigned 21 August 2017)

Company Secretary

Mathew O'Hara was appointed Company Secretary on 21 August 2017 at which date Gary Steinepreis resigned.

Review of Operations

Manono Lithium Project, Democratic Republic of Congo

AVZ's has a 60% interest in the Manono Lithium Project in the south of the Democratic Republic of Congo (DRC). PR13359 covers approximately 188km^2 and includes the historic Manono and Kitotolo Mines.

AVZ completed an initial drill program in June 2017 to evaluate the potential of the Manono and Kitotolo pegmatites to contain economically significant lithium (Li) mineralisation. The program comprised seven diamond drill holes for 1,739m and tested four of the six large pegmatites at the Manono Lithium Project.

In all cases, thick intervals of pegmatite were intersected and spodumene was present within all the pegmatites. Drill-holes MO17DD001 – MO17DD006 were completed in the Kitotolo Sector, and MO17DD007 completed in the Manono Sector.

AVZ received assays for the drill holes during the September 2017 quarter and results included:

- 250.9m* @ 1.48% Li_2O, 913ppm Sn (Carriere de L'Est pegmatite)
- 235.0m* @ 1.66% Li_2O, 1001ppm Sn (Roche Dure pegmatite)
- 202.8m* @ 1.57% Li_2O, 1078ppm Sn (Roche Dure pegmatite)
- 65.9m* @ 1.51% Li_2O (Tempete pegmatite)
- 45.7m* @ 1.59% Li_2O, 1230ppm Sn (Mpete pegmatite)

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

The drilling results demonstrated that four of the largest pegmatites at the Manono Lithium Project contain a large proportion of spodumene and that in the unweathered, unaltered pegmatite the lithium mineralisation has a typical grade of about 1.5% Li_2O. Significant tin mineralisation was also identified, see Figure 1.

Directors' Report (continued)

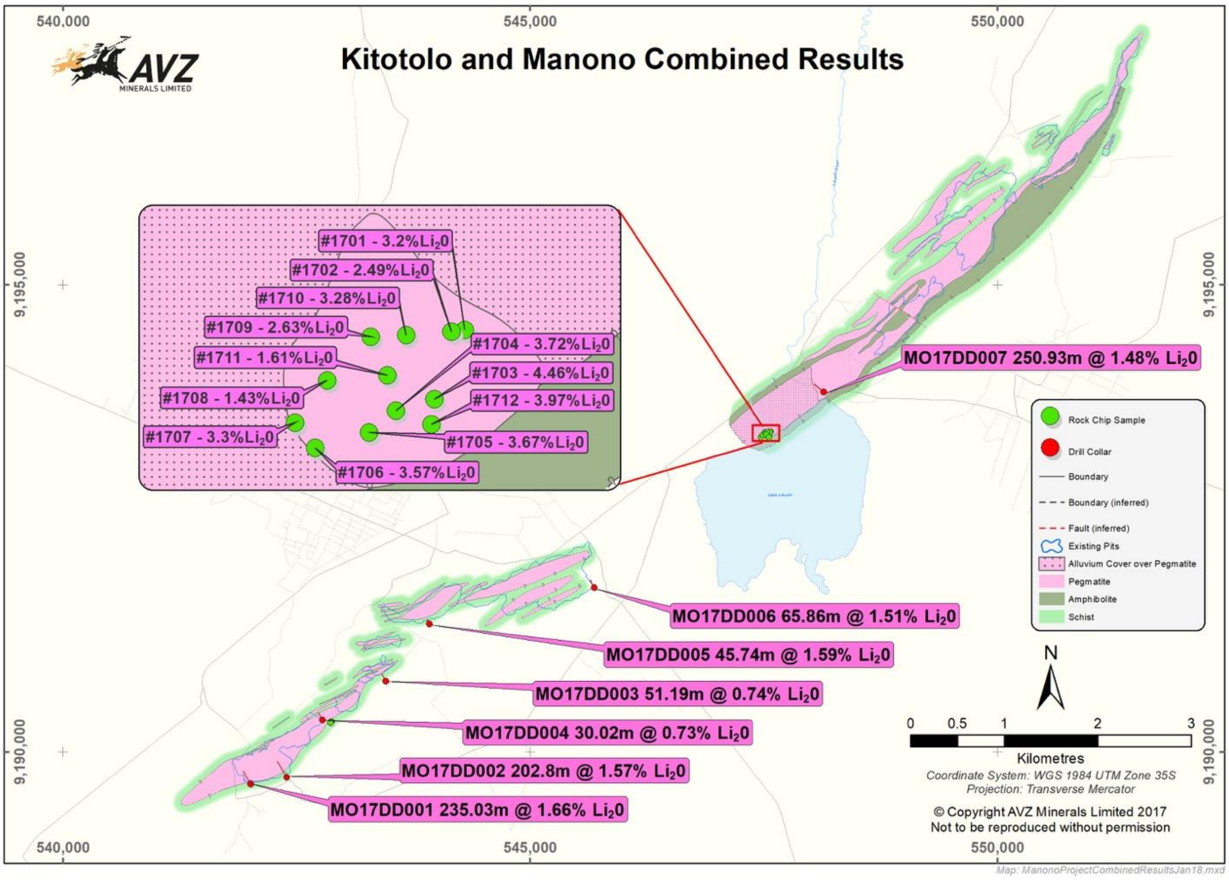

Figure 1: Phase 1 Diamond Drill Results and Rock Chip Results

During the December quarter, AVZ completed additional rock-chip sampling south west of hole MO17DD007 at the Carriere De L'est pegmatite and continued more detailed mapping of the entire project area. Assay results ranged between 1.43% and 4.46% Li_2O, with an average of 3.11% Li_2O, representing encouraging results for potential additional tonnages of high-grade lithium mineralisation within the extensions areas, see Figure 2.

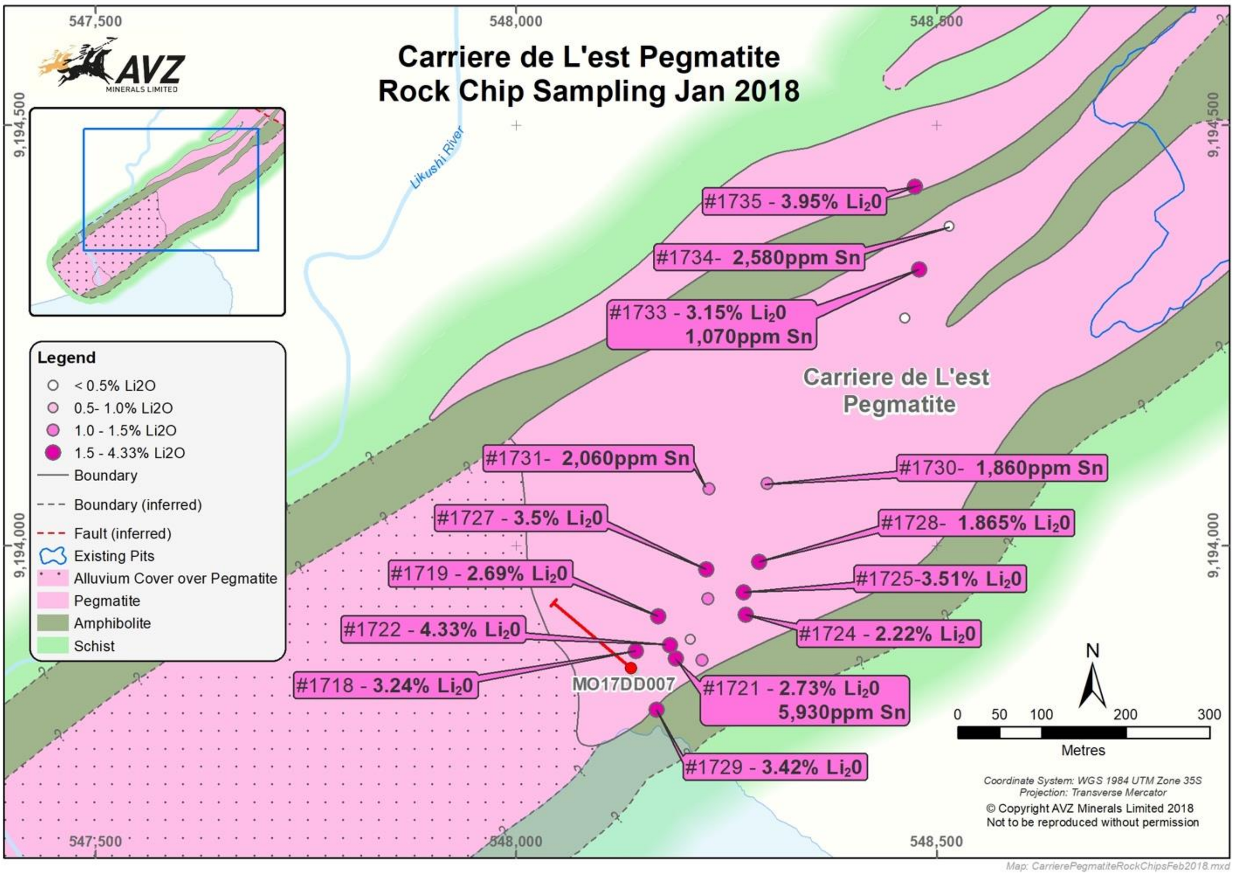

Figure 2: Carriere De L'est Rock Chip Sample Results

AVZ completed drill hole MO17DD007 to test the Carriere De L'est pegmatite, and assay results returned an intercept of 250.93m* @ 1.48% Li_2O and 913ppm Sn. Sampling commenced at 1.9m from which depth the pegmatite is unweathered. Results continued to confirm the immense size of the Manono Lithium deposit, see Figure 3.

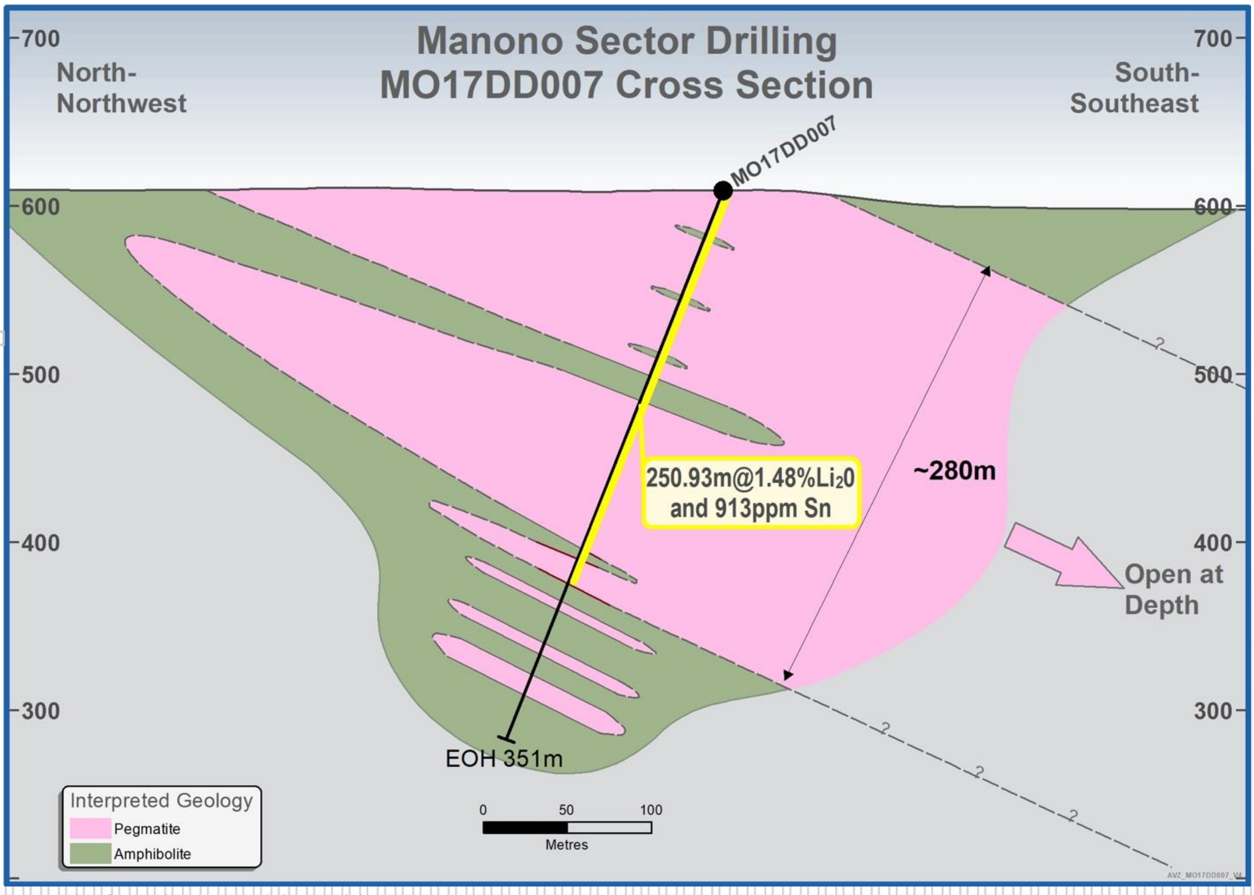

Figure 3: Cross Section MO17DD007.

Directors' Report (continued)

As a pre-requisite for defining a maiden mineral resource estimate at Manono, AVZ must have a precise knowledge of the mineral species within the pegmatite, as grade alone is not sufficient, as well as understand the concentrations of deleterious elements within the pegmatite, such as iron, phosphorus and fluorine. AVZ completed an initial mineral characterisation study for the Roche Dure pegmatite.

Based on this initial characterisation work (from drill holes MO17DD001 and MO17DD002) at Roche Dure, AVZ confirmed:

- Lithium within the pegmatite is entirely (or almost entirely) contained within spodumene
- The general composition of the pegmatite is restricted to a small number of minerals, i.e. a relatively simple composition
- The pegmatite is a homogenous LCT Albite-spodumene pegmatite with low mica content
- The mean concentration of Li_2O is high and accompanied by significant Sn
- The mean concentrations of "penalty" elements are low.

These characteristics enhance the potential to define a world-class lithium resource within the Roche Dure pegmatite. AVZ commenced an initial 20,000m drilling program, of a total planned 40,000m program, in early 2018 to target the Roche Dure pegmatite and AVZ also plans to drill at the northern Manono sector, especially around Carriere De L'est where MO17DD007 intersected significant mineralisation from near surface.

The program aims to define initial JORC compliant mineral resources in early Q2 2018.

Support works including construction of a base field camp for future exploration work also advanced during the December quarter and was finalised ahead of the commencement of the initial 20,000m drilling program.

Exploration Target

Based on detailed prospect scale mapping, trenching and drill results and given the size and mineralised nature of the pegmatites at the Manono Lithium Project, AVZ generated an exploration target of between 1.0Bt to 1.2Bt of 1.25% to 1.5% Li2O for the entire Manono Lithium Project, including between 300Mt and 400Mt of 1.25% to 1.5% Li_2O for the Roche Dure Pegmatite alone. It has also generated an exploration target for a 1,200m strike portion of the Carriere De L'est Pegmatite of between 200Mt and 300Mt of 1.25% to 1.5% Li_2O.

The potential quantity and grade of the exploration target, 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.

Other Projects

In addition to the Manono Lithium Project, AVZ also holds:

- a 100% interest in the Manono Extension Lithium, Tin and Tantalum Project (Manono Extension Project); and
- a 60% interest in seven additional exploration licences known as the Tanganyika Regional Project.

The Manono Extension Project comprises two granted exploration permits (PR4029 and PR4030) covering 242.25km^2 and contiguous to and surrounding the Manono Lithium Project. Preliminary work has confirmed the potential for lithium-bearing pegmatites within the project area as extensions to the main Manono Pegmatite. AVZ has mapped a coarse grained granitic body of approximately 800m strike length and 200m width. This body straddles the western licence boundary, with approximately 600m of strike contained within PR4030.

The Tanganyika Regional Project is also located in southern DRC. The project covers approximately 1,172km^2 within the prospective mid-Proterozoic Kibaran Belt and preliminary work identified anomalous mineralisation on two of the permits, with results indicative of pegmatite intrusives with an REE signature.

Directors' Report (continued)

Corporate

Capital Raising

In August 2017, AVZ announced a $15 million placement that included a $13.02 million investment by Huayou International Mining (Hong Kong) Limited (Huayou), a wholly-owned subsidiary of Zhejiang Huayou Cobalt Co., Ltd. (Huayou Cobalt), to acquire an 11% interest in AVZ. The placement to Huayou comprised 186 million shares at an issue price of 7 cents per share, and 186 million attaching options exercisable at 10 cents and expiring 15 April 2019. Following shareholder approval in October 2017, AVZ raised a further $1.98 million from institutional and sophisticated investors by issuing 28,285,714 shares at an issue price of 7 cents per share, together with 28,285,714 attaching options exercisable at 10 cents and expiring 15 April 2019. AVZ is using the funds for drilling and initial metallurgical test-work programs at the Manono Lithium Project as well as ongoing corporate and administration costs.

During the half-year, AVZ raised a total of $3.08 million following the exercise of both listed options (at 3 cents each) and unlisted options (at 10 cents each). As at 31 December 2017, AVZ's cash balance totaled approximately $13.36 million.

In February 2018, AVZ announced a $15 million placement to a North American institutional client of Cantor Fitzgerald Canada Corporation. The funds will primarily be used for the planned 20,000m Phase 2 drilling and pre-feasibility programs at the Manono Lithium Project, as well as ongoing corporate and administration costs.

Board and Management Changes

In August, AVZ announced the appointment of Mr Hongliang Chen (as a nominee of Huayou) and Mr Guy Loando (as a nominee of AVZ's largest shareholder, Dathomir Resources sarl) to the Board. Mr Gary Steinepreis resigned as a director and as company secretary. Mr Mathew O'Hara was appointed company secretary.

In February 2018, Mr Nigel Ferguson was appointed Managing Director (previously Executive Director) and Mr Rhett Brans was appointed Non-Executive Director. In March 2018, Mr Patrick Flint resigned as a Non-Executive Director.

Legal

In March 2017, AVZ was served with a writ of summons filed in the Supreme Court of Western Australia by MMCS Strategic 1 (MMCS) seeking certain declarations regarding the granting and ownership of the Manono licence (MMCS Claim). MMCS is a shareholder of Manono Minerals S.A.R.L. (Manomin), which previously held an exploitation licence over the Manono Lithium Project.

In July, MMCS abandoned the MMCS Claim, and filed an amended claim (Amended Claim) seeking an order 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 (or announcements which were likely to mislead or deceive) made by AVZ concerning the Manono licence.

AVZ firmly denies that any of its past announcements concerning the Manono licence were misleading or deceptive or likely to mislead or deceive, and AVZ will strenuously defend the claims made by MMCS under the Claim.

Competent Persons Statement

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

Operating Result

The loss from continuing operations for the half-year after providing for income tax was $2,567,241 (31 December 2016: $239,171).

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.

Directors' Report (continued)

After Reporting Date Events

Other than as disclosed in this interim report, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

1. the Group's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Group's state of affairs in future financial years.

Lead 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 9.

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

Klaus Eckhof
Executive Chairman

Perth, Western Australia, 13 March 2018

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF AVZ MINERALS LIMITED

As lead auditor for the review of AVZ Minerals Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of AVZ Minerals Limited and the entities it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2018

Half-Year Financial Report

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by AVZ Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This interim financial report covers the consolidated entity consisting of AVZ Minerals Limited and its subsidiaries. The financial report is presented in the Australian currency.

AVZ Minerals Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

AVZ Minerals Limited
Level 2, Suite 9, 389 Oxford Street
Mt Hawthorn WA 6016

A description of the nature of the group's operations is included in the directors' report on page 3, which is not part of this financial report.

The financial report was authorised for issue by the directors on 13 March 2018. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available on our website: www.avzminerals.com.au.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-year ended 31 December 2017

	Consolidated 31 December 2017 $	Consolidated 31 December 2016 $
Revenue		
Revenue from continuing operations	61,657	10,801
Expenses		
Administration costs	(270,301)	(80,937)
Directors and consultancy expenses	(429,693)	(102,314)
Share-based payments expense	(889,685)	-
Occupancy expenses	(4,130)	(13,600)
Compliance and regulatory expenses	(180,612)	(48,917)
Insurance expenses	(13,833)	(4,204)
Depreciation	(22,483)	-
Exploration expenditure written off	(96,605)	-
Movement in fair value of financial liabilities	(44,756)	-
Loss on disposal of subsidiary	(676,800)	-
Loss before income tax	**(2,567,241)**	**(239,171)**
Income tax expense	-	-
Loss after income tax for the half-year	**(2,567,241)**	**(239,171)**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	(698,910)	2,172
Realisation of foreign currency translation reserve	676,800	-
Total comprehensive loss for the half year	**(2,589,351)**	**(236,999)**
Basic and diluted loss per share (cents per share)	(0.166)	(0.030)
Loss for the half-year is attributable to:		
Owners of AVZ Minerals Limited	(2,558,492)	(239,137)
Non-controlling interests	(8,749)	(34)
	(2,567,241)	**(239,171)**
Total comprehensive loss for the half-year attributable to:		
Owners of AVZ Minerals Limited	(2,388,064)	(237,074)
Non-controlling interests	(201,287)	75
	(2,589,351)	**(236,999)**

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.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	Consolidated 31 December 2017 $	30 June 2017 $
Current Assets			
Cash and cash equivalents	6	13,355,681	1,189,086
Trade and other receivables		70,911	82,179
Total Current Assets		**13,426,592**	**1,271,265**
Non-Current Assets			
Mining exploration and evaluation	7	37,772,717	34,515,613
Property, plant and equipment	8	847,832	-
Total Non-Current Assets		**38,620,549**	**34,515,613**
Total Assets		**52,047,141**	**35,786,878**
Current Liabilities			
Trade and other payables		169,700	172,601
Financial liabilities	9	2,000,000	2,000,000
Total Current Liabilities		**2,169,700**	**2,172,601**
Non-Current Liabilities			
Financial liabilities	9	2,588,184	2,543,428
Total Non-Current Liabilities		**2,588,184**	**2,543,428**
Total Liabilities		**4,757,884**	**4,716,029**
Net Assets		**47,289,257**	**31,070,849**
Equity			
Contributed equity	10	51,821,641	33,656,076
Reserves		2,095,070	1,282,448
Accumulated losses		(17,197,304)	(14,638,812)
Capital and reserves attributable to owners of AVZ Minerals Ltd		36,719,407	20,299,712
Non-controlling interests		10,569,850	10,771,137
Total Equity		**47,289,257**	**31,070,849**

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

Consolidated Statement of Changes in Equity

For the Half-year Ended 31 December 2017

Consolidated	Contributed Equity $	Accumulated Losses $	Other Reserve $	Foreign Currency Reserve $	Total $	Non-controlling Interests $	Total Equity $
Balance at 1 July 2016	**14,404,348**	**(12,956,540)**	**1,464,148**	**(673,293)**	**2,238,663**	**(197,870)**	**2,040,793**
Loss for the half-year	-	(239,137)	-	-	(239,137)	(34)	(239,171)
Exchange differences on translation of foreign operations	-	-	-	2,063	2,063	109	2,172
Total comprehensive income/(loss) for the half-year	-	(239,137)	-	2,063	(237,074)	75	(236,999)
Transactions with owners in their capacity as owners:							
Contributions of equity (net of transaction costs)	1,706,764	-	-	-	1,706,764	-	1,706,764
Balance at 31 Dec 2016	**16,111,112**	**(13,195,677)**	**1,464,148**	**(671,230)**	**3,708,353**	**(197,795)**	**3,510,558**
Balance at 1 July 2017	**33,656,076**	**(14,638,812)**	**2,469,511**	**(1,187,063)**	**20,299,712**	**10,771,137**	**31,070,849**
Loss for the half-year	-	(2,558,492)	-	-	(2,558,492)	(8,749)	(2,567,241)
Effect of translation of foreign operations to group presentation currency upon disposal of subsidiaries	-	-	-	676,800	676,800	-	676,800
Exchange differences on translation of foreign operations	-	-	-	(506,372)	(506,372)	(192,538)	(698,910)
Total comprehensive income/(loss) for the half-year	-	(2,558,492)	-	170,428	(2,388,064)	(201,287)	(2,589,351)
Transactions with owners in their capacity as owners:							
Contributions of equity (net of transaction costs)	14,417,965	-	-	-	14,417,965	-	14,417,965
Share-based payments expense	420,000	-	659,147	-	1,079,147	-	1,079,147
Exercise of Options	3,080,100	-	-	-	3,080,100	-	3,080,100
Conversion of Performance Rights	247,500	-	(16,953)	-	230,547	-	230,547
Total transactions with owners in their capacity as owners	18,165,565	-	642,194	-	18,807,759	-	18,807,759
Balance at 31 Dec 2017	**51,821,641**	**(17,197,304)**	**3,111,705**	**(1,016,635)**	**36,719,407**	**10,569,850**	**47,289,257**

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

Consolidated Statement of Cash flows

For the Half-year Ended 31 December 2017

	Notes	Consolidated 31 December 2017 $	31 December 2016 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,046,283)	(284,545)
Interest received		61,657	8,801
Net cash outflows from operating activities		(984,626)	(275,744)
Cash flows from investing activities			
Payments for exploration and evaluation	7	(3,896,527)	-
Payments for property, plant and equipment	8	(870,315)	-
Proceeds from sale of assets		-	2,000
Payments to acquire tenements		-	(796,775)
Net cash outflows from investing activities		(4,766,842)	(794,775)
Cash flows from financing activities			
Proceeds from issue of shares	10	15,000,000	1,345,000
Proceeds from exercise of options	10	3,080,100	-
Payments for costs of issue of shares	10	(162,037)	(28,236)
Net cash inflows from financing activities		17,918,063	1,316,764
Net increase in cash and cash equivalents		12,166,595	246,245
Cash and cash equivalents at the beginning of the period		1,189,086	2,048,089
Exchange differences on translation of foreign operations		-	67
Cash and cash equivalents at the end of the period		13,355,681	2,294,401

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 are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'. The consolidated financial statements of the Company for the half-year ended 31 December 2017 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 2017 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.

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 2017.

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. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

Vehicles – 5 years

4. Net loss on disposal of foreign subsidiary

On 30 August 2017, the Company deconsolidated its 95% interest in its three Namibian subsidiaries, Himba Iron Exploration (Pty) Ltd, Eris Mining (Pty) Ltd and Tumba Base Metals X (Pty) Ltd, via voluntary cancellation and deregistration. The Company recognised a loss on disposal of $676,800 for the half-year, and the subsidiaries were deconsolidated from the Group at 31 December 2017. The loss takes into account the foreign currency translation loss of $676,800, which has been realised and transferred from the foreign currency translation reserve to profit and loss.

5. Dividends

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

	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
6. Cash & Cash Equivalents		
(a) Cash & cash equivalents		
Cash at bank and in hand	13,355,681	1,189,086
Total cash and cash equivalents	**13,355,681**	**1,189,086**

(b) Cash at bank and on hand

Cash on hand is non-interest bearing. Cash at bank bears interest rates between 0.00% and 2.13% (30 June 2017: 0.00% and 1.20%).

	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
7. Mining exploration and evaluation		
Exploration and evaluation phase		
Opening balance	34,515,613	-
Acquisitions	-	33,377,651
Exploration costs	3,896,527	1,938,933
Net exchange differences on translation	(542,818)	(780,680)
Impairment expense	(96,605)	(20,291)
Closing balance	**37,772,717**	**34,515,613**

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.

	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
8. Property, plant and equipment		
Balance at beginning of period	-	-
Additions	870,315	-
Disposals	-	-
Depreciation expense	(22,483)	
Foreign currency translation difference movement	-	-
Closing balance	**847,832**	**-**

		Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
9.	**Financial Liabilities**		
	Deferred Consideration		
	Current Liability		
	Principal repayment	2,000,000	2,000,000
	Fair value increase/(decrease)	-	-
	Total Current Liability	**2,000,000**	**2,000,000**
	Non-Current Liability		
	Principal repayment (18 months)	2,000,000	2,000,000
	Fair value increase/(decrease)	(377,556)	(405,612)
	Principal repayment (30 months)	1,333,333	1,333,333
	Fair value decrease	(367,593)	(384,293)
	Total Non-Current Liability	**2,588,184**	**2,543,428**
	Total Liability	**4,588,184**	**4,543,428**

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 SAS. 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 2017.

Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

i. Quoted prices in active markets for identical assets or liabilities (level 1)

ii. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (level 2); and

iii. Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of financial liabilities is based on a level 3 measurement.

		Consolidated 31 December 2017 Shares	Consolidated 30 June 2017 Shares	Consolidated 31 December 2017 $	Consolidated 30 June 2017 $
10.	**Contributed Equity**				
(a)	Contributed equity				
	Ordinary shares – fully paid	1,788,922,346	1,474,466,643	51,821,641	33,656,076
	Total contributed equity	**1,788,922,346**	**1,474,466,643**	**51,821,641**	**33,656,076**

	Date	Number of Shares $	Fair Value $	Total $
(b) Movements in share capital				
Opening Balance 1 July 2016		560,883,310		14,404,348
Placement	27 Sep 16	90,000,000	$0.009	810,000
Project acquisition	9 Nov 16	30,000,000	$0.013	390,000
Placement	2 Dec 16	44,583,333	$0.012	535,000
Less: Transaction costs arising on share issues		-		(28,236)
Closing Balance at 31 December 2016		**725,466,643**		**16,111,112**
Opening Balance 1 July 2017		1,474,466,643		33,656,076
Placement	16 Aug 17	186,000,000	$0.070	13,020,000
Conversion of Performance Rights (Refer Note 12(b))	31 Aug 17	7,500,000	$0.033	247,500
Placement	13 Oct 17	28,285,714	$0.070	1,980,000
Facilitation shares (Refer Note 12(c))	13 Oct 17	6,000,000	$0.070	420,000
Conversion of Unlisted Options[1]		6,857,141	$0.100	685,716
Conversion of Listed Options[2]		79,812,848	$0.030	2,394,385
Less: Transaction costs arising on share issues		-		(582,036)
Closing Balance at 31 December 2017		**1,788,922,346**		**51,821,641**

[1]During the period 1 July 2017 to 31 December 2017 a total of 6,857,141 Unlisted Options (exercisable at $0.10 on or before 15 April 2019) were exercised.
[2]During the period 1 July 2017 to 31 December 2017 a total of 79,812,848 Listed Options (exercisable at $0.03 on or before 24 May 2020) were exercised.

Expiry date		Exercise price	Balance at 1 July 2017	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance at 31 December 2017
11. Share Options							
(a) Share option details							
Unlisted	15 Apr 2019	10 cents	-	214,285,714	(6,857,141)	-	207,428,573
Listed	24 May 2020	3.0 cents	300,001,000	-	(79,812,848)	-	220,188,152
			300,001,000	214,285,714	(86,669,989)	-	427,616,725

12. 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 2017.

(b) Performance Rights

On 5 June 2017, the Company issued 15,000,000 unlisted Performance Rights to Airguide International Pte Limited, 7,500,000 of these Performance Rights vested and were converted to Ordinary Shares during the half-year ended 31 December 2017.

On 12 October 2017, 5,000,000 unlisted Performance Rights were issued to employees of the Company. These Performance Rights shall vest upon definition of a 100Mt Measured Mineral Resource in accordance with JORC Guidelines (as that term is defined for the purposes of JORC Guidelines for lithium) of lithium oxide (Li_2O) that meets the agreed minimum specification of greater than 1% lithium oxide (Li_2O) being delineated within the Manono Project Area (being the licence area of PR13359) within 12 months of the date of issue of the Employee Performance Rights.

On 13 December 2017, 3,000,000 unlisted Performance Rights were issued to JNS Capital Corp for promotional and marketing services in North America. These Performance Rights shall vest if the 10-day volume weighted average share price (VWAP) for the Shares on the ASX is $0.30 or higher from the date of issue.

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date ($)	Total Fair Value ($)	% Vested
Various Employees	5,000,000	12/10/2017	Nil	12/10/2018	0.125	625,000	Nil
JNS Capital Corp	3,000,000	13/12/2017	Nil	31/3/2018	0.210	630,000	Nil

(c) Shares issued as share based payments

On 13 October 2017, 6,000,000 Ordinary Shares were issued to Dathomir Mining Resources Sarl at $0.07 each in consideration for services performed in relation to a placement.

13. Contingencies & Commitments

There are no changes in commitments or contingent liabilities from 30 June 2017 outstanding at 31 December 2017.

14. Events Occurring Subsequent to Reporting Date

On 5 February 2018, Mr Nigel Ferguson was appointed Managing Director (previously Executive Director) and Mr Rhett Brans was appointed Non-Executive Director. On 6 March 2018, Mr Patrick Flint resigned as a Non-Executive Director.

On 26 February 2018, the Company announced a $15 million placement to a North American institutional client of Cantor Fitzgerald Canada Corporation. The Placement comprised 60 million shares at an issue price of 25 cents per share, together with 30 million attaching unlisted options exercisable at 30.5 cents on or before 28 February 2020, to raise $15 million.

Between 1 January 2018 and the date of this report the Company issued a total of 7,220,704 ordinary shares following the exercise of listed options. The Company also issued 3,000,000 ordinary shares following the conversion of performance rights.

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 AVZ Minerals Limited, the results of those operations, or the state of affairs in future financial years.

15. Related Party Transactions

There have been no material changes in the related party transactions described in the last annual report.

Director's Declaration
For the half-year ended 31 December 2017

The Directors of the Company declare that:

(a) the consolidated financial statements and notes, as set out on pages 11 to 19 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001*; and other mandatory requirements

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 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.

Klaus Eckhof
Executive Chairman

Perth, Western Australia
13 March 2018

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of AVZ Minerals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of AVZ Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, 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 the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Directors' responsibility for the Half-Year 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 internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

Dean Just

Director

Perth, 13 March 2018