



# AVZ Minerals Limited

ABN 81 125 176 703

**Interim Financial Report**

**31 December 2018**



## **Corporate Directory**

### **Managing Director**

Nigel Ferguson

### **Technical Director**

Graeme Johnston

### **Non-Executive Directors**

Guy Loando

Hongliang Chen

Rhett Brans

### **CFO & Company Secretary**

Leonard Math

### **Registered Office**

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Mt Hawthorn WA 6016

Telephone: (08) 9117 9397

Facsimile: (08) 9117 9330

### **Share Registry**

Security Transfer Registrars Pty Ltd

770 Canning Highway

APPLECROSS WA 6153

Telephone: 1300 922 916

Facsimile: (08) 9315 2233

Email: registrar@securitytransfer.com.au

### **Auditor**

BDO Audit (WA) Pty Ltd

38 Station Street

SUBIACO WA 6008

Telephone: (08) 6382 4600

### **Securities Exchange Listing**

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

Code: **AVZ, AVZO**

### **Website Address**

[www.avzminerals.com.au](http://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 2018.

### 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:

Nigel Ferguson	Managing Director
Guy Loando	Non-Executive Director
Hongliang Chen	Non-Executive Director
Rhett Brans	Non-Executive Director
Graeme Johnston	Technical Director (appointed 30 July 2018)

### Company Secretary

Leonard Math was appointed joint Company Secretary on 9 July 2018 and Mathew O'Hara resigned as Company Secretary on 4 September 2018.

### Review of Operations

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

#### Highlights

- Maiden Mineral Resource estimate of 259.9Mt grading 1.63% Li<sub>2</sub>O (spodumene), confirming Manono's potential to become a world leader in the global lithium market
- Updated Manono Mineral Resource released highlighting a 54% increase in Measured, Indicated & Inferred Resource to 400mt @ 1.66% Li<sub>2</sub>O (spodumene), substantial tin and tantalum credits and very low levels of deleterious elements
- Manono Scoping Study released confirming Manono as the largest undeveloped hard rock lithium project globally in terms of grade, mine life and expandability
- Subsequent transport costs savings identified, yielding a 26% drop in transport costs and decline in total operating costs of 16% vs original October 2018 Scoping Study
- The Definitive Feasibility Study for the Manono Lithium and Tin Project has commenced
- Wide spaced drilling at Carrière De L'Este in the northern Manono Sector confirms visible spodumene in drill core with spectacular assay results released post half year

The half year ending 31 December 2018 has been a decisive one for the company. Whilst the AVZ Board reasonably expects the size and quality of the Manono JORC resource to continue to grow, the Project has now moved beyond the pure exploration stage and, with the help of the recently announced capital raising, it is moving into the Pre-Development Phase.

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

Importantly, work from the Scoping Study and subsequent analysis have identified cost effective transport solutions for Manono concentrates. The company expects further improvements to the transport economics will be made in the process of finalising the Manono Feasibility Study.

## Directors' Report (continued)

### Scoping Studies

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

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

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

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

These studies are expected to be completed by end of March 2019.

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

### Transport Options and Update of 2Mtpa Scoping Study

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

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

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

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

- F.O.B. operating costs to Dar-es-Salaam reduced by US\$58/t to US\$297/t from original estimates of approximately US\$355/t of concentrate for 2Mtpa, (a 16% reduction in the total cash cost estimate) with total transport costs now estimated at US\$163/t – a 26% reduction.
- Case 1 (2Mtpa) pre-tax pre-royalties NPV<sup>10</sup> increased by approximately US\$190 million to US\$1.79 billion (AVZ's 60% share is approximately US\$1.04 billion) with an estimated IRR greater than 90% based on ±35% accuracy and including US\$36 million in capital contingency.
- Capex estimated remained the same for Case 1 throughput at approximately US\$150 to \$160 million (accurate to ±35% and includes US\$36 million contingency).

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

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

## Directors' Report (continued)

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

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

### Updated Mineral Resource

On 2 August 2018, AVZ Minerals announced a maiden Mineral Resource for the Roche Dure pegmatite at the Manono Project of **259.9Mt grading 1.63% Li<sub>2</sub>O** (spodumene). This confirmed Manono's potential to become a world leader in the global lithium market.

Following completion of additional drilling, on 30 November 2018, AVZ announced an updated Mineral Resource for the Roche Dure pegmatite of **400.4Mt at 1.66% Li<sub>2</sub>O** contained within approximately 95% of the total strike of the Roche Dure pegmatite.

This represented a:

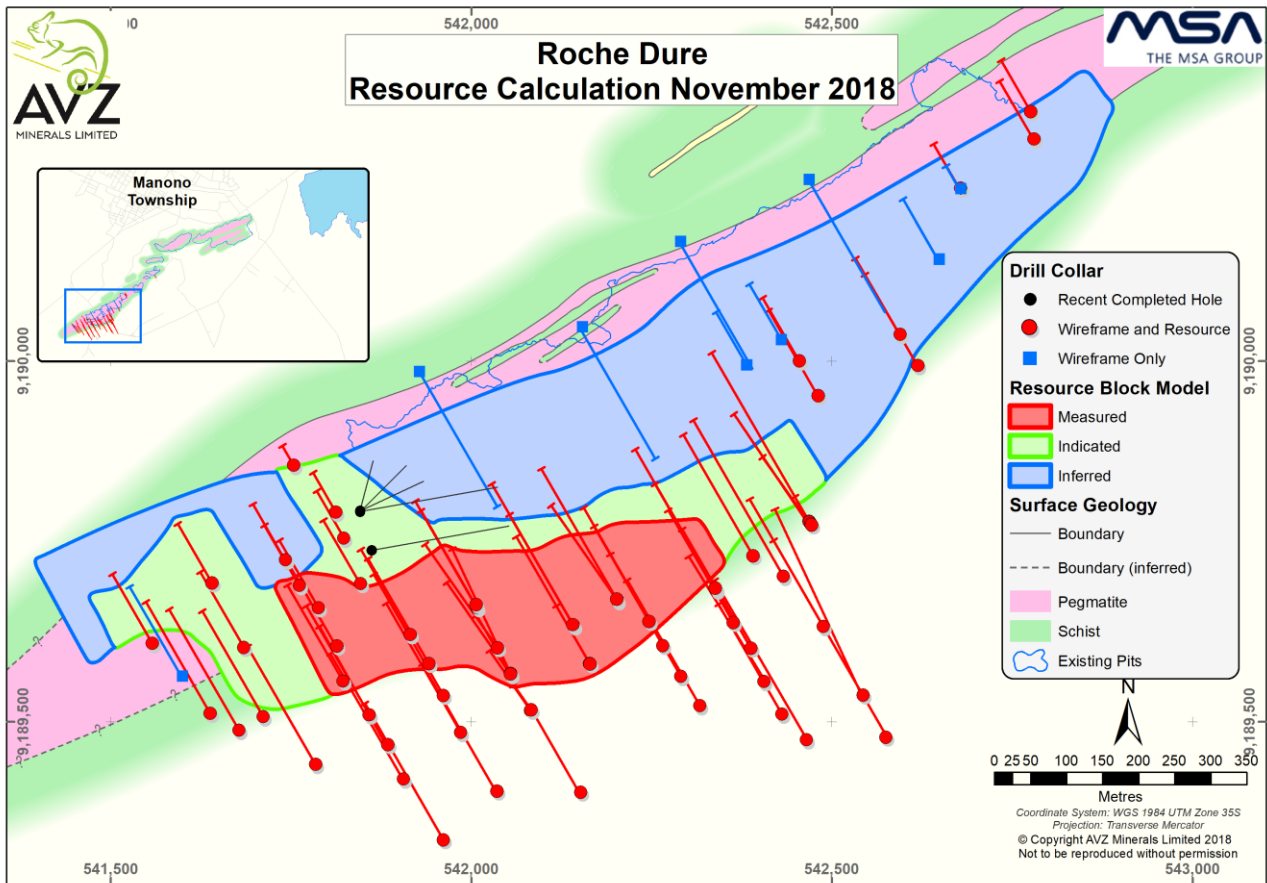
- 54.1% increase in total Mineral Resources from 259.9Mt to 400.4Mt grading 1.66% Li<sub>2</sub>O (spodumene) containing 6.64 million tonnes of lithium oxide (Li<sub>2</sub>O), 300kt of tin as cassiterite grading 750ppm Sn and 13,200 tonnes of Tantalum grading 33ppm Ta (Tantalum);
- 117% increase in Measured Resources from 43.0Mt to 93.5Mt grading 1.69% Li<sub>2</sub>O, 811ppm Sn and 34ppm Ta; Indicated Resources of 96.3Mt grading 1.64% Li<sub>2</sub>O, 759ppm Sn and 34ppm Ta;

In addition to Sn, Ta and Li<sub>2</sub>O, potentially deleterious elements, Fe<sub>2</sub>O<sub>3</sub> and P<sub>2</sub>O<sub>5</sub> were also estimated at an average grade of 0.99% Fe<sub>2</sub>O<sub>3</sub> and 0.30% P<sub>2</sub>O<sub>5</sub>, which when compared to other ASX-listed hard rock deposits, are some of the lowest reported.

Category	Tonnes (Millions)	Li <sub>2</sub> O %	Sn ppm	Ta ppm	Fe <sub>2</sub> O <sub>3</sub> %	P <sub>2</sub> O <sub>5</sub> %	SG
Measured	93.5	1.69	811	34	0.94	0.32	2.74
Indicated	96.3	1.64	759	34	0.97	0.30	2.73
Inferred	210.7	1.65	719	32	1.02	0.29	2.75
<b>Total</b>	<b>400.4</b>	<b>1.66</b>	<b>750</b>	<b>33</b>	<b>0.99</b>	<b>0.30</b>	<b>2.74</b>

**Table 1: Roche Dure Main Pegmatite Mineral Resource at a 0.5% Li<sub>2</sub>O cut-off**

## Directors' Report (continued)



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

Approximately 95% of the strike of Roche Dure has been drilled and the pegmatite has shown to carry significant spodumene mineralisation. The down-dip extensions of the new areas are yet to be increased to a target of 350 metre depth, which indicates that there is still potential for down dip extensions to the Roche Dure in these areas. This presents the potential for the Mineral Resource to increase further.

The Updated Mineral Resource was estimated on an approximate strike length of 1,600m utilising assay data from 68 holes.

A further 18 drill holes will be incorporated into the next Mineral Resource estimate for Roche Dure, which is expected to be completed by end of March 2019.

### **Drilling Activities at Carriere de l'Este**

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

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

The core from the six holes was cut in mid-December and the samples were prepared and sent to Perth for assay. Carriere de l'Este is a standalone project that is located approximately 5.6 kilometres along strike from Roche Dure in the northern Manono Sector.

## Directors' Report (continued)

Post half year, the results from the six wide spaced reconnaissance drill holes received so far, indicate the possibility of another significant lithium deposit with shallow high-grade zones greater than 2.0%  $\text{Li}_2\text{O}$  present within wider zones of well mineralised spodumene bearing pegmatite. Results included five individual samples with grades greater than 4%  $\text{Li}_2\text{O}$  with the highest value being from hole CDI8DD006 from 181 to 182 metres downhole reporting 4.65%  $\text{Li}_2\text{O}$ .

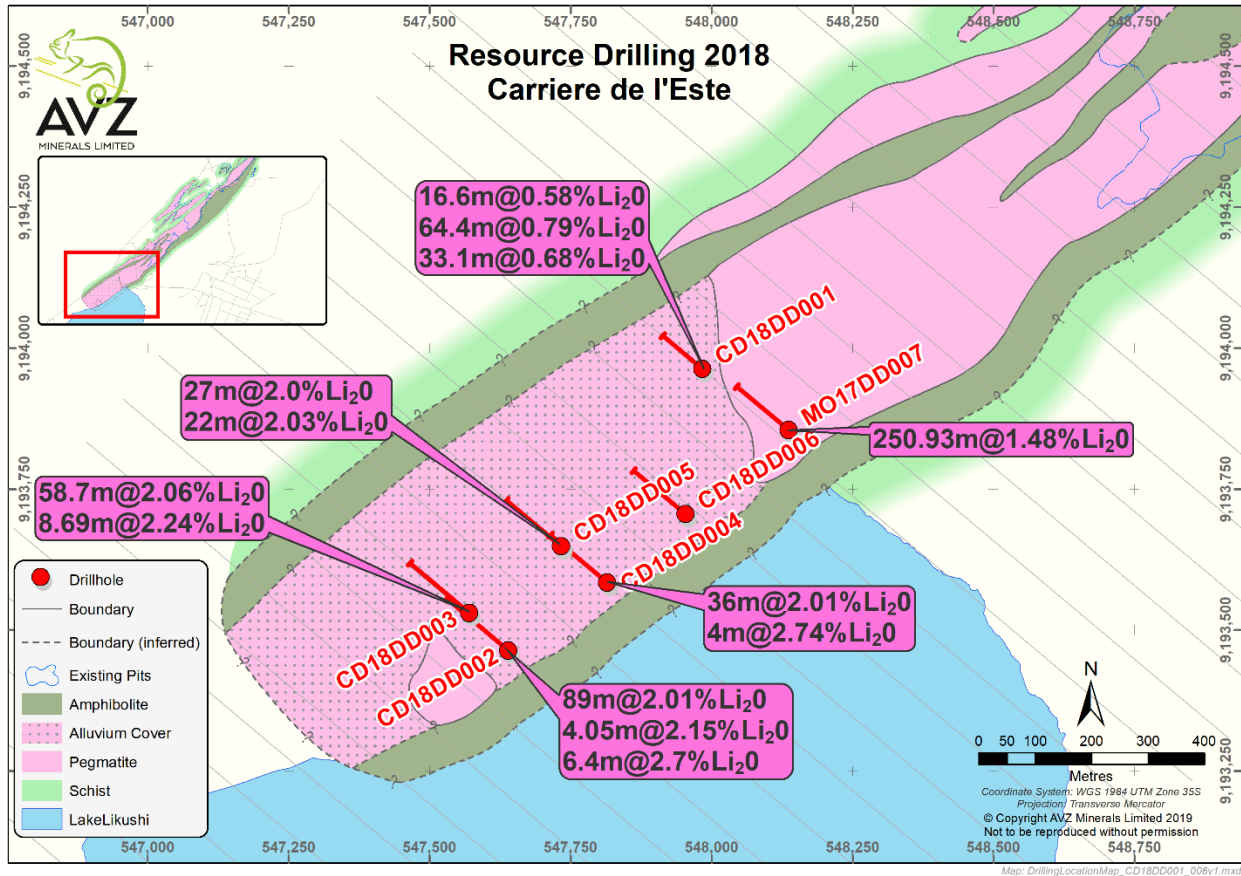


Figure 1: Location of completed diamond drill holes and high grade intercepts



Figure 2: CDI18DD006. 181 – 182m 4.65% contained  $\text{Li}_2\text{O}$

## Directors' Report (continued)



**Figure 3: Close up of core from 181 to 182 metres. Very coarse spodumene throughout**

Results confirm continuity of the Carriere de l'Este pegmatite under alluvial cover and shallow dipping high grade intersections present within wider zones of well mineralised spodumene pegmatite.

**(Refer to full drilling results announcement on the ASX dated 19 February 2019 and 5 March 2019)**

### **Metallurgical Sampling**

#### *Positive Preliminary Metallurgical Test Work*

During the half year, initial metallurgical test work was completed on coarse assay reject material from holes MO17DD001 and MO17DD002. The simple spodumene mineralogy of the Roche Dure pegmatite responds well to a range of industry standard concentration techniques.

Initial “mineral characterisation” investigations of the Roche Dure Pegmatite, support the potential for high value mineralisation within the Roche Dure pegmatite. Roche Dure Pegmatite is essentially homogenous and spodumene confirmed as the lithium mineral species present within the pegmatite.

The mean concentrations of deleterious elements are low with 0.1% F, 0.3%  $P_2O_5$  and 0.4%  $Fe_2O_3$  and should allow the Manono concentrate to trade at a premium to other products on the market.



**Figure 4: Rock Chip Sample collected showing white spodumene (the large, long prism to right of the blue pen) in a quartz feldspar matrix**



## Directors' Report (continued)

The initial metallurgical test work demonstrates the Roche Dure prospect at the Manono Lithium Project can produce up to **6.3% Li<sub>2</sub>O DMS concentrate** (+3.35mm) using standard metallurgical laboratory test standards.

The concentrate specification shows the material is potentially suitable for supply of a chemical grade concentrate to the growing lithium battery market.

An upgrade in specification is possible through further metallurgical test work.

Following this, five dedicated wide diameter (PQ sized) holes were drilled into the Roche Dure orebody to give wide-spaced coverage across the orebody. This intact core weighing approximately 13 tonnes has been packed and shipped in a sea container for transport to the Nagrom metallurgical laboratory in Perth, Western Australia. The metallurgical test regime in Perth will gather information required for the optimal recovery of the spodumene as well as the physical rock characteristics needed for the process plant design, especially the front-end comminution circuit. Additionally, there will be a series of tests developed to estimate the likely tin and tantalum recovery from the ore which will allow AVZ to quantify the future credits to be recovered from the tin and tantalum production.

During the half year, Dathcom Mining SAS (60% owned by AVZ) engaged with two local environmental consulting companies based out of Lubumbashi. Both of these companies will be approached and given the opportunity to tender for the larger Environmental Impact Assessment (EIA) which will form part of the Feasibility Study.

### Competent Person's Statement

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

*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.*

### Corporate

#### Board and Management Changes

In July 2018, AVZ announced the appointment of Mr Graeme Johnston as a Technical Director. Mr Leonard Math replaces Mathew O'Hara as Company Secretary during the half year.

### Operating Result

The loss from continuing operations for the half-year after providing for income tax was \$2,742,958 (31 December 2017: \$2,567,241).

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 27 February 2019, the Company completed a capital raising through the issue of 394,737,010 shares at 3.8 cents per share, raising a total of \$15 million (before costs). The raising was completed by way of a Share Purchase Plan ("SPP") and a Placement ("placement"). A total of \$5,198,000 was raised through a Share Purchase Plan and the balance of \$9,802,000 was done through a Placement to sophisticated and professional investors. The funds raised will be used to complete the Feasibility Study of the Manono Lithium and Tin Project.

In consideration for Patersons acting as Corporate Advisor to the Company, the Company has issued Patersons (and/or its nominee) with a total of 15m options in the following tranches:

## **Directors' Report (continued)**

- (a) 5m options exercisable at 4.75 cents on or before 5 March 2021;
- (b) 5m options exercisable at 5.7 cents on or before 5 September 2021; and
- (c) 5m options exercisable at 6.65 cents on or before 5 March 2022.

These options were issued on 4 March 2019.

- I. 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.

## **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 11.

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

A handwritten signature in black ink, appearing to read 'Nigel Ferguson', with a long horizontal stroke extending to the right.

**Nigel Ferguson**  
**Managing Director**

Perth, Western Australia, 15 March 2019

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 2018, 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, 15 March 2019

# Half-Year Financial Report

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-year ended 31 December 2018

	Notes	Consolidated	
		31 December 2018 \$	31 December 2017 \$
<b>Revenue</b>			
Other income		98,856	61,657
<b>Expenses</b>			
Administration costs		(699,018)	(270,301)
Directors and consultancy expenses		(628,961)	(429,693)
Share-based payments expense	8	(1,192,520)	(889,685)
Occupancy expenses		(7,932)	(4,130)
Compliance and regulatory expenses		(114,853)	(180,612)
Insurance expenses		(30,331)	(13,833)
Depreciation		(130,484)	(22,483)
Exploration expenditure written off		-	(96,605)
Movement in fair value of financial liabilities		(37,715)	(44,756)
Loss on disposal of subsidiary		-	(676,800)
<b>Loss before income tax</b>		<b>(2,742,958)</b>	<b>(2,567,241)</b>
Income tax expense		-	-
<b>Loss after income tax for the half-year</b>		<b>(2,742,958)</b>	<b>(2,567,241)</b>
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		3,319,260	(698,910)
Realisation of foreign currency translation reserve		-	676,800
<b>Total comprehensive income / (loss) for the half year</b>		<b>576,302</b>	<b>(2,589,351)</b>
Basic and diluted loss per share (cents per share)		(0.145)	(0.166)
<b>Loss for the half-year is attributable to:</b>			
Owners of AVZ Minerals Limited		(2,690,086)	(2,558,492)
Non-controlling interests		(52,872)	(8,749)
		<b>(2,742,958)</b>	<b>(2,567,241)</b>
<b>Total comprehensive loss for the half-year attributable to:</b>			
Owners of AVZ Minerals Limited		(72,781)	(2,388,064)
Non-controlling interests		649,083	(201,287)
		<b>576,302</b>	<b>(2,589,351)</b>

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 2018

	Notes	Consolidated 31 December 2018 \$	30 June 2018 \$
<b>Current Assets</b>			
Cash and cash equivalents		909,523	16,336,516
Trade and other receivables		138,653	88,900
<b>Total Current Assets</b>		<b>1,048,176</b>	<b>16,425,416</b>
<b>Non-Current Assets</b>			
Mining exploration and evaluation	4	64,709,832	49,690,995
Property, plant and equipment		1,229,688	954,577
<b>Total Non-Current Assets</b>		<b>65,939,520</b>	<b>50,645,572</b>
<b>Total Assets</b>		<b>66,987,696</b>	<b>67,070,988</b>
<b>Current Liabilities</b>			
Trade and other payables		484,775	1,315,880
Financial liabilities	5	1,071,429	2,027,027
<b>Total Current Liabilities</b>		<b>1,556,204</b>	<b>3,342,907</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	5	956,632	1,022,043
<b>Total Non-Current Liabilities</b>		<b>956,632</b>	<b>1,022,043</b>
<b>Total Liabilities</b>		<b>2,512,836</b>	<b>4,364,950</b>
<b>Net Assets</b>		<b>64,474,860</b>	<b>62,706,038</b>
<b>Equity</b>			
Contributed equity	6	66,973,014	66,973,014
Reserves		8,690,385	4,827,688
Accumulated losses		(22,893,564)	(20,203,478)
Capital and reserves attributable to owners of AVZ Minerals Ltd		52,769,835	51,597,224
Non-controlling interests		11,705,025	11,108,814
<b>Total Equity</b>		<b>64,474,860</b>	<b>62,706,038</b>

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 2018

Consolidated	Contributed Equity	Accumulated Losses	Other Reserves	Foreign Currency Reserves	Total	Non-controlling Interests	Total Equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	<b>33,656,076</b>	<b>(14,638,812)</b>	<b>2,469,511</b>	<b>(1,187,063)</b>	<b>20,299,712</b>	<b>10,771,137</b>	<b>31,070,849</b>
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)
<i>Transactions with owners in their capacity as owners:</i>							
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
<b>Balance at 31 Dec 2017</b>	<b>51,821,641</b>	<b>(17,197,304)</b>	<b>3,111,705</b>	<b>(1,016,635)</b>	<b>36,719,407</b>	<b>10,569,850</b>	<b>47,289,257</b>
<b>Balance at 1 July 2018</b>	<b>66,973,014</b>	<b>(20,203,478)</b>	<b>4,025,591</b>	<b>802,097</b>	<b>51,597,224</b>	<b>11,108,814</b>	<b>62,706,038</b>
Loss for the half-year	-	(2,690,086)	-	-	(2,690,096)	(52,872)	(2,742,958)
Exchange differences on translation of foreign operations	-	-	-	2,670,177	2,670,177	649,083	3,319,260
Total comprehensive income/(loss) for the half-year	-	(2,690,086)	-	2,670,177	(19,909)	596,211	576,302
<i>Transactions with owners in their capacity as owners:</i>							
Share-based payments expense	-	-	1,192,520	-	1,192,520	-	1,192,520
Total transactions with owners in their capacity as owners	-	-	1,192,520	-	1,192,520	-	1,192,520
<b>Balance at 31 Dec 2018</b>	<b>66,973,014</b>	<b>(22,893,564)</b>	<b>5,218,111</b>	<b>3,472,274</b>	<b>52,769,835</b>	<b>11,705,025</b>	<b>64,474,860</b>

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 2018

	Notes	Consolidated	
		31 December 2018 \$	31 December 2017 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,206,509)	(1,046,283)
Interest received		92,038	61,657
<b>Net cash outflows from operating activities</b>		<b>(1,114,471)</b>	<b>(984,626)</b>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation	4	(12,900,767)	(3,896,527)
Payments for property, plant and equipment		(359,848)	(870,315)
Proceeds from sale of assets		6,818	-
Payment of deferred consideration for mineral properties		(1,058,724)	-
<b>Net cash outflows from investing activities</b>		<b>(14,312,522)</b>	<b>(4,766,842)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	15,000,000
Proceeds from exercise of options		-	3,080,100
Payments for costs of issue of shares		-	(162,037)
<b>Net cash inflows from financing activities</b>		<b>-</b>	<b>17,918,063</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(15,426,993)</b>	<b>12,166,595</b>
Cash and cash equivalents at the beginning of the period		16,336,516	1,189,086
<b>Cash and cash equivalents at the end of the period</b>		<b>909,523</b>	<b>13,355,681</b>

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.



## Notes to the Consolidated Financial Statements

### For the half-year ended 31 December 2018

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#### I. 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 2018 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 2018 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.

##### (a) New and amended standards adopted

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of adopting the following standards:

- AASB 9 Financial Instruments, and
- AASB 15 Revenue from Contracts with Customers.

The above accounting standards have no impact on adoption to these financial statements.

##### (b) Impact of standards issued but not yet applied by the Group

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operation and finance leases is removed. Under the new standard, an asset (right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

#### Basis of preparation and changes to the Group's accounting policies

##### AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 did not give rise to any material transitional adjustments to the amounts recognised in the financial statements. The new accounting policies (applicable from 1 July 2018) are set out below.

##### Classification and measurement

Except for certain trade receivables the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs.

## Notes to the Consolidated Financial Statements

### For the half-year ended 31 December 2018

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Under AASB 9 financial assets are subsequently measured at fair value through profit and loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

#### Impairment

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flow due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

#### 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 2018.

##### *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.

**Notes to the Consolidated Financial Statements**  
**For the half-year ended 31 December 2018**

	Consolidated	
	31 December 2018 \$	30 June 2018 \$
<b>4. Mining exploration and evaluation</b>		
Exploration and evaluation phase		
Opening balance	49,690,995	34,515,613
Acquisitions	-	1,963,469
Exploration costs	12,900,767	13,423,875
Net exchange differences on translation	2,118,070	(115,357)
Impairment expense	-	(96,605)
Closing balance	<b>64,709,832</b>	<b>49,690,995</b>
<p>The value of the group's interest in exploration expenditure is dependent upon:</p> <ul style="list-style-type: none"> <li>• the continuance of the Company's rights to tenure of the areas of interest;</li> <li>• the results of future exploration; and</li> <li>• the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.</li> </ul>		

	Consolidated	
	31 December 2018 \$	30 June 2018 \$
<b>5. Financial Liabilities</b>		
<b>Deferred Consideration</b>		
<b>Current Liability</b>		
Principal	2,027,027	2,000,000
Principal repayments*	(1,058,724)	(1,963,469)
Fair value increase/(decrease) on repayment	(22,193)	(36,531)
Transfer between current/non-current	125,319	2,027,027
<b>Total Current Liability</b>	<b>1,071,429</b>	<b>2,027,027</b>
<b>Non-Current Liability</b>		
Principal	1,022,043	2,543,428
Transfer between current/non-current	(125,319)	(2,027,027)
Fair value increase	59,908	505,642
<b>Total Non-Current Liability</b>	<b>956,633</b>	<b>1,022,043</b>
<b>Total Liability</b>	<b>2,028,061</b>	<b>3,049,070</b>
<p>* During the half year ended 31 December 2018, the Company prepaid US\$750,000 (A\$1,058,724) to La Congolaise D'Exploitation Miniere SA in deferred consideration under the terms of the Joint Venture Agreement.</p> <p>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 2018.</p> <p><i>Fair value measurements</i></p> <p>The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 <i>Financial Instruments: Disclosures</i> requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:</p>		

**Notes to the Consolidated Financial Statements**  
**For the half-year ended 31 December 2018**

- 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		Consolidated	
	31 December	30 June	31 December	30 June
	2018	2018	2018	2018
	Shares	Shares	\$	\$
<b>6. Contributed Equity</b>				
(a) Contributed equity				
Ordinary shares – fully paid	1,888,461,449	1,868,461,449	66,973,014	66,973,014
<b>Total contributed equity</b>	<b>1,888,461,449</b>	<b>1,868,461,449</b>	<b>66,973,014</b>	<b>66,973,014</b>

	Date	Number of Shares	Fair Value	Total
		\$	\$	\$
(b) Movements in share capital				
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	31 Aug 17	7,500,000	\$0.033	247,500
Placement	13 Oct 17	28,285,714	\$0.070	1,980,000
Facilitation shares	13 Oct 17	6,000,000	\$0.070	420,000
Conversion of Unlisted Options <sup>1</sup>		6,857,141	\$0.100	685,716
Conversion of Listed Options <sup>2</sup>		79,812,848	\$0.030	2,394,385
Less: Transaction costs arising on share issues		-		(582,036)
<b>Closing Balance at 31 December 2017</b>		<b>1,788,922,346</b>		<b>51,821,641</b>
Opening Balance 1 July 2018		1,868,461,449		66,973,014
Placement				
Conversion of Performance Right <sup>3</sup>	19 Jul 18	20,000,000	\$0.029	-
Less: Transaction costs arising on share issues		-		-
<b>Closing Balance at 31 December 2018</b>		<b>1,888,461,449</b>		<b>66,973,014</b>
<sup>1</sup> 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.				
<sup>2</sup> 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.				
<sup>3</sup> On 19 July 2018, 20,000,000 Performance Rights vested and were converted to Ordinary Shares.				

	Expiry date	Exercise price	Balance at 1 July 2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance at 31 December 2018
<b>7. Share Options</b>							
(a) 2018 Share option details							
Unlisted	28 Feb 2020	30.5 cents	30,000,000	-	-	-	30,000,000
Unlisted	15 Apr 2019	10 cents	207,428,573	-	-	-	207,428,573
Listed	24 May 2020	3 cents	203,649,049	-	-	-	203,649,049
			<b>441,077,622</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>441,077,622</b>

**Notes to the Consolidated Financial Statements**  
**For the half-year ended 31 December 2018**

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	
<b>7. Share Options</b>							
(a) 2017 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
		<b>300,001,000</b>	<b>214,285,714</b>	<b>(86,669,989)</b>		<b>-</b>	<b>427,616,725</b>

**8. Share Based Payments**

(a) Options

No options were issued to current directors and executives as part of their remuneration during the the half-year ended 31 December 2018.

(b) Performance Rights

On 19 July 2018, 20,000,000 unlisted Performance Rights vested and were converted to Ordinary Shares.

35,800,000 unlisted Performance Rights were issued to Directors and employees of the Company on 3 December 2018, following shareholders' approval obtained at the 2018 Annual General Meeting held on 30 November 2018. These Performance Rights are split into four equal tranches with the following vesting conditions:

1. shall vest upon definition of a 150Mt Measured & Indicated Mineral Resource in accordance with JORC Guidelines (as that term is defined for the purposes of JORC Guidelines for lithium) of lithium oxide (Li<sub>2</sub>O) that meets the agreed minimum specification of greater than 1% lithium oxide (Li<sub>2</sub>O) 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;
2. shall vest upon completion of a Feasibility Study;
3. shall vest upon executing an offtake agreement for at least 25% of the product; &
4. shall vest upon completion of the Manono Lithium Project financing.

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date (\$)	Total Fair Value (\$)	% Vested
Directors and employees	35,800,000	30/11/2018	Nil	03/12/2021	0.08	2,864,000	25

The Performance Rights are probability weighted to be 90%, 80% and 70% for Tranches 2 to 4 respectively on management's best estimate on the portion that will vest.

(c) Shares issued as share based payments

No shares were issued as share based payments during the half year ended 31 December 2018 (31 December 2017: 6,000,000).

**9. Contingencies & Commitments**

There are no changes in commitments or contingent liabilities from 30 June 2018.

## Notes to the Consolidated Financial Statements

### For the half-year ended 31 December 2018

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#### 10. Related Party Transactions

The following Performance Rights were issued to key management personnel of the Company during the half year ending 31 December 2018:

Nigel Ferguson	12,000,000
Rhett Brans	6,000,000
Graeme Johnston	8,000,000
Leonard Math	4,000,000

The terms and conditions of these Performance Rights are disclosed in Note 8.

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

#### 11. Events Occurring Subsequent to Reporting Date

On 27 February 2019, the Company completed a capital raising through the issue of 394,737,010 shares at 3.8 cents per share, raising a total of \$15 million (before costs). The raising was completed by way of a Share Purchase Plan ("SPP") and a Placement ("placement"). A total of \$5,198,000 was raised through a Share Purchase Plan and the balance of \$9,802,000 was done through a Placement to sophisticated and professional investors. The funds raised will be used to complete the Feasibility Study of the Manono Lithium and Tin Project.

In consideration for Patersons acting as Corporate Advisor to the Company, the Company has issued Patersons (and/or its nominee) with a total of 15m options in the following tranches:

- (a) 5m options exercisable at 4.75 cents on or before 5 March 2021;
- (b) 5m options exercisable at 5.7 cents on or before 5 September 2021; and
- (c) 5m options exercisable at 6.65 cents on or before 5 March 2022.

These options were issued on 4 March 2019.

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.

## **Director's Declaration**

### **For the half-year ended 31 December 2018**

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The Directors of the Company declare that:

- (a) the consolidated financial statements and notes, as set out on pages 13 to 22 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 2018 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  
15 March 2019

## 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 2018, 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 2018 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 2018 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

BDO  


Dean Just

Director

Perth, 15 March 2019