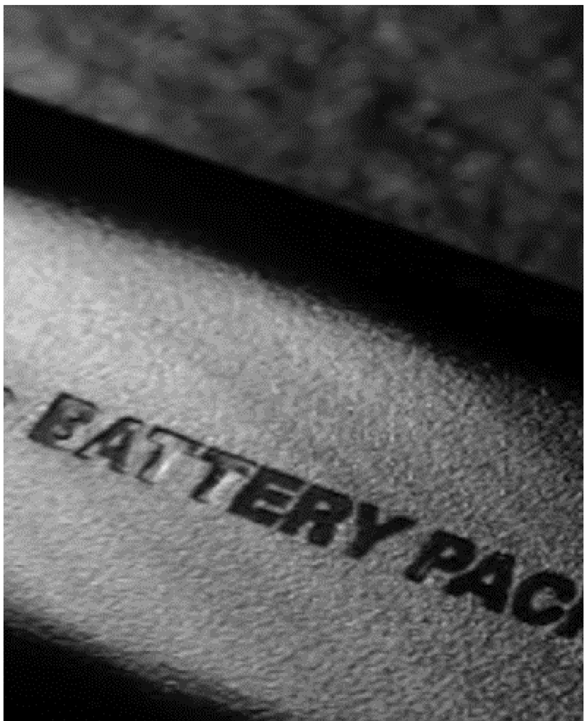
AVZ Minerals Limited

Financial Report

30 June 2020



Contents

Corporate Directory

Directors
John Clarke (Non-Executive Chairman)
Nigel Ferguson (Managing Director)
Graeme Johnston (Technical Director)
Rhett Brans (Non-Executive Director)
Peter Huljich (Non-Executive Director)

CFO & Company Secretary
Leonard Math

Principal Place of Business
& Registered Office
Level 2, 8 Colin Street
West Perth WA 6005
Telephone: +61 8 6117 9397
Facsimile: +61 8 6118 2106

Share Registry
Automic Registry Services
Level 2, 267 St George's Terrace
Perth WA 6000
Telephone: 1300 288 664 (within Australia)
+61 8 9324 2099 (outside Australia)
Email: hello@automic.com.au

Auditors
Bentleys Audit & Corporate (WA) Pty Ltd
Level 3, 216 St Georges Tce
Perth WA 6000
Telephone: +61 8 9226 4500

Securities Exchange Listing
Australian Securities Exchange
(Home branch: Perth, Western Australia)
ASX Code: **AVZ**

Website Address
www.avzminerals.com.au

Overview

Manono Lithium and Tin Project ("Manono Project"), DRC

Highlights:

- Definitive Feasibility Study ("DFS") confirmed outstanding project metrics and provided a higher level of confidence with respect to engineering design, construction requirements, logistics, project finance and risk assessments
- A$10.7M placement to emerging lithium chemical producer, Yibin Tianyi Lithium Industry Co., Ltd was completed, along with strong investor support for the exercise of listed AVZ options (contributing A$5.3M before costs) and A$3.6M raised from existing shareholder, Lithium Plus, and other sophisticated and professional investors including a global institutional investor
- US$1M Convertible Note was repaid
- Final payment of US$1M was completed under original Acquisition Agreement to acquire 60% interest in the Manono Lithium and Tin Project
- Successful talks with minority project shareholder Dathomir Mining Resources SARLU to purchase a further 15% equity in the project
- Early project development works were advanced including construction of the initial camp "Colline" and its expansion to accommodate the plant construction workforce
- Approximately US$300M of pre-mining request for tenders were issued including process plants EPC package
- MOU signed with the Congolese Government to create a Special Economic Zone in Manono, Tanganyika Province
- MOU signed with the Ministry of Hydraulic Resources and Energy to investigate refurbishment of the Mpiana Mwanga Hydro Electric Power Plant on the Luvua River
- Successful early talks held with the residents and local authorities at Kabondo Dianda for the establishment of the Intermodal Staging Site at the railhead
- Preparation of the Permis d'Exploitation (Mining Licence) application continued
- Roche Dure pit dewatering was completed to allow additional infill drilling
- Extension to known mineralisation to South West of Roche Dure was confirmed
- Phase 2 metallurgical test work (Dense Media Separation and Flotation) completed with exceptional lithia recovery being achieved with concentrate grades all above the Company's target of 6% Li_2O spodumene concentrate ("SC6)
- Positive heavy mineral recovery of tin and tantalum as part of the Phase 2 flotation test work
- EmiAfrica commenced environmental and social impact studies
- Highly experienced mining veteran Dr. John Clarke appointed as Non-Executive Chairman, strengthening the Board as the Manono Project moved into a financing and development phase
- Discussions with multiple, potential offtake partners for significant volumes of SC6, PLS and tin well advanced
- Negotiations around financing options with several entities in Europe, Middle East and South Africa well progressed

Overview

The financial year to 30 June 2020 has been transformative for the Company's Manono Lithium and Tin Project ("Manono Project").

All of the metallurgical work undertaken and the project studies completed during the past year have contributed to the delivery of a 'highly positive' Definitive Feasibility Study ("DFS") for the Manono Project, with confirmation of 'outstanding project metrics' and a 'high level of confidence with respect to engineering design, construction requirements, logistics, project finance and risk assessments'.

Significant pre-development works have been completed during the past 12 months including early infrastructure facilities at Manono's Camp Colline and the release of approximately US$300 million of pre-mining tenders. In addition, excellent progress has been achieved in discussions on the creation of a Special Economic Zone in Manono and the potential refurbishment of the Mpiana Mwanga Hydro Electric Power Plant on the Luvua River.

Since the release of the DFS, the Company has also been in advanced discussions with multiple, potential offtake partners for significant volumes of SC6, PLS and Tin and also in detailed negotiations with several entities in Europe, the Middle East and South Africa around financing options.

Definitive Feasibility Study
In April 2020, the Company released its Definitive Feasibility Study for the Manono Lithium and Tin Project.

Key highlights included:

- US$2,348 M pre-tax NPV_{10} and US$1,028 M post-tax NPV_{10}
- Internal Rate of Return of 53% (pre-tax) and 33% (post-tax)
- Net Profit After Tax - Life of Mine of US$3,779 M
- Payback period of 1.50 years (pre-tax) and 2.25 years (post-tax)
- The Ore Reserve contain 44.6 Mt of Proved Category and 48.5 Mt of Probable category
- Life of Mine beyond 20 years based on a 4.5 Mt/a operation under pinned by the Ore Reserves
- Conventional open pit mining with low ore waste strip ratio of 1:0.48
- LOM lithia recoveries of 60% using only conventional DMS
- CAPEX of US$545.5 M includes a contingency of US$49.59 M (10%)
- US$380 M average annual EBITDA for LOM
- Two transport routes solution at US$229 per tonne cost to Lobito port and US$275 per tonne cost to Dar es Salaam port
- 20-year mine life producing 700,000 tonnes per annum high grade of SC6 lithium and 45,375 tonnes per annum of Primary Lithium Sulphate
- Pre-production capital expenditure of US$545.5M includes transport upgrade and rehabilitation of the Mpiana Mwanga Hydroelectric Power Plant

The DFS confirmed outstanding project metrics and provided a higher level of confidence with respect to engineering design, construction requirements, logistics, project finance and risk assessments.

The DFS indicated the Manono project to be robust and viable with a product mix of Spodumene Concentrate (SC6) for 700,000 t/a and Primary Lithium Sulphate (PLS) for 46,000 t/a. PLS will be produced using 153,000 t/a of the SC6 product as feedstock.

The processing flow sheet also allows for the recovery of tin and tantalum from hard rock ore as well as smaller amounts of alluvial tin and tantalum secured from local alluvial areas.

The Manono Project has a substantial ore body capable of extending the Life of Mine well past the current 20 years, as modelled. It has a robust, workable transport solution for securing delivery of products to the export ports and a clear plan to work with the community for social development and environmental compliance.

The Company has been intentionally conservative in its interpretation of financial impacts on the project and therefore, believes the DFS numbers can be improved in the future despite having included significant, non-project infrastructure items such as rehabilitation of roads and, the Mpiana Mwanga Hydro Electric Power Plant and has taken an adverse opinion on any potential VAT refund, amounting to some US$658M over the Life of Mine, which has been totally excluded from the cash flow.

Further upside for the Manono Project comes in the nature of significant upside resource potential from Carriere de L'Este, added cash flow from tin and tantalum credits, additional negotiations on a reduction in pricing for transport, the roll out of electric powered mining equipment and the establishment of the Special Economic Zone at Manono, which will potentially provide discounted rates on tax, duties, VAT and further significant benefits for the project.

Refer to ASX Announcement dated 21 April 2020 titled "AVZ Delivers Highly Positive DFS for Manono Project" for the full results of the DFS.

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 market announcements and, in the case of estimates of Mineral Resources and Ore Reserves, all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not materially changed from the original market announcement.

Metallurgical Sampling Test Work

Phase 1:

The metallurgical test work for Phase 1 was completed during the first half of the financial year.

Initial characterisation test work was completed using HLS ("Heavy Liquid Separation") to determine the theoretical maximum spodumene liberation at various crush sizes. Additionally, mineral species were also investigated to examine if they could be readily separated with minimal mineral inter-growth to ensure spodumene itself did not contain excessive concentrations of iron bound in its structure. Examination of Roche Dure pegmatite samples indicated almost no inter-growth between spodumene and gangue minerals exists. Also, the spodumene contained very low iron percentages and was well inside specified limits for spodumene concentrate.

HLS testing at three crush sizes: 10.0mm, 5.56mm and 3.35mm (Table 1) was conducted to identify crush size with maximum lithium recovery and lithium grade. Current convention states that lithium grade be reported as *lithia* (Li_2O) instead of lithium. The Manono HLS results (*refer to ASX announcement dated 13th August 2019*) demonstrate that lithium recovery improves with decreasing crush size and lithia grade also improves with decreasing crush size. HLS results presented in *Table 1* below are inclusive of lithium losses to <0.5mm size fraction.

	Test Description	Recovery Li_2O (%)	Grade Li_2O (%)	Grade Fe_2O_3 (%)
1	HLS: 3.35mm	70.4	6.6	0.40
2	HLS: 5.56mm	65.9	6.2	0.36
3	HLS: 10.0mm	61.7	5.8	0.40

Table 1: Heavy Liquid Separation met test work results

Comminution testing was conducted using DMS. Three 5.56mm crush DMS tests were conducted, one to a test SG of 2.9 which failed to achieve 6% lithia in the concentrate and two tests; one without and the other with a pre-treatment process to remove mica prior to testing (designated with an RC "Reflux Classifier" in the description). Both the 2.95 SG tests at 5.56mm could produce a concentrate lithia grade of 6% at 59% recovery.

Table 2 below includes iron oxide, mica and fluorine contaminant concentration where assayed, otherwise depicted with a "NA", in the DMS100 test spodumene concentrates.

	Test Description	Recovery Li_2O (%)	Grade Li_2O (%)	Grade Fe_2O_3 (%)	Grade Mica (%)	Grade F (g/t)
1	DMS100: 5.56mm, 2.95SG	59.8	5.8	0.50	2.7	59
2	DMS100: 5.56mm, RC, 2.9SG	60.9	5.9	0.45	2.1	82
3	DMS100: 3.35mm, RC, 2.9SG	62.8	6.0	0.44	1.7	NA

Table 2: Dense Media Separation 100 met test work results

A large scale DMS test was conducted in a DMS circuit containing a 250mm cyclone, approximately 2.5 times the diameter of the pilot scale DMS100 cyclone.

A sample was prepared to a crush size of 5.56mm, which presently appears to be the most economic crush size. The DMS250 test result is graphically presented in the Figure 1 below, with all other 5.56mm DMS test results for comparison.

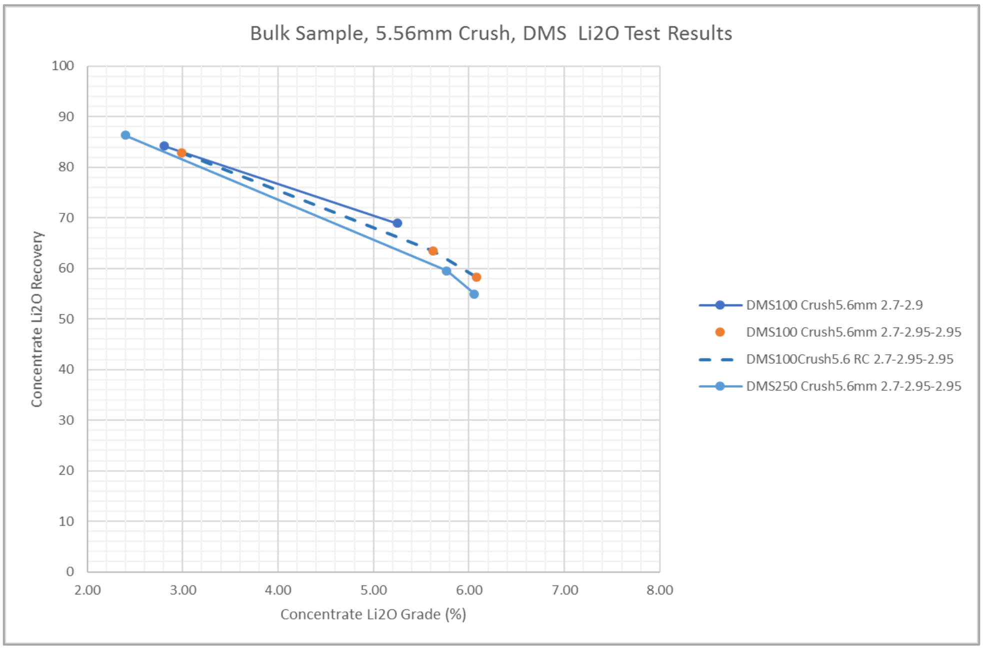


Figure 1: DMS100 and DMS200 – Grade Recovery test results

Only iron oxide impurity in the DMS250 test spodumene concentrate is presently available for reporting and is presented at Test Description '4' with other 5.56mm crush DMS test spodumene concentrate assays in *Table 3* below.

Test Description		Recovery Li_2O (%)	Grade Li_2O (%)	Fe_2O_3 (%)	Mica (%)	F (g/t)
1	DMS100: 5.56mm, 2.95SG	59.8	5.8	0.50	2.7	59
2	DMS100: 5.56mm, RC, 2.9SG	60.9	5.9	0.45	2.1	82
3	DMS100: 3.35mm, RC, 2.9SG	62.8	6.0	0.44	1.7	NA
4	DMS250: 5.56mm, 2.9SG	59.6	5.8	0.49	NA	NA

Table 3 - DMS100 and DMS250 Beneficiation Results

A two-tonne bulk sample was crushed and homogenised to 32mm for further test work material supply. The resulting 10 variability subset samples were crushed and homogenised to 12.5mm with head assays received and aligning well with estimated assays from previous core assay determinations. All screened undersize materials were also assayed and provided further positive confirmation of assay work completed to date with the reported numbers aligning very well. These samples are now pending Heavy Liquid Separation ("HLS") test work.

High Pressure Grinding Rolls ("HPGR") performance test work has been undertaken on initial prepared material. The analysis indicates a 6mm screen would be suitable to produce a 3mm p80 product. However, it has been decided to relax this target for test purposes given the benefit of 5% additional mass to the Dense Media Separation ("DMS") feed if screened at 8mm. A head assay received for the bulk composite aligns perfectly to assay estimates by interval. The head lithia assay is 1.66% lithia and 0.6% Fe_2O_3.

Phase 2:
In March 2020, the Dense Media Separation (DMS) and Flotation test work within the Phase 2 metallurgical testing program was completed, delivering exceptional results in terms of lithia recovery and concentrate grades all above the Company's target of 6% Li_2O spodumene concentrate.

In addition, the Company reported positive heavy mineral tin and tantalum recoveries from its flotation test work results. The tin grades are highly saleable products which could potentially contribute to reducing overall operating costs and to supply a significant and growing demand from the electronics market.

Some test work on the substantial alluvial tin fields was included in the DFS, however, the Company purposely left any detailed work on the alluvial tin fields until a later stage in the project.

In late April 2020, the Company reported an outstanding set of results with regards to recovery of Tin, Tantalum and Niobium. They indicated:

- Effective liberation and separation show amenability to conventional metallurgical processing methods for tin and tantalum
- A high-grade, low impurity cassiterite concentrate can be produced grading 71.7% to 73.2% Sn (equating to 91% to 93% cassiterite)
- A separate high-grade tantalum product of between 17% to 21% Ta_2O_5 was also produced
- Tantalum product streams are predominantly coltan (columbite-tantalite) returning niobium grades of between 17% to 21% Nb_2O_5
- Tantalum product recoveries are between 62% to 67%, however a high proportion (20% to 31%) of tantalum and niobium reports to the cassiterite product stream which is expected to attract additional credits from tin smelters

Extension of surface mineralisation to South West of Roche Dure confirmed

In May 2020, results from surface exploration and sampling to the immediate south-west of Roche Dure, which involved soil sampling on wide spaced lines 400 metres apart, provided early positive results for the likely extension of the Roche Dure pegmatitic orebody along strike from the open pit (Figure 2).

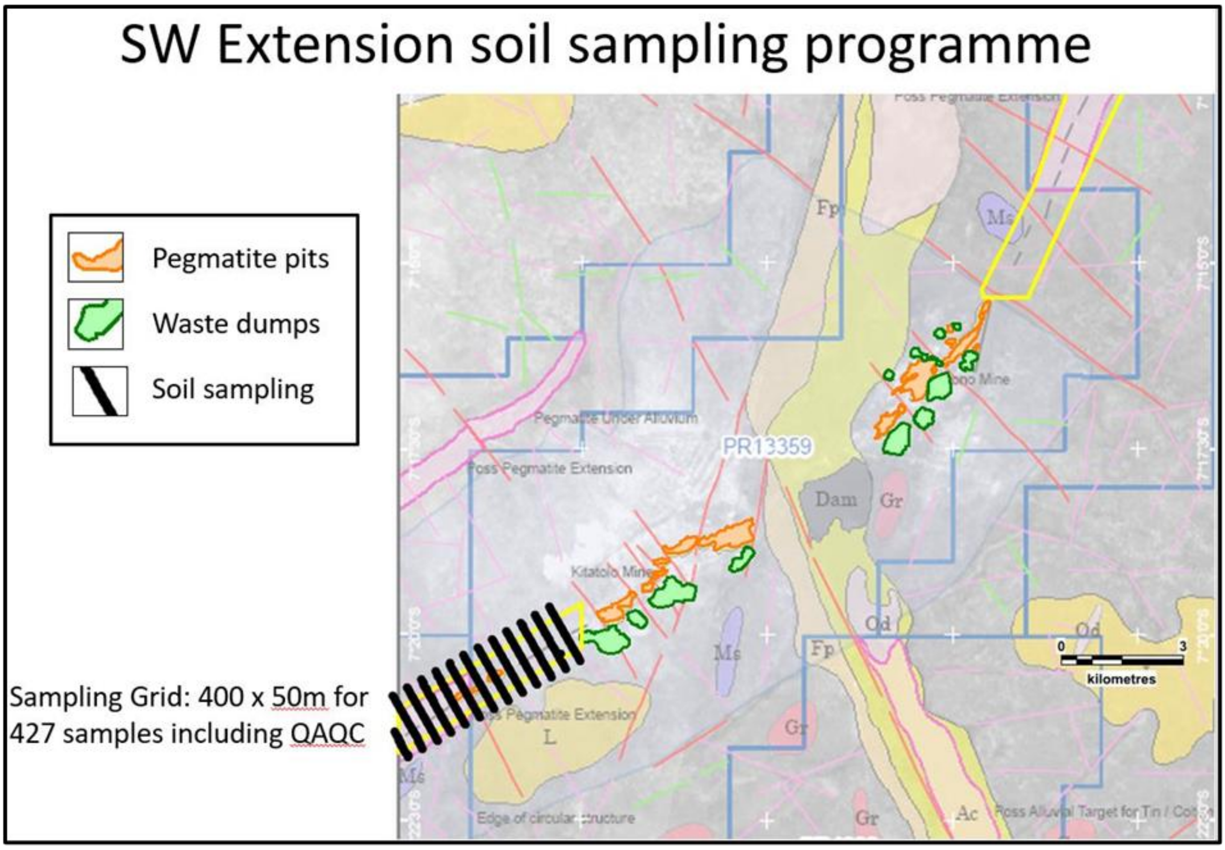


Figure 2: Surface sampling grid to the south-west of Roche Dure

The samples were collected across the concession boundary between PR13359 onto AVZ's 100% owned PR4030 and this has provided extra information on a 4.8m long corridor from Roche Dure along strike to the western edge of PR4030 (Figure 1).

The results have indicated at least five areas of elevated Lithium Index values (Li-IDX) (Figure 3), which also correspond with high Niobium values. These five areas, which extend to the western edge of PR4030, have generated new areas of potential mineralisation requiring field inspection and infill soil sampling.

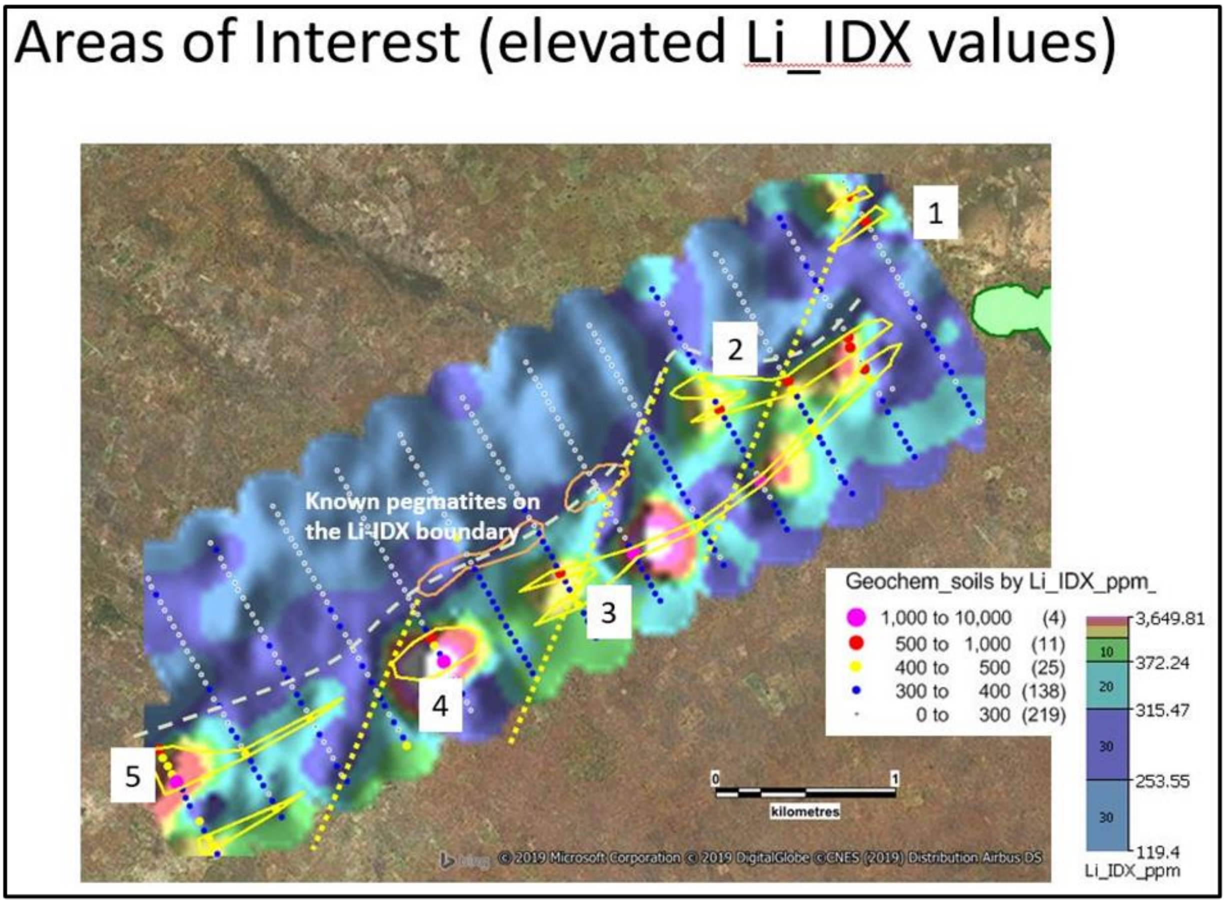


Figure 3 : Surface anomalies to the south-west of Roche Dure

Transport studies

The Company has finalised and priced two preferred routes for transport of Manono products to port for export - at Lobito in Angola and Dar es Salaam in Tanzania – in that order of preference.

The two routes provide flexibility to ship product either way and mitigate situations such as a derailment on one allowing the operation to swap product to the other in the interim. This strategy also optimises marine shipping for Americas and Europe-based clients.

The studies have considered shipment of SC6 in dry loose bulk format and Primary Lithium Sulphate in 20-foot GP marine containers using a combination of truck road freight and rail and then ultimately marine shipping.

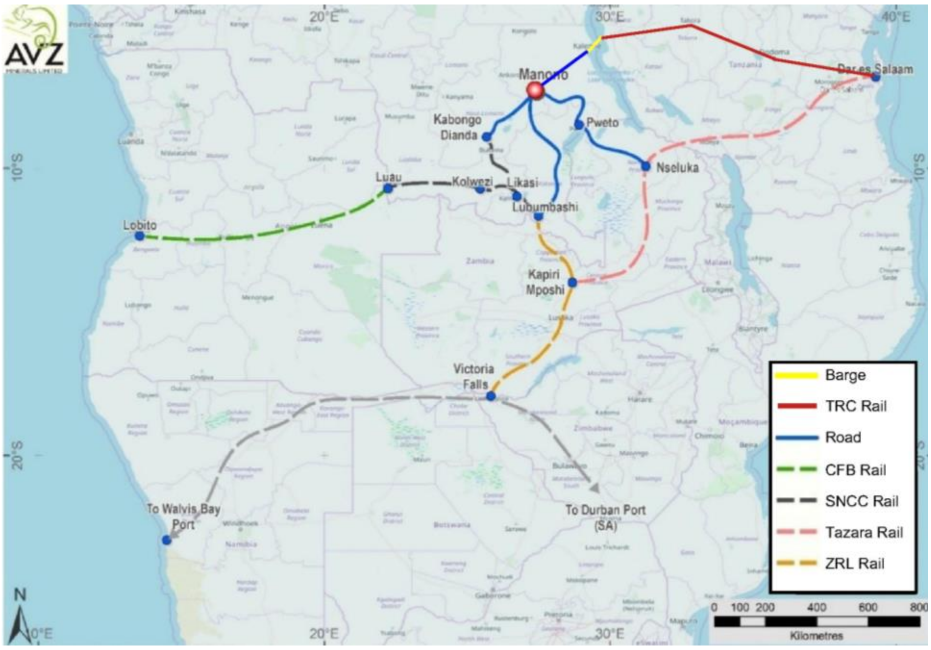


Figure 4: Routes investigated for product transportation during DFS

Special Economic Zone

In February 2020, the Company executed a Memorandum of Understanding ("MOU") with the Ministry of Industry for the development of a Special Economic Zone ("SEZ") in Manono, located in the Tanganyika Province in the Democratic Republic of Congo.

In essence, an SEZ provides for an "investor to enjoy exemptions or reductions, either permanently or temporarily, in a degressive or non-degressive manager, with or without the possibility of renewal or extension, on direct or indirect taxes, domestic duties and taxes, national, provincial and municipal royalties, import or export duties payable in the Democratic Republic of Congo".

AVZ has provided the DRC's Ministry of Industry with its proposed terms of reference for the Manono SEZ and its rationale for the project including the Mpiana Mwanga Hydro Electric Power Plant, the Manono to Kabondo Dianda road development and the Lualaba River crossing which are all anchor activities for the Manono SEZ. AVZ's proposed framework of tax incentives have also been submitted to the DRC Government for its review and consideration, and for inclusion within the proposed Manono SEZ regional development framework.

Progressing discussions on the Manono SEZ provided some challenges during the early part of the June 2020 quarter due to travel bans imposed in the DRC due to the global COVID-19 pandemic. However, discussions with the DRC government are now progressing well and AVZ expects some of the applied taxes, customs and duties in the modelling to be waived or significantly reduced under the Manono SEZ agreement that is currently being negotiated.

Figure 5: Members of AVZ and Dathcom's Management team and Government Officials in Kinshasa, DRC. Left to Right: Mr. Christian Lukusa; Mr. Serge Ngandu; Mr. Balthazar Tshiseke representing AVZ and Dathcom and then Honourable Mr. Julien Paluku, His Excellency the Minister of Industry; M. Alexy Kayebe, The Infrastructure Presidential Special Advisor; Mr. Jean Dieudonné Kavese, the Chief of Staff of the Ministry of Industry and Mr. Auguy Bolanda, Chargé de mission of the Special Economic Zone Agency

AVZ Power
In early January 2020, the Company signed a Memorandum of Understanding with the Democratic Republic of the Congo's Ministry of Hydraulic Energy and Water Resources to investigate refurbishment of the Mpiana Mwanga Hydro Electric Power Plant (HEPP) on the Luvua River and associated power grids in the Manono Territory.

The Mpiana Mwanga Hydro Electric Power Plant is located some 85km east-south-east of the proposed Manono mine site. It was originally built in 1933 to service the historic tin mine but closed in 1984 when mining operations ceased.

Figures 6-9: The Mpiana Mwanga Hydro Electric Power Plant on the Luvua River

At present, power is generated at the Manono town site using diesel generators and a recently commissioned 1.5Mw solar power system, while at AVZ's camp it is powered by a smaller 20Kva solar system with a diesel-powered back-up generator. Based on a positive outcome of the feasibility studies into re-commissioning the power plant, it is AVZ Powers' intention at this stage to acquire from the DRC Government a long-term, 100% exclusive lease to rehabilitate the HEPP.

A tender for the rehabilitation of the power plant was issued in July 2020, while Environmental and Social Impact Assessments (ESIA) for the HEPP, access road and power transmission lines are also completed.

It is estimated up to approximately ~54KMw of electricity can be generated from the rehabilitated power station – sufficient to power AVZ's lithium plant and mining camp, as well as associated infrastructure and any future expansion of the mine site, including a 25Ktpa hydroxide plant.

Ultimately, the electricity generated from the power station could be used for operating all AVZ's mining equipment, making the Manono Project a 100% 'green' mine, as well as providing sufficient electricity to power the entire Manono town site and rehabilitate the associated power grids in the Manono Territory.

Roche Dure pit dewatering program

In early February 2020, pit dewatering at Roche Dure was completed which gives AVZ the opportunity to undertake further infill drilling of material underneath the pit floor (previously undrilled as it was water covered) to upgrade some Inferred Resources to at least an Indicated Resource status.

Figures 9-10: The floor of the Roche Dure pit, post dewatering

Figure 11: The sump on the floor of the Roche Dure pit, post dewatering

Environmental and Social Impact Studies

In Q4 2019, EmiAfrica was appointed to conduct environmental and social impact studies as part of the formal process to obtain mining permits for the Manono Project. EmiAfrica consultants and senior members of AVZ's technical team briefed key local stakeholders and dignitaries to appraise them of the Company's intention to mine the Roche Dure deposit, to obtain their input and address any concerns they had about future mining activities.

EmiAfrica also commenced a flora and fauna study of Roche Dure which is required under the Environmental and Social Impact Assessment (EISA) program. In addition, hydrogeological studies are being undertaken for inclusion in the ESIA reports.

Figures 12-13: Key stakeholder briefings with local chiefs and dignitaries were undertaken as part of the process to obtain mining permits for the Manono Project.

Government Engagement

AVZ undertook extensive government engagement during the year including a formal briefing with the President of the Democratic Republic of the Congo, His Excellency, President Tshisekedi Tshilombo, as well as several meetings with Government officials and Presidential advisors.

AVZ briefed the President around its decision to fast track the Definitive Feasibility Study for the Manono Project as well as answering questions relating to taxation, logistics, energy supply, industrialisation and economic and social development in the Tanganyika Province.

Figure 14: L – R. Mr. Tony Kanku (Advisor), Mr. Graeme Johnston (AVZ Technical Director), Mr. Balthazar Tshiseke (Dathcom Chief Administrator), His Excellency Mr. Felix Tshisekedi, President of the DRC, Mr. Christian Lukusa and Mr. John Kaninda (Dathcom legal advisors).

In October 2019, AVZ met with high ranking officials from the Tanzanian Port Authority, Tanzania Railways Corporation, Tanzania Zambia Railways Authority, Tanzania Revenue Authority and Tanzania's Export Processing Zones Authority, which is the principal government agency for promoting investments in Tanzania's special economic zones.

Project issues focused around the available capacity, laydown and storage areas at the port of Dar es Salaam and a further range of benefits for AVZ such as tax incentives and exemptions and planned rail and port upgrades should further beneficiation in Tanzania be investigated.

The Tanzanian Government officials offered every possible assistance to facilitate the Company's objectives of being able to efficiently and cost effectively transport Roche Dure concentrate via the port of Dar es Salaam.

The Company is working towards securing Letters of Intent with the Tanzania Railways Corporation, Tanzania Zambia Railways Authority and Tanzania's Export Processing Zones Authority around the movement of Roche Dure concentrate.

Early Works Program

The Company advanced its plans to develop the Manono Project issuing tenders for approximately US$300 million worth of pre-mining infrastructure packages. The tenders included the process plants EPC package, the Kabondo Dianda Intermodal Staging Site, mine-site buildings, diesel storage facilities and camp catering services packages. Contracts will be awarded once the AVZ Board makes a Final Investment Decision (FID) to mine Manono.

Early in 2020, construction of more sustainable "single-man" accommodation quarters occurred at Manono, along with associated kitchen, mess, laundry and recreational facilities. The early works program at Manono's Camp Colline also included a sewage treatment facility, a RO water treatment plant and additional power facilities.

Figure 15: Single-man accommodation quarters at Camp Colline

Corporate

Strategic investor Yibin Tianyi & exercise of AVZ listed options

In mid-May 2020, AVZ successfully completed a A$10.7M placement to Yibin Tianyi Lithium Industry Co., ("Yibin Tianyi") through the issue of 237,500,000 shares at 4.5 cents per share.

Yibin Tianyi is an emerging lithium chemical producer in China that is aligned and backed by China's largest EV battery manufacturer, CATL, and the Shenzen-listed company, Suzhou TA&A Ultra Clean Technology Co., Ltd. Yibin Tianyi is targeting production of up to 25,000 tonnes of lithium hydroxide per annum, with future staged expansions expected to increase production to approximately 100,000 tonnes per annum, making Yibin Tianyi's plant one of the largest hydroxide suppliers in China.

Funds from the Yibin Tianyi placement enabled AVZ to repay a US$1M Convertible Note to N-Resource Limited (a company associated with Yibin Tianyi), undertake early development works at the Manono Project and provide ongoing working capital.

In late May 2020, AVZ received approximately A$5.3M (before costs) after more than 180,241, 837 listed options were exercised by option holders and Canaccord Genuity (Australia) Limited. At the same time, AVZ completed its final payment of US$1 million under the original Acquisition Agreement to acquire its 60% interest in the Manono Project.

Earlier in Q2 2020, the Company raised A$3.6M from an existing strategic investor, Lithium Plus, and other sophisticated and professional investors, including a global institutional investor, for the purposes of progressing the DFS and for general working capital.

Board and Management Changes

Highly experienced mining veteran Dr. John Clarke was appointed Non-Executive Chairman of AVZ Minerals on 2 December 2019.

Dr. Clarke's appointment further strengthened the Board of Directors as the Company prepared to move into the financing and development phase of the Manono Project.

Dr. Clarke brings an impressive depth of resources industry experience to AVZ, having started his career in 1972 as a metallurgist at Goldfield's Kloof Gold Mine. Most of his career has focused on the operation, development or management of African mining projects and activities, from junior operating roles to the most senior Executive and Board level appointments.

Dr. John Clarke

Mr. Michael Hughes

In October 2019, Mr. Michael Hughes was appointed as Project Director for the Manono Project.

Mr. Hughes has more than 35 years' experience in Engineering, Procurement and Construction in the minerals and metals market, having worked for both engineering companies and clients to execute studies and projects. His experience covers all metals and minerals commodities plant design and construction in Africa, India, France and Australia. He has also worked in many African countries, including Malawi, Mozambique, Namibia, Botswana, Madagascar and Ethiopia.

In May 2020, Mr. Hongliang Chen resigned as a Non-Executive Director of AVZ Minerals. Mr. Chen was a nominee of Huayou Cobalt Group, which had provided early support to the Manono Project with a A$13M placement in August 2017.

List of current mining and exploration tenements (as of 30 June 2020):

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

**AVZ Minerals Limited has secured a further 15% rights from Dathomir Mining Resources SARL. Upon completion of the acquisition, AVZ Minerals will have 75% interest in the Manono Project.*

Roche Dure Main Pegmatite Ore Reserve Estimate (as of 30 June 2020):

Reserve category	Tonnes (Mt)	Grade Li_2O (%)	Contained Li_2O (Mt)	Grade Sn (g/t)	Contained Sn (kt)
Proved	44.6	1.62	0.72	958	42.7
Probable	48.5	1.54	0.75	1016	49.3
Total	**93.0**	**1.58**	**1.47**	**988**	**92.0**

Notes: Figures above may not sum due to rounding applied.

Mining dilution by elevation has been applied to represent the changing quantities of waste dilution existing on each bench of the pit:

- *Surface to the 565RL has 5% mining dilution applied*
- *565RL to the 505RL has 2% mining dilution applied*
- *505RL to the 435RL has 1% mining dilution applied*
- *Below the 435 RL has 0% mining dilution applied, as the whole bench is ROM.*

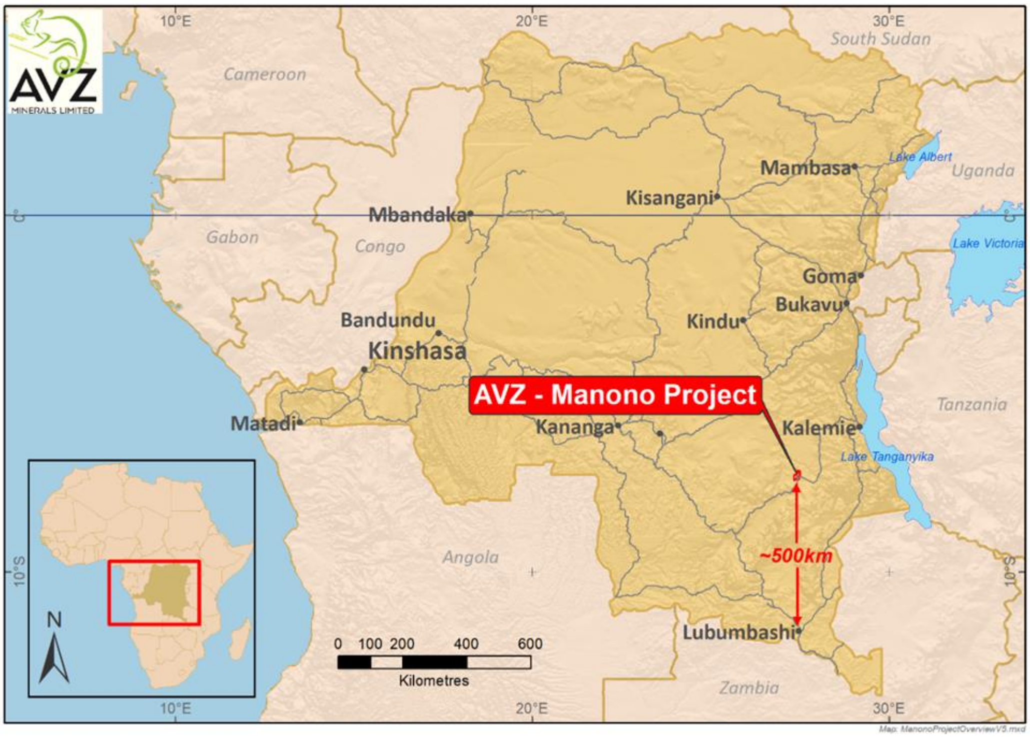
A variable mining recovery has also been applied:

- *Surface to 565RL has 98% mining recovery applied*
- *Below the 565RL has 99% mining recovery applied*

The Ore Reserve estimate has been based on a cut-off of > US$0.00 block value comprising an economic block by block calculation.

Roche Dure Main Pegmatite Mineral Resource at a 0.5% Li_2O cut-off (as of 30 June 2020):

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



Competent Persons Statement

The information that relates to Ore Reserves is based on information compiled by Mr. Daniel Grosso and reviewed by Mr. Karl van Olden, both employees of CSA Global Pty Ltd. Mr. van Olden takes overall responsibility for the Report as Competent Person. Mr. van Olden is a Fellow of The Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as Competent Person in terms of the JORC (2012 Edition). The Competent Person, Mr. Karl van Olden has reviewed the Ore Reserve statement and given permission for the publication of this information in the form and context within which it appears. The estimated ore reserves underpinning the production target have been prepared by a competent person, Mr. Karl van Olden from CSA Global, in accordance with the requirements in Appendix 5A of the (JORC Code) 2012.

The Mineral Resource estimate has been completed by Mrs. Ipelo Gasela (BSc Hons, MSc (Eng.)) who is a geologist with 14 years' experience in mining geology, Mineral Resource evaluation and reporting. She is a Senior Mineral Resource Consultant for The MSA Group (an independent consulting company), is registered with the South African Council for Natural Scientific Professions (SACNASP) and is a Member of the Geological Society of South Africa (GSSA). Mrs. Gasela has the appropriate relevant qualifications and experience to be considered a Competent Person for the activity being undertaken as defined in the 2012 edition of the JORC Code. Mrs. Gasela consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to metallurgical test work results is based on, and fairly represents information compiled and reviewed by Mr. Nigel Ferguson, a Competent Person who is a Fellow of The Australasian Institute of Mining and Metallurgy and Member of the Australian Institute of Geoscientists. Mr. Ferguson is a Director of AVZ Minerals Limited. Mr. Ferguson has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr. Ferguson consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Your directors submit their report on the consolidated entity consisting of AVZ Minerals Limited ('AVZ') and the entities it controlled (the 'Group' or the 'consolidated entity') for the financial year ended 30 June 2020. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

1. Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

John Clarke	Non-Executive Chairman (appointed 2 December 2019)
Nigel Ferguson	Managing Director (appointed 2 February 2017)
Graeme Johnston	Technical Director (appointed 30 July 2018)
Rhett Brans	Non-Executive Director (appointed 5 February 2018)
Peter Huljich	Non-Executive Director (appointed 1 May 2019)
Hongliang Chen	Non-Executive Director (appointed 21 August 2017, resigned 12 May 2020)

2. CFO & Company Secretary

Leonard Math (appointed 9 July 2018)

3. Principal Activities

The principal activity of the consolidated entity during the financial year was mineral exploration. There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

4. Operating Results

The loss of the consolidated entity after income tax amounted to $5,299,858 (2019: $5,263,570).

5. Dividends Paid or Recommended

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

6. Review of Operations

Refer pages 2 – 16 for a detailed review of the Group's operations during the year.

The Group's financial position, financial performance and use of funds information for the financial year is provided in the financial statements that follow this Directors' Report.

As an exploration entity, the Group has no operating revenue or earnings and consequently the Group's performance cannot be gauged by reference to those measures. Instead, the Directors' consider the Group's performance based on the success of exploration activity, acquisition of additional prospective mineral interests and, in general, the value added to the Group's mineral portfolio during the course of the financial year.

Whilst performance can be gauged by reference to market capitalisation, that measure is also subject to numerous external factors. These external factors can be specific to the Group, generic to the mining industry and generic to the stock market as a whole and the Board and management would only be able to control a small number of these factors.

The Group's activities are also subject to numerous risks, mostly outside the Board's and management's control. These risks can be specific to the Group, generic to the mining industry and generic to the stock market as a whole. The key risks, expressed in summary form, affecting the Group and its future performance include but are not limited to:

- geological and technical risk posed to exploration and commercial exploitation success;
- security of tenure including licence renewal (no assurance can be given that the licence renewals and licence applications that have been submitted will be successful), and inability to obtain regulatory or landowner consents;
- change in commodity prices and market conditions;
- environmental and occupational health and safety risks;
- retention of key staff;
- capital requirement and lack of future funding; and
- Coronavirus (COVID-19) and the impact it may have on the Group's operations and fundraising activities.

This is not an exhaustive list of risks faced by the Group or an investment in it. There are other risks generic to the stock market and the world economy as whole and other risks generic to the mining industry, all of which can impact on the Group.

7. Significant Changes in the State of Affairs

There have been significant changes in the state of affairs of the Group to the date of this report and these are referred to in the Review of Operations.

8. Events Occurring after the Reporting Date

On 21 September 2020, AVZ announced on ASX that it has executed a Share Sale Purchase Agreement ("Agreement") for an additional 10% equity stake in Dathcom Mining SA ("Dathcom Mining") from its joint venture partner, Dathomir Mining Resources SARLU ("Dathomir Mining"). Under the Agreement, AVZ has paid US$500,000 to Dathomir Mining as an advance payment. The remaining US$15,000,000 will be paid to Dathomir Mining at any time within 12 months of the Agreement being executed, or as soon as AVZ secures a minimum of US$50,000,000 project financing. Should payment not be made within 12 months of executing the Agreement, AVZ will forego its US$500,000 advance payment and lose the rights to secure the additional 10% equity in the Manono Project. Alternatively, the Agreement provides for AVZ to secure a minimum 2.5% equity shareholding in Dathcom Mining and thereafter in pro rata amounts up to the maximum 10% stake during the 12-month period.

Other than the abovementioned, no other matter or circumstance has arisen that has significantly affected, or may significantly affect:

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

9. Likely Developments and Expected Results of Operations

The Group will continue its mineral exploration and development activity at and around its principal exploration projects, being the Manono Lithium and Tin Project and the Manono Extension Project.

10. Environmental Regulation

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work including with the national Greenhouse and Energy Reporting Act 2007.

11. Information on Directors and Company Secretary (including Director's interests at the date of this report)

John Clarke	Non-Executive Chairman (appointed on 2 Dec 2019)
Qualifications	Ph.D. in Metallurgy (Cambridge University), B.Sc. in Metallurgy (Cardiff University), MBA (Middlesex University)
Experience	Dr. Clarke started his career 48 years ago as a metallurgist at Goldfield's Kloof Gold Mine in 1972. Most of his career has focused on the operation, development or management of African mining projects and activities, from junior operating roles to the most senior Executive and Board level appointments. In 1994, he was appointed to the Board of Ashanti Goldfields as Executive Director, responsible for Strategic Planning and Business Development. In 1997, he was appointed President and CEO of Nevsun Resources, a gold explorer and developer

	listed on the Toronto Stock Exchange. Most recently, after joining the Board of Banro Corporation in 2004 as a Non-Executive Director, he became President and CEO in 2013 until 2018. Banro was listed on the TSX and NYSE and was focused on the development of gold projects in eastern DRC. Banro brought the Twangiza and Namoya gold mines into production.	
Interest in Securities	Fully Paid Ordinary Shares	1,000,000
Directorships in last 3 years	Great Quest Fertilizer Limited (listed on Toronto Stock Exchange) (since 17 June 2009)	
Nigel Ferguson	Managing Director (appointed on 2 Feb 2017)	
Qualifications	BSc (University of Tasmania), F AusIMM, MAIG	
Experience	Mr. Ferguson is a geologist with 32 years of experience having worked in senior management positions for the past 19 years in a variety of locations. He has experience in the exploration and definition of precious and base metal mineral resources throughout the world, including DRC, Zambia, Tanzania, Saudi Arabia, South East Asia and Central America. He has been active in the DRC since 2004 in gold and base metals exploration and resource development.	
Interest in Securities	Fully Paid Ordinary Shares Performance Rights	43,478,070 6,000,000
Directorships in last 3 years	Okapi Resources Ltd (29 May 2017 to 30 June 2020)	
Graeme Johnston	Technical Director (appointed 30 July 2018)	
Qualifications	BSc in Geology (Glasgow University), M.Sc in Structural Geology (Royal School of Mines, London)	
Experience	Mr. Johnston is a geologist with over 32 years' experience operating mostly in Australia and also the Middle East, Romania and Malaysia. Graeme was the Principal Geologist with Midwest Corporation in 2005 during its sale to Sinosteel Corporation and was their first local Chief Geologist. In mid 2006, Graeme assisted in founding ASX listed Ferrowest Limited where he was the Technical Director for 9 years until the end of 2016. During this time, he contributed to the successful completion of the Feasibility Study for the Yalgoo Pig Iron Project. Graeme joined the AVZ team in May 2017 as Project Manager in charge of the day to day operations at the Manono Project.	
Interest in Securities	Fully Paid Ordinary Shares Performance Rights	7,849,737 6,100,000
Directorships in last 3 years	Nil	
Rhett Brans	Non-Executive Director (appointed on 5 February 2018)	
Qualifications	Dip. Engineering (Civil)	
Experience	Mr. Brans is an experienced director and civil engineer with over 47 years' experience in project developments. Throughout his career, Mr. Brans has been involved in the management of feasibility studies and the design and construction of mineral treatment plants across a range of commodities and geographies including for gold in Ghana, copper in the DRC and graphite in Mozambique. He has extensive experience as an owner's representative for several successful mine feasibility studies and project developments.	
Interest in Securities	Fully Paid Ordinary Shares Performance Rights	3,463,158 3,000,000
Directorships in last 3 years	Australian Potash Limited (since 9 May 2017) Carnavale Resources Ltd (since 17 September 2013) Syrah Resources Ltd (12 June 2013 to 31 December 2017)	

Peter Huljich	Non-Executive Director (appointed 1 May 2019)	
Qualifications	BCom/LLB, GD-AppFin, GAICD	
Experience	Mr. Huljich has over 25 years' experience in the legal, natural resources and banking sectors with a particular expertise in capital markets, mining, commodities and African related matters. He has worked in London for several prestigious investment banks, including Goldman Sachs, Barclays Capital, Lehman Brothers and Macquarie Bank with a focus on Commodities and Equity and Debt Capital Markets and has extensive on-the-ground African mining, oil and gas and infrastructure experience as the Senior Negotiator and Advisor for Power, Mining and Infrastructure at Industrial Promotion Services, the global infrastructure development arm of the Aga Khan Fund for Economic Development (AKFED) whilst resident in Nairobi, Kenya. Mr. Huljich holds Bachelor of Commerce and an LLB from the University of Western Australian and is a Graduate of the Securities Institute of Australia with National Prizes in Applied Valuation and Financial Analysis. Mr. Huljich is also a graduate of the AICD Company Directors Course.	
Interest in Securities	Fully Paid Ordinary Shares	1,500,000
	Performance Rights	3,000,000
Directorships in last 3 years	Kogi Iron Limited (appointed on 7 May 2019)	

Leonard Math	CFO & Company Secretary (appointed 9 July 2018)	
Qualification	B.Com, CA	
Experience	Mr. Math a Chartered Accountant with more than 15 years' of resources industry experience. He previously worked as an auditor at Deloitte and is experienced with public company responsibilities including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting and shareholder relations.	
Interest in Securities	Fully Paid Ordinary Shares	2,630,487
	Performance Rights	2,000,000

12. Audited Remuneration Report

This report details the nature and amount of remuneration for all key management personnel of AVZ Minerals Limited and its subsidiaries. The information provided in this remuneration report has been audited as required by section 308(C) of the *Corporations Act 2001*. For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

The individuals included in this report are:

		Appointment date:
John Clarke	Non-Executive Chairman	2 December 2019
Nigel Ferguson	Managing Director	2 February 2017
Graeme Johnston	Technical Director	30 July 2018
Rhett Brans	Non-Executive Director	5 February 2018
Peter Huljich	Non-Executive Director	1 May 2019
Michael Hughes	Project Director	14 August 2019
Leonard Math	CFO and Company Secretary	9 July 2018
Hongliang Chen	Non-Executive Director	21 August 2017, resigned 12 May 2020

(a) Remuneration Policy

The remuneration policy of AVZ Minerals Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. By providing components of remuneration that are indirectly linked to share price appreciation (in the form of options and/or performance rights), executive, business and shareholder objectives are aligned. The board of AVZ Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders. The Board's policy for determining the nature and amount of remuneration for Board members is as follows:

i. Executive Directors & Other Key Management Personnel

The remuneration policy and the relevant terms and conditions has been developed by the Remuneration Committee. In determining competitive remuneration rates, the Comittee reviews local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Reviews are performed to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

The Company is an exploration and development entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry.

Mr. Ferguson provides management services via Ridgeback Holdings Pty Ltd as trustee for the Ferguson Family Trust (Ridgeback). Mr. Ferguson was appointed Managing Director effective 5 February 2018 and receives a monthly fee of $29,166 (plus GST) (increased from $25,000) effective 1 July 2020. The current agreement has a 6-month termination period unless there is a breach or unremedied continued neglect of the terms of the agreement by Ridgeback in which there is a one-month termination period.

The other service or consulting agreements in place with key management personnel are summarised below:

Dr. Clarke - Chairman
- Receives a monthly fee of $10,000 (plus GST)
- Will be issued 12,000,000 Performance Rights with vesting conditions subject to shareholders' approval
- Appointment will not exceed 3 years from the date of re-election at the annual general meeting
- 12-month termination period in the event of a takeover, scheme of arrangement or change of control of AVZ Minerals Limited

Mr. Johnston - Technical Director
- No term of agreement
- Receives a monthly fee of $25,000 (plus GST) (increased from $20,833) effective 1 July 2020
- 6-month termination period unless there is a breach or unremedied continued neglect of the terms of the agreement in which there is a one-month termination period

Mr. Hughes - Project Director

- No term of agreement
- Receives a monthly base salary of $27,083 plus statutory superannuation
- 3-month notice period to terminate employment by either party

Mr. Math - Chief Financial Officer and Company Secretary

- No term of agreement
- Receives a monthly fee of $14,312 (plus GST) (increased from $13,000) effective 1 July 2020
- 6-month termination period unless there is a breach or unremedied continued neglect of the terms of the agreement in which there is a one-month termination period

The Remuneration Committee has used remuneration consultants as part of the executive remuneration review process. The Board's remuneration policies are outlined below:

Fixed Remuneration

All executives receive a base cash salary which is based on factors such as length of service and experience as well as other fringe benefits. If entitled, all executives also receive a superannuation guarantee contribution required by the government, which is currently 9.50% and do not receive any other retirement benefits.

Short-term Incentives (STI)

Under the Group's current remuneration policy, executives can from time to time receive short-term incentives in the form of cash bonuses. No short term incentives were paid in the current financial year. The Board is responsible for assessing whether Key Performance Indicators ("KPI's") are met. The Board considers market rates of salaries for levels across the Group, which have been based on industry data provided by a range of employment agencies.

Long-term Incentives (LTI)

Executives are encouraged by the Board to hold shares in the company and it is therefore the Group's objective to provide incentives for participants to partake in the future growth of the Group and, upon becoming shareholders in the Company, to participate in the Group's profits and dividends that may be realised in future years.

Performance rights

Performance rights in AVZ Minerals Limited are granted by the Board under the AVZ Mineral Limited Rights Share Trust (RST). Performance rights are issued for no consideration and vest according to a set of performance criteria being met. The vesting of the performance rights is determined at the Board's discretion.

ii. Non-Executive Directors

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. In determining competitive remuneration rates, the Board review local and international trends among comparative companies and the industry generally. Typically, the Company will compare non-executive remuneration to companies with similar market capitalisations in the exploration and resource development business Group.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which will be periodically recommended for approval by shareholders. The maximum currently stands at $650,000 per annum which was approved by shareholders at the 30 November 2018 annual general meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and from time to time, non-executives may receive options or performance rights subject to shareholder approval, to further align directors' interests with shareholders.

(b) Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

Performance rights issued during the years are detailed in Note 24 of the financial statements.

Voting and comments made at the Company's 2019 Annual General Meeting

At the 2019 Annual General Meeting the Company remuneration report was passed by the requisite majority of shareholders.

(c) Details of Key Management Personnel Remuneration

2020

Name	Short term employee benefits: Salary $	Short term employee benefits: Consulting fees $	Post employ-ment $	Share based payments $	Total $	Remuner-ation consisting of share based payments %	Fixed remun-eration %
Non-Executive Chairman:							
John Clarke[1]	-	70,000	-	-	70,000	-	100
Executive Director:							
Nigel Ferguson	-	300,000	-	354,816	654,816	54	46
Technical Director							
Graeme Johnston	-	250,000	-	325,664	575,664	57	43
Non-Executive Directors:							
Rhett Brans	54,794	19,500	5,205	177,408	256,907	69	31
Hongliang Chen[2]	-	-	-	-	-	-	-
Peter Huljich	-	60,000	-	291,391	351,391	83	17
Senior Executive:							
Michael Hughes[3]	287,083	-	19,869	138,000	444,952	31	69
CFO & Company Secretary							
Leonard Math	-	156,000	-	118,271	274,271	43	57
TOTAL	**341,877**	**855,500**	**25,074**	**1,405,550**	**2,628,001**		

1: John Clarke was appointed on 2 December 2019.

2: Hongliang Chen resigned on 12 May 2020.

3: Michael Hughes was appointed on 14 August 2019.

2019

Name	Short term employee benefits: Salary $	Short term employee benefits: Consulting fees $	Post employ-ment $	Share based payments $	Total $	Remuner-ation consisting of share based payments %	Fixed remun-eration %
Executive Director:							
Nigel Ferguson	-	300,000	-	338,739[5]	638,739	53	47
Technical Director							
Graeme Johnston[1]	-	225,333	-	519,511	744,844	70	30
Non-Executive Directors:							
Hongliang Chen	-	-	-	-	-	-	-
Rhett Brans	54,795	139,500	5,205	194,415[6]	393,915	49	51
Peter Huljich[3]	-	10,000	-	26,145	36,145	72	28
Guy Loando[4]	-	45,000	-	-	45,000	-	100
CFO & Company Secretary							
Leonard Math[2]	-	113,935	-	179,701	293,636	61	39
TOTAL	**54,795**	**833,768**	**5,205**	**1,258,511**	**2,152,279**		

1: Graeme Johnston was appointed on 30 July 2018.

2: Leonard Math was appointed on 9 July 2018.

3: Peter Huljich was appointed on 1 May 2019. No fees were paid to Mr. Huljich during the year however fees of $10,000 due to him have been accrued.

4: Guy Loando resigned on 1 May 2019.

5: This figure is reduced by $200,364 relating to 12,000,000 performance rights which were cancelled during the period.

6: This figure is reduced by $75,136 relating to 4,500,000 performance rights which were cancelled during the period.

Share-based compensation
There are no performance rights granted to key management personnel as part of compensation during the year ended 30 June 2020.

The number of performance rights converted by key management personnel into fully paid ordinary shares during the year ended 30 June 2020 are set out below:

Name	**Number of rights converted during the year 2020**
Nigel Ferguson	6,000,000[1,3]
Graeme Johnston	6,000,000[1,2,3]
Rhett Brans	3,000,000[1,3]
Peter Huljich	1,500,000[4]
Michael Hughes	3,000,000[5]
Leonard Math	2,000,000[1,3]

1. The vesting conditions for Tranche 1 of Class E Performance Rights were met during 2019 upon the Company defining a JORC measured and indicated resource of 150mt with at least 1% Li_2O. These performance rights were converted into fully paid ordinary shares on 11 July 2019.
2. The vesting conditions for Class C Performance Rights were met during 2019 upon the Company defining a JORC measured and indicated resource of 100mt with at least 1% Li_2O. These performance rights were converted into fully paid ordinary shares on 11 July 2019.
3. The vesting condition for Tranche 2 of Class E Performance Rights were met during 2020 upon the completion of Definitive Feasibility Study. These performance rights were converted into fully paid ordinary shares on 12 June 2020.
4. The vesting condition for Tranche 1 of Class H Performance Rights were met during 2020 upon the completion of Definitive Feasibility Study on the Manono Project. These performance rights were converted into fully paid ordinary shares on 12 June 2020.
5. The vesting conditions for Tranches 1 and 2 of Class J performance rights were met during 2020 upon delivery of a positive and definitive transport route(s) for export of product to be included in the Definitive Feasibility Study on the Manono Project and upon completion of Definitive Feasibility Study on the Manono Project respectively. These performance rights were converted into fully paid ordinary shares on 12 June 2020.

Values of rights over ordinary shares granted, exercised and lapsed for key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	**Value of rights granted during the year $**	**Value of rights converted during the year $**
Nigel Ferguson	-	480,000
Graeme Johnston	-	570,000
Rhett Brans	-	240,000
Peter Huljich	-	126,000
Michael Hughes	138,000	138,000
Leonard Math	-	160,000

(c) Key Management Personnel Compensation – other transactions

(i) Options provided as remuneration and shares issued on exercise of such options.
No options were provided as remuneration during the year.

(ii) Loans and amount owing to key management personnel
No loans were made to any director or other key management personnel of the Group, including related parties during the financial year. Amount owing to related parties at 30 June 2020 was $48,417 (2019: Nil).

(iii) Other transactions with key management personnel
During the year ended 30 June 2020, the Company received office sublet rental of $16,498 + GST and admin charges of $11,044 + GST from Okapi Resources Ltd, a company where Nigel Ferguson was a director. He resigned as the director of Okapi Resources Ltd on 30 June 2020.

No other transactions were made to any director or other key management personnel of the Group, including related parties during the financial year.

(d) Ordinary shareholdings

The number of shares in the company held during the financial year by each director of AVZ Minerals Limited and other key management personnel of the Group, including related parties, are set out below. There were no shares granted during the year as remuneration, apart from those issued as a result of performance rights vesting.

Ordinary shares	Balance at the start of the year	Received as remuneration	Conversion of performance rights	Purchased during the year	Balance at the end of the year
2020					
Key Management Personnel:					
John Clarke	-	-	-	1,000,000[6]	1,000,000
Nigel Ferguson	37,478,070	-	6,000,000[1,3]	-	43,478,070
Graeme Johnston	1,849,737	-	6,000,000[1,2,3]	-	7,849,737
Rhett Brans	463,158	-	3,000,000[1,3]	-	3,463,158
Peter Huljich	-	-	1,500,000[4]	-	1,500,000
Michael Hughes[7]	-	-	3,000,000[8]	-	3,000,000
Leonard Math	630,487	-	2,000,000[1,3]	-	2,630,487
Hongliang Chen[5]	-	-	-	-	-

(e) Performance Rights

The number of performance rights held during the financial year by each director of AVZ Minerals Limited and other key management personnel of the Group, including related parties, are set out below. There were no performance rights granted during the year as remuneration, apart from those issued as a result of performance rights vesting.

Performance rights	Balance at the start of the year	Granted during the year	Vested and Exercised during the year	Balance at the end of the year	Performance Rights vested	% Vested
2020						
Key Management Personnel						
John Clarke	-	-	-	-	-	-
Nigel Ferguson	12,000,000	-	(6,000,000)[1,3]	6,000,000	-	-
Graeme Johnston	12,100,000	-	(6,000,000)[1,2]	6,100,000	-	-
Rhett Brans	6,000,000	-	(3,000,000)[1,3]	3,000,000	-	-
Peter Huljich	4,500,000	-	(1,500,000)[4]	3,000,000	-	-
Michael Hughes[7]	-	3,000,000	(3,000,000)[8]	-	-	-
Leonard Math	4,000,000	-	(2,000,000)[1,3]	2,000,000	-	-
Hong Liang Chen[5]	-	-	-	-	-	-

1. The vesting conditions for Tranche 1 of Class E Performance Rights were met during 2019 upon the Company defining a JORC measured and indicated resource of 150mt with at least 1% Li_2O. These performance rights were converted into fully paid ordinary shares on 11 July 2019.
2. The vesting conditions for Class C Performance Rights were met during 2019 upon the Company defining a JORC measured and indicated resource of 100mt with at least 1% Li_2O. These performance rights were converted into fully paid ordinary shares on 11 July 2019.
3. The vesting condition for Tranche 2 of Class E Performance Rights were met during 2020 upon the completion of Definitive Feasibility Study. These performance rights were converted into fully paid ordinary shares on 12 June 2020.
4. The vesting condition for Tranche 1 of Class H Performance Rights were met during 2020 upon the completion of Definitive Feasibility Study on the Manono Project. These performance rights were converted into fully paid ordinary shares on 12 June 2020.
5. Resigned on 12 May 2020.
6. On market trade.
7. Appointed on 14 August 2019.
8. The vesting conditions for Tranches 1 and 2 of Class J performance rights were met during 2020 upon delivery of a positive and definitive transport route(s) for export of product to be included in the Definitive Feasibility Study on the Manono Project and upon completion of Definitive Feasibilty Study on the Manono Project respectively. These performance rights were converted into fully paid ordinary shares on 12 June 2020.

There have been no options issued to current Directors and executives as part of their remuneration in the current period.

This is the end of the audited remuneration report.

13. Meetings of Directors

The number of directors' meetings held during the financial year and the number of meetings attended by each director is:

	Directors Meetings	
Director	Number Eligible to Attend	Meetings Attended
John Clarke	6	6
Nigel Ferguson	9	9
Graeme Johnston	9	9
Rhett Brans	10	10
Hongliang Chen	7	3
Peter Huljich	10	10

14. Insurance of Officers

During the financial year, AVZ Minerals Limited paid a premium of $45,058 + GST (2019: $41,634) to insure the directors and secretary of the Company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

15. Shares under Option

Unissued ordinary shares of AVZ Minerals Limited under option as at the date of this report are as follows:

Expiry date	Exercise price	Balance at start of year	Exercised during the year	Granted during the year	Lapsed during the year	Balance at end of the period
24-May-2020	3.0 cents	203,649,049	(203,649,049)	-	-	-
28-Feb-2020	30.5 cents	30,000,000	-	-	(30,000,000)	-
5-Mar-2021	4.75 cents	1,000,000	-	-	-	1,000,000
5-Sep-2021	5.7 cents	5,000,000	-	-	-	5,000,000
5-Mar-2022	6.65 cents	5,000,000	-	-	-	5,000,000
8-Apr-2022	6.0 cents	-	-	120,000,002	-	120,000,002

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

16. Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

17. Auditor's Independence Declaration

Section 307c of the *Corporations Act 2001* requires our auditors, Bentleys Audit & Corporate (WA) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 28 and forms part of this directors' report for the year ended 30 June 2020.

18. Non-Audit Services

During the years ended 30 June 2020 and 30 June 2019 there were no non-audit services provided by the Company's external auditor Bentleys Audit & Corporate (WA) Pty Ltd and the previous auditor BDO Audit (WA) Pty Ltd.

Signed in accordance with a resolution of the Board of Directors.

Nigel Ferguson
Managing Director

Perth, Western Australia
30 September 2020

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

To The Board of Directors

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

As lead audit Partner for the audit of the financial statements of AVZ Minerals Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Partner

Dated at Perth this 30th day of September 2020

For the Year Ended 30 June 2020

	Note	Consolidated 2020 $	2019 $
Revenue			
Other income	3	217,276	117,562
Foreign currency (loss)/gain		(42,518)	56,123
Expenses			
Administrative costs		(1,600,545)	(1,228,951)
Directors and consultancy expenses		(374,178)	(817,423)
Share-based payment expense	24	(2,029,407)	(2,336,178)
Occupancy expenses		-	(90,688)
Compliance and regulatory expenses		(185,569)	(181,344)
Insurance expenses		(78,108)	(64,464)
Depreciation expense	9	(379,143)	(300,281)
Depreciation expense of right-of use asset	10	(72,149)	-
Movement in fair value of financial liabilities	13	(722,552)	(417,926)
Interest expense		(32,965)	-
Loss before income tax		**(5,299,858)**	**(5,263,570)**
Income tax expense	5	-	-
Loss after income tax for the year		**(5,299,858)**	**(5,263,570)**
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		1,113,712	3,092,572
Other comprehensive income		1,113,712	3,092,572
Total comprehensive loss for the year		**(4,186,146)**	**(2,170,998)**
Loss for the year is attributable to:			
Owners of AVZ Minerals Limited		(5,134,821)	(5,144,410)
Non-controlling interests		(165,037)	(119,160)
		(5,299,858)	**(5,263,570)**
Total comprehensive loss for the year attributable to:			
Owners of AVZ Minerals Limited		(4,260,747)	(2,677,637)
Non-controlling interests		74,601	506,639
		(4,186,146)	**(2,170,998)**
Basic and diluted loss per share attributable to owners of AVZ Minerals Limited (cents per share)	18	(0.22)	(0.26)

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

As at 30 June 2020

	Note	Consolidated 2020 $	2019 $
Current Assets			
Cash and cash equivalents	6	14,202,294	8,750,641
Trade and other receivables	7	395,980	207,100
Total Current Assets		14,598,274	8,957,741
Non-Current Assets			
Mineral exploration and evaluation	8	84,896,432	74,184,250
Property, plant and equipment	9	1,092,204	1,348,416
Right-of-use asset	10	120,248	-
Total Non-Current Assets		86,108,884	75,532,666
Total Assets		**100,707,158**	**84,490,407**
Current Liabilities			
Trade and other payables	11	393,576	278,946
Provisions	12	36,714	3,423
Financial liabilities	13	-	2,138,357
Lease liability	10	72,881	-
Total Current Liabilities		503,171	2,420,726
Non-Current Liabilities			
Financial liabilities	13	5,796,838	5,074,286
Lease liability	10	51,351	-
Total Non-Current Liabilities		5,848,189	5,074,286
Total Liabilities		**6,351,360**	**7,495,012**
Net Assets		**94,355,798**	**76,995,395**
Equity			
Share capital	14	103,495,333	81,097,191
Reserves	16	9,332,520	9,630,639
Accumulated losses		(30,162,109)	(25,347,888)
Capital and reserves attributable to owners of AVZ Minerals Ltd		82,665,744	65,379,942
Non-controlling interests	22	11,690,054	11,615,453
Total Equity		**94,355,798**	**76,995,395**

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

For the Year Ended 30 June 2020

	Contributed Equity $	Accumulated Losses $	Share Options Reserve $	Foreign Currency Reserve $	Total $	Non-controlling Interests $	Total Equity $
Balance at 1 July 2019	**81,097,191**	**(25,347,888)**	**6,361,769**	**3,268,870**	**65,379,942**	**11,615,453**	**76,995,395**
Loss for the year	-	(5,134,821)	-	-	(5,134,821)	(165,037)	(5,299,858)
Exchange differences on translation of foreign operations	-	-	-	874,074	874,074	239,638	1,113,712
Total comprehensive income/(loss) for the year	-	(5,134,821)	-	874,074	(4,260,747)	74,601	(4,186,146)
Transactions with owners in their capacity as owners:							
Issue of shares	14,287,570	-	-	-	14,287,570	-	14,287,570
Share issue transaction costs	(1,020,748)	-	-	-	(1,020,748)	-	(1,020,748)
Share-based payments	141,000	-	2,029,407	-	2,170,407	-	2,170,407
Performance rights lapsed	-	320,600	(320,600)	-	-	-	-
Exercise of Options	6,109,320	-	-	-	6,109,320	-	6,109,320
Conversion of Performance Rights	2,881,000	-	(2,881,000)	-	-	-	-
Total transactions with owners in their capacity as owners	22,398,142	320,600	(1,172,193)	-	21,546,549	-	21,546,549
Balance at 30 June 2020	**103,495,333**	**(30,162,109)**	**5,189,576**	**4,142,944**	**82,665,744**	**11,690,054**	**94,355,798**
Balance at 1 July 2018	**66,973,014**	**(20,203,478)**	**4,025,591**	**802,097**	**51,597,224**	**11,108,814**	**62,706,038**
Loss for the year	-	(5,144,410)	-	-	(5,144,410)	(119,160)	(5,263,570)
Exchange differences on translation of foreign operations	-	-	-	2,466,773	2,466,773	625,799	3,092,572
Total comprehensive income/(loss) for the year	-	(5,144,410)	-	2,466,773	(2,677,637)	506,639	(2,170,998)
Transactions with owners in their capacity as owners:							
Contributions of equity (net of transaction costs)	13,934,177	-	-	-	13,934,177	-	13,934,177
Share-based payments	-	-	2,336,178	-	2,336,178	-	2,336,178
Exercise of Options	190,000	-	-	-	190,000	-	190,000
Conversion of Performance Rights	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	14,124,177	-	2,336,178	-	16,460,355	-	16,460,355
Balance at 30 June 2019	**81,097,191**	**(25,347,888)**	**6,361,769**	**3,268,870**	**65,379,942**	**11,615,453**	**76,995,395**

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

For the Year Ended 30 June 2020

	Note	Consolidated 2020 $	2019 $
Cash Flows from Operating Activities			
Payments to suppliers and employees (inclusive of GST)		(1,921,203)	(2,316,115)
Interest received		76,524	110,744
Interest expense		(13,839)	-
COVID-19 cashflow boost government incentive		42,234	-
Net cash outflow from operating activities	19	**(1,816,284)**	**(2,205,371)**
Cash Flows from Investing Activities			
Payments for exploration and evaluation		(9,448,589)	(16,749,727)
Payments for property, plant and equipment		(89,240)	(639,950)
Payment of deferred consideration		(2,162,731)	(2,115,075)
Net cash outflow from investing activities		**(11,700,560)**	**(19,504,752)**
Cash Flows from Financing Activities			
Proceeds from issue of shares and other equity securities		14,136,815	15,000,000
Proceeds from exercise of options		6,109,320	190,000
Share issue transaction costs		(1,020,748)	(1,065,823)
Proceed from convertible note		1,530,531	-
Payment of convertible note		(1,555,529)	-
Payment of lease liablity		(68,165)	-
Net cash inflow from financing activities		**19,132,224**	**14,124,177**
Net increase/(decrease) in cash and cash equivalents		5,615,380	**(7,585,946)**
Exchange rate adjustments		(163,727)	71
Cash and cash equivalents at the start of the year		8,750,641	16,336,516
Cash and cash equivalents at the end of the year	6	**14,202,294**	**8,750,641**

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

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements present the financial information for AVZ Minerals Limited as a consolidated entity consisting of AVZ Minerals Limited and the entities is controlled throughout the year (Group or consolidated entity). The Group is a for-profit entity for the purpose of this financial report.

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Accounting Interpretations and the Corporations Act 2001.

i. Statement of Compliance

The financial report complies with Australian Accounting Standards which include International Financial Reporting Standards as adopted in Australia. Compliance with these standards ensures that the consolidated financial statements and notes as presented comply with International Financial Reporting Standards (IFRS).

ii. Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

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

The Group incurred a loss for the year of $5,299,858 (2019: $5,263,570) and net cash outflows from operating activities of $1,816,284 (2019: $2,205,371). As at 30 June 2020, the Group has a working capital surplus of $14,095,103.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash flow forecasts, the directors are satisfied that the going concern basis of preparation is appropriate. In determining the appropriateness of the basis of preparation, the Directors have considered the impact of the COVID-19 pandemic on the position of the Group at 30 June 2020 and its operations in future periods.

1. Summary of Significant Accounting Policies (continued)

(c) Basis of Consolidation

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of AVZ Minerals Limited as at 30 June 2020 and the results of all subsidiaries for the year then ended. AVZ Minerals Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Consolidated Entity, are shown separately within the Equity section of the consolidated Statement of Financial Position and in the consolidated Statement of Profit or Loss and Other Comprehensive Income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii. Control over subsidiaries

In determining whether the consolidated Group has control over subsidiaries that are not wholly owned, judgement is applied to assess the ability of the consolidated Group to control the day to day activities of the partly owned subsidiary and its economic outcomes. In exercising this judgement, the commercial and legal relationships that the consolidated Group has with other owners of partly owned subsidiaries are taken into consideration.

Whilst the consolidated Group is not able to control all activities of a partly owned subsidiary, the partly owned subsidiary is consolidated within the consolidated Group where it is determined that the consolidated Group controls the day to day activities and economic outcomes of a partly owned subsidiary. Changes in agreements with other owners of partly owned subsidiaries could result in a loss of control and subsequently de-consolidation.

During 30 June 2017, AVZ Minerals Limited acquired 60% of the issued shares of Dathcom Mining SA (previously known as Dathcom Mining SAS) by the issue of shares and cash. Under the terms of shareholders agreements the Company is at this stage solely responsible for funding exploration activities and therefore has control over the day to day activities and economic outcomes of Dathcom Mining SA. Future changes to the shareholders agreements may impact on the ability of the Company to control Dathcom Mining SA.

(d) Share-based payment transactions for the acquisition of goods and services

Share-based payment arrangements in which the Group receives goods or services as in exchange for its own equity instruments are accounted for as equity-settled share-based payment transactions. The Group measures the value of equity instruments granted at the fair value of the goods and services received, unless that fair value cannot be measured reliably.

If the fair value of the goods or services received cannot be reliably measured, the transaction is measured by the by reference to the fair value of the instruments granted.

The calculation of the fair value of equity instruments at the date at which they are granted is determined using a Black-Scholes option pricing model, calculation of the fair value involves estimations of the relevant inputs to the pricing model.

1. Summary of Significant Accounting Policies (continued)

(e) Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets
Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price (excludes estimates of variable consideration) as defined in AASB 15 Revenue, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

Financial Liabilities and Equity
Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

All other loans including convertible loan notes are initially recorded at fair value, which is ordinarily equal to the proceeds received net of transaction costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Effective Interest Rate Method
The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(f) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

(g) Revenue recognition

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expected to be entitled. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled.

COVID-19 revenue is recognised when it is received or when the right to receive payment is established.

1. Summary of Significant Accounting Policies (continued)

(h) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(i) Impairment of assets

At each reporting date the Group assesses whether there is any indication that an asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For the purpose of presentation of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(k) Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- Such costs are expected to be recouped through successful development and exploitation or from sale of the area: or
- Exploration and evaluation activities in the area have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

1. Summary of Significant Accounting Policies (continued)

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(m) 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, IT equipment and furniture – 5 years

(n) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(o) Employee benefits

i. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as other payables.

ii. Share-based payments

The company provides benefits to employees (including directors) of the company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The fair value is determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of shares of AVZ Minerals Limited ('market conditions').

(p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

1. Summary of Significant Accounting Policies (continued)

(q) Earnings per share

i. Basic earnings per share

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the company excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-tax effect of interest and other financing costs associated with the dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Goods and services tax (GST) and Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Revenue, expenses and assets incurred in overseas are recorded inclusive of VAT and no receivable or payable is recorded as the recoverability of the VAT from the relevant taxation authority is uncertain.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is AVZ Mineral's functional and presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

1. Summary of Significant Accounting Policies (continued)

(s) Foreign currency translation (continued)

iii. Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for the statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(t) Share based payments

Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation technique, further details of which are given in the remuneration report.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of AVZ Minerals Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and
(ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Statement of Profit or Loss and Other Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

1. Summary of Significant Accounting Policies (continued)

(t) Share based payments (continued)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(u) New accounting standards and interpretations

Adoption of new and revised standards

In the year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting periods beginning on or after 1 July 2019.

As a result of this review, the Group has applied AASB 16 from 1 July 2019.

<u>AASB 16 Leases</u>
AASB 16 replaces the provisions of AASB 117 Leases that relate to the recognition, classification and measurement of leases. This note explains the impact of the adoption of AASB 16 Leases on the Company's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

On 1 July 2019, the Company held one lease, for the office based in West Perth. The Company assessed which business model applied to the lease and classified its lease into the appropriate AASB 16 category. The Company entered into an additional lease on 1 September 2019.

The Company has elected to apply AASB 16 utilising the modified retrospective approach from 1 July 2019, and therefore has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

Reclassification from administration expense to a lease liability and right-of-use ("ROU") asset

The office lease was reclassified from an operating lease which was recorded as an administrative expense in the consolidated statement of profit or loss, as payments were made each month under the previous AASB 117, to recognising a lease liability and a ROU asset in its balance sheet under the new AASB 16. The lease payments are discounted using the Company's incremental borrowing rate of 6.66%. See Note 10 for further details.

(v) New accounting standards and interpretations not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

(w) Parent Entity Financial Information

The financial information for the parent entity, AVZ Minerals Limited, disclosed in Note 25 has been prepared on the same basis as the consolidated financial statements.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and judgements may differ from the related actual results and may have a significant effect on the carrying amount of assets and liabilities within the next financial year and on the amounts recognised in the financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Impairment of deferred exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at reporting date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. The Board and Management have assessed the carrying value of the Exploration and Evaluation Expenditure to be impaired. Refer to the accounting policy stated in Note 1(k) and to Note 8 for movements in the exploration and evaluation expenditure balance.

b) Share based payment transactions

The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value for options is determined by an internal valuation using a Black-Scholes option pricing model. The fair value of Performance Rights is determined by using the underlying share price at grant date.

c) Tax in foreign jurisdictions

The consolidated entity operates in overseas jurisdictions and accordingly is required to comply with the taxation requirements of those relevant countries. This results in the consolidated entity making estimates in relation to taxes including but not limited to income tax, goods and services tax, withholding tax and employee income tax. The consolidated entity estimates its tax liabilities based on the consolidated entity's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact profit or loss in the period in which they are settled.

d) Deferred consideration

Deferred consideration is required to be paid at any time over a three year period. As such management have made judgements around the financing component associated with the deferred consideration, and an estimated repayment date to assess the present value of the deferred consideration.

e) Estimation of the Group's borrowing rate

The lease payments used to determine the lease liability and rignt-of-use of asset at 1 July 2019 under AASB 16 Leases are discounted using the Group's incremental borrowing rate of 6.6%.

		Consolidated 2020 $	2019 $
3.	**Revenue**		
	Interest received	86,058	110,744
	Rental income	16,498	-
	Admin on charges	11,044	-
	COVID-19 cashflow boost government incentive	100,000	-
	Other income	3,676	-
	Sale of equipment	-	6,818
	Total revenue and other income	217,276	117,562

		Consolidated 2020 $	Consolidated 2019 $
4.	**Auditor's Remuneration**		
	Remuneration of the auditors of the consolidated entity for:		
	Auditing and reviewing the financial statements:		
	- BDO Audit (WA) Pty Ltd	-	45,405
	- Bentleys Audit & Corporate (WA) Pty Ltd	85,000	-
	Total remuneration of auditors	85,000	45,405

		Consolidated 2020 $	Consolidated 2019 $
5.	**Income Tax Expense**		
(a)	Numerical reconciliation of income tax expense to prima facie tax payable		
	Loss from continuing operations before income tax expense	(5,299,858)	(5,263,570)
	Tax at the tax rate of 30% (2019: 30%)	(1,589,957)	(1,579,071)
	Tax effect of amounts which are not deductible in calculating taxable income:		
	Non-deductible expenses	953,162	925,518
	Unrecognised tax losses	776,716	697,989
	Movement in unrecognised temporary differences	166,304	(566)
	Deductible equity raising costs	(306,225)	(43,871)
	Income tax expense	-	-
(b)	Deferred tax asset not recognised*		
	Tax losses	3,981,456	3,165,963
	Exploration and expenditure	494,977	211,811
	Other		-
	Net deferred tax not recognised	4,476,433	3,377,774

*The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

		Consolidated 2020 $	Consolidated 2019 $
6.	**Cash & Cash Equivalents**		
	Cash at bank & in hand	14,202,294	8,750,641
	Total cash & cash equivalents	14,202,294	8,750,641

Cash on hand is non-interest bearing. Cash at bank bears interest rates between 0.01% and 2.9% (2019: 0.01% and 2.7%). Refer to Note 17 for the Group's exposure to interest rate and credit risk.

		Consolidated	
		2020	2019
		$	$
7.	**Trade and Other Receivables**		
	Advances to employees for field work purposes	66,912	55,790
	Accrued interest income	9,534	-
	GST receivable	179,603	68,102
	Deposits and securities	47,302	46,164
	COVID-19 cashflow boost government incentive receivable	57,766	-
	Prepayments	18,352	17,095
	Other receivables	16,511	19,949
	Total trade and other receivables	395,980	207,100

		Consolidated	
		2020	2019
		$	$
8.	**Exploration & Evaluation Expenditure**		
	Opening balance	74,184,250	49,690,995
	Acquisition during the year (i)	-	5,860,721
	Exploration costs	9,456,611	18,833,154
	Net exchange differences on translation	1,255,571	(200,620)
	Closing balance	84,896,432	74,184,250

(i) On 24 June 2019, the company announced that it has executed a Share Sale Purchase Agreement with Dathomir Mining Resources SARL to increase the Group's equity in the Manono Lithium and Tin Project for a total consideration of US$5,500,000. The total consideration converted to Australian dollars at 24 June 2019 was AU$5,860,721.

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 exploration of the areas of interest, or alternatively, by their sale.

		Consolidated	
		2020	2019
		$	$
9.	**Property, plant and equipment**		
	At cost	1,991,258	1,872,271
	Less: accumulated depreciation	(899,054)	(523,855)
		1,092,204	1,348,416
	Reconciliation		
	Opening balance	1,348,416	954,577
	Additions	89,240	641,530
	Depreciation expense	(379,143)	(300,281)
	Foreign currency translation difference movement	33,691	52,590
	Closing balance	1,092,204	1,348,416

		Consolidated 2020 $	2019 $
10.	**Leases**		
(a)	**Amounts recognised in the balance sheet**		
	Rights-of-use asset		
	Balance as at 1 July	-	-
	Right-of-use assets recognised as at 1 July	192,397	-
	Less: Depreciation	(72,149)	-
	Closing balance	120,248	-
			-
	Lease liabilities		-
	Balance as at 1 July	-	-
	Lease liabilities recognised as at 1 July	192,397	-
	Add: Interest	10,364	-
	Less: Payment per Consolidated Statement of Cash Flows	(78,529)	-
	Closing balance	124,232	-
	Current	72,881	-
	Non-current	51,351	-
	Closing balance	124,232	-
(b)	**Amounts recognised in the consolidated statement of profit or loss**		
	Depreciation of right-of-use asset	72,149	-
	Interest expense on lease liabilities	10,364	-

(c) Leasing Activities

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

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

Initial measurement

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

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

		Consolidated 2020 $	Consolidated 2019 $
11.	**Trade & Other Payables**		
	Current		
	Trade payables	320,935	216,412
	Employee benefits and related payables	19,894	6,925
	Accrued expenses	35,000	50,700
	Others	17,747	4,909
	Total current trade & other payables	393,576	278,946

The Group's exposure to liquidity risk is noted in Note 17.

		Consolidated 2020 $	Consolidated 2019 $
12.	**Provisions**		
	Current		
	Employee benefits	36,714	3,423
	Total current provisions	36,714	3,423

The Group's provision for employee benefits represents annual leave payable.

		Consolidated 2020 $	Consolidated 2019 $
13.	**Financial Liabilities**		
	Acquisition of a 60% interest in Dathcom Mining SA (previously known as Dathcom Mining SAS) on 23 May 2017		
	Deferred Consideration		
	Current Liability		
	Principal	1,425,456	2,027,027
	Principal repayments (i)	(1,450,241)	(2,115,075)
	Realised foreign exchange loss on repayments	24,785	73,535
	Fair value decrease taken to profit or loss	-	(152,079)
	Transfer between current/non-current	-	1,592,048
	At 30 June	-	1,425,456
	Non-Current Liability		
	Principal	-	1,022,043
	Transfer between current/non-current	-	(1,592,048)
	Fair value increase taken to profit or loss	-	570,005
	At 30 June	-	-
	Total	-	1,425,456

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

	Consolidated 2020 $	Consolidated 2019 $
13. Financial Liabilities (Continued)		
Acquisition of 5% interest in Dathcom Mining SA on 24 June 2019		
Deferred Consideration		
Current Liability		
Principal	712,901	712,901
Principal repayments received per Consolidated Statement of Cash Flows	(712,490)	-
Realised foreign exchange loss on repayments	(411)	-
At 30 June	-	712,901
Non-Current Liability		
Opening balance	5,074,286	5,074,286
Fair value increase taken to profit or loss	722,552	-
At 30 June	5,796,838	5,074,286
Total	5,796,838	5,787,187

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

The value of the deferred consideration is the board's assessment of the value of contracted future payments issued under the agreement for the acquisition of Dathcom Mining SA. The fair value is based on assumptions to present value the future payments based on a discount rate of 12%. The principal payments are contractually required in U.S. dollars and have been converted to Australian dollars at 30 June 2020.

	Consolidated 2020 $	Consolidated 2019 $
Total Deferred Consideration		
Total current liability	-	2,138,357
Total non-current liability	5,796,838	5,074,286
Total Liability	5,796,838	7,212,643

	Consolidated 2020 Shares	Consolidated 2019 Shares	Consolidated 2020 $	Consolidated 2019 $
14. Share capital				
Ordinary shares - fully paid	2,838,498,508	2,287,198,459	103,495,333	81,097,191
Total Share Capital	2,838,498,508	2,287,198,459	103,495,333	81,097,191

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholders meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

	Date	Number of Shares $	Fair Value $	Total $
14. Share capital (Continued)				
Movements in share capital				
Opening Balance 1 July 2018		1,868,461,449		66,973,014
Conversion of Performance Rights[1]	19 Jul 18	20,000,000	0.029	-
Share Purchase Plan	25 Feb 19	137,250,166	0.038	5,215,507
Placement	4 Mar 19	257,486,844	0.038	9,784,500
Exercise of Listed Options during the year	7 Jun 19	4,000,000	0.048	190,000
Less: Transaction costs arising on share issues		-		(1,065,830)
Closing Balance at 30 June 2019		2,287,198,459		81,097,191
Opening Balance 1 July 2019		2,287,198,459		81,097,191
Conversion of Performance Rights[1]	19 Jul 18	-	0.029	580,000
Share based payment[2]	5 Jul 19	3,000,000	0.047	141,000
Conversion of Performance Rights[3]	11 Jul 19	13,950,000	0.10	1,341,000
Exercise of Listed Options[4]	Various	203,649,049	0.03	6,109,320
Issue of shares	11 Feb 20	1,000	0.07	70
Share placement[5]	8 Apr 20	40,000,000	0.045	1,800,000
Share placement[6]	24 Apr 20	40,000,000	0.045	1,800,000
Share placement[7]	14 May 20	237,500,000	0.045	10,687,500
Conversion of Performance Rights[8]	12 Jun 20	13,200,000	0.072	960,000
Less: Transaction costs arising on share issues		-		(1,020,748)
Closing Balance at 30 June 2020		2,838,498,508		103,495,333

[1]On 19 July 2018, 20,000,000 Performance Rights vested and were converted to Ordinary Shares. The fair value of the Performance Rights of $580,000 was transferred from Share based payment reserve to Share Capital during the year ended 30 June 2020.

[2]On 5 July 2019, 3,000,000 shares were issued to a supplier in lieu of cash payments for investor relations services received.

[3]On 11 July 2019 5,000,000 Class C Performance Rights and 8,950,000 Class E Performance Rights vested and converted to Ordinary Shares. The fair value of the Performance Rights of $1,341,000 was transferred from Share based payment reserve to Share Capital.

[4]During the year ended 30 June 2020 a total of 203,649,049 Listed Options (exercisable at $0.03 on or before 24 May 2020) were exercised.

[5]On 8 April 2020, the Company completed a $1.8 million placement through the issue of 40,000,000 shares at $0.0045 per share and 60,000,002 free-attaching options exercisable at $0.06 expiring on 8 April 2022 to Lithium Plus and other sophisticated and professional investors, all of whom are non-related parties.

[6]On 24 April 2020, the Company completed a $1.8 million placement through the issue of 40,000,000 shares at $0.0045 per share and 60,000,002 free-attaching options exercisable at $0.06 expiring on 8 April 2022 to Lithium Plus and other sophisticated and professional investors, all of whom are non-related parties.

[7]On 14 May 2020, the Company completed a $10.7 million placement through the issue of 237,500,000 shares at $0.0045 per share to Yibin Tianyi Lithium Industry Co,Ltd.

[8]On 12 June 2020 the Company issued 13,200,000 fully paid ordinary shares following the vesting of Class E and Class H Performance Rights (Completion of the Definitive Feasibility Study on the Manono Project.

15. Share Options and Performance Rights

(a) Share Options

	Expiry date	Exercise price (cents)	Balance at start of year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of the year
2020							
Unlisted	28 Apr 2020	30.5	30,000,000	-	-	(30,000,000)	-
Listed	24 May 2020	3.0	203,649,049	-	(203,649,049)	-	-
Unlisted	5 Mar 2021	4.75	1,000,000	-	-	-	1,000,000
Unlisted	5 Sep 2021	5.7	5,000,000	-	-	-	5,000,000
Unlisted	5 Mar 2022	6.65	5,000,000	-	-	-	5,000,000
Unlisted	8 Apr 2022	6.0	-	120,000,002[1]	-	-	120,000,002
			244,649,049	120,000,002	(203,649,049)	(30,000,000)	131,000,002
2019							
Unlisted	28 Apr 2020	30.5	30,000,000	-	-	-	30,000,000
Unlisted	15 Apr 2019	10.0	207,428,573	-	-	(207,428,573)	-
Listed	24 May 2020	3.0	203,649,049	-	-	-	203,649,049
Unlisted	5 Mar 2021	4.75	-	5,000,000	(4,000,000)	-	1,000,000
Unlisted	5 Sep 2021	5.7	-	5,000,000	-	-	5,000,000
Unlisted	5 Mar 2022	6.65	-	5,000,000	-	-	5,000,000
			441,077,622	15,000,000	(4,000,000)	(207,428,573)	244,649,049

[1]On 8 April 2020 and 24 April 2020, the Company completed a $3.6 million placement through the issue of 80,000,000 shares at $0.0045 per share and 120,000,002 free-attaching options exercisable at $0.06 expiring on 8 April 2022 to Lithium Plus and other sophisticated and professional investors, all of whom are non-related parties.

(b) Performance Rights

	Expiry date	Exercise price	Balance at start of year	Granted during the year	Converted during the year	Cancelled/ lapsed during the year	Balance at end of the year
2020							
Class B	30 Nov 2021	-	7,500,000	-	-	(7,500,000)	-
Class C	12 Oct 2018	-	5,000,000	-	(5,000,000)	-	-
Class D	Various	-	14,850,000	-	-	(11,250,000)	3,600,000
Class E	3 Dec 2021	-	35,800,000	-	(17,650,000)	(750,000)	17,400,000
Class F	2 Jun 2022	-	8,000,000	-	-	-	8,000,000
Class G	2 Jun 2022	-	3,000,000	-	-	(3,000,000)	-
Class H	3 Dec 2021	-	4,500,000	-	(1,500,000)	-	3,000,000
Class I	11 Nov 2020	-	-	3,000,000	-	-	3,000,000
Class J	1 Nov 2022	-	-	3,000,000	(3,000,000)	-	-
Class K	3 Dec 2021	-	-	1,600,000	-	-	1,600,000
			78,650,000	7,600,000	(27,150,000)	(22,500,000)	36,600,000
2019							
Class A	22 May 2018	-	20,000,000	-	(20,000,000)	-	-
Class B	30 Nov 2021	-	7,500,000	-	-	-	7,500,000
Class C	12 Oct 2018	-	5,000,000	-	-	-	5,000,000
Class D	Various	-	14,850,000	-	-	-	14,850,000
Class E	3 Dec 2021	-	-	35,800,000	-	-	35,800,000
Class F	3 Jun 2022	-	-	8,000,000	-	-	8,000,000
Class G	2 Jun 2022	-	-	3,000,000	-	-	3,000,000
Class H	3 Dec 2021	-	-	4,500,000	-	-	4,500,000
			47,350,000	51,300,000	(20,000,000)	-	78,650,000

		Consolidated 2020 $	Consolidated 2019 $
16.	**Reserves**		
	Share Options Reserve (a)	5,189,576	6,361,769
	Foreign currency translation reserve (b)	4,142,944	3,268,870
	Total reserves	9,332,520	9,630,639
(a)	Share Options Reserve (i)		
	Opening balance	6,361,769	4,025,591
	Unlisted Options issued during the year	-	587,718
	Share-based payment expense during the year	2,029,407	1,748,460
	Less: Conversion of Performance Rights	(2,881,000)	-
	Less: Performance Rights lapsed	(320,600)	-
	Closing balance	5,189,576	6,361,769
(b)	Foreign Currency Translation Reserve (ii)		
	Opening balance	3,268,870	802,097
	Exchange difference arising on translation of foreign operations	874,074	2,466,773
	Closing balance	4,142,944	3,268,870

Nature and purpose of reserves

(i) Share Options Reserve
The Share Options Reserve contains amounts received on the issue of options over unissued capital of the company. It is used to recognise the fair value of options and performance rights issued to employees and consultants but not exercised.

(ii) Foreign currency translation reserve
The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities. The exchange differences arising are recognised in other comprehensive income as detailed in Note 1(s) and accumulated within a separate reserve within equity. The cumulative amount is reclassified to the statement of profit or loss and other comprehensive income when the net investment is disposed of.

17. Financial Instruments, Risk Management Objectives and Policies

The consolidated entity's principal financial instruments comprise cash and cash equivalents. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the company. The consolidated entity also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the year under review, it has been the consolidated entity's policy not to trade in financial instruments. The main risks arising from the consolidated entity's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

Consolidated	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest	Non-interest bearing	Total
2020	%	$	$	$	$
Financial assets					
Cash and cash equivalents	1.11%	9,182,294	5,020,000	-	14,202,294
Trade and other receivables	-	-	-	377,628	377,628
		9,182,294	5,020,000	377,628	14,579,922
Financial liabilities					
Trade and other payables	-	-	-	393,576	393,576
Financial liabilities	-	-	-	5,796,838	5,796,838
		-	-	6,190,414	6,190,414

Consolidated	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest	Non-interest bearing	Total
2019	%	$	$	$	$
Financial assets					
Cash and cash equivalents	1.71%	8,750,641	-	-	8,750,641
Trade and other receivables	-	-	-	207,100	207,100
		8,750,641	-	207,100	8,957,741
Financial liabilities					
Trade and other payables	-	-	-	278,946	278,946
Financial liabilities	-	-	-	7,212,643	7,212,643
		-	-	7,491,589	7,491,589

The maturity date for cash included in the above tables is one year or less from reporting date.

(i) Sensitivity analysis

The Group's main interest rate risk arises from cash equivalents with variable and fixed interest rates. At 30 June 2020 and 30 June 2019, the Group's exposure to interest rate risk is not deemed material.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk. All cash equivalents are held with financial institutions with a credit rating of -AA or above.

17. Financial Instruments, Risk Management Objectives and Policies (continued)

(c) Foreign Currency Risk

The Group is exposed to fluctuations in foreign currencies arising from exploration commitments in currencies other than the Group's presentational currency (Australian Dollars).

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposure to the US Dollar (USD). The Group has not formalised a foreign currency risk management policy, however it monitors its foreign currency expenditure in light of exchange rate movements, and retains the right to withdraw from the foreign exploration commitments.

(i) Sensitivity analysis

The Group's main foreign currency risk arises from cash equivalents held in foreign currency denominated bank accounts and other payable amounts denominated in USD. At 30 June 2020 and 30 June 2019, the Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	2020 $	2019 $
Cash and cash equivalents	2,589,013	173,370
Trade & other receivables - current	58,094	55,398
	2,647,107	228,768
Trade and other payables	(24,912)	-
Financial liabilities	(5,796,838)	(7,212,643)
	(5,821,750)	(7,212,643)

A reasonably possible strengthening (weakening) of the AUD against USD at 30 June 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss for the Group by the amounts shown below, expressed in Australian dollar. This analysis assumes all other variables remain constant.

	2020		2019	
	Increase (Decrease) in Equity and Profit or Loss			
	AUD to USD		AUD to USD	
	+10% $	-10% $	+10% $	-10% $
Cash and cash equivalents	(235,365)	235,365	(15,771)	15,771
Trade & other receivables - current	(5,281)	5,281	(5,039)	5,039
	(240,646)	240,646	(20,810)	20,810
Trade and other payables	2,265	(2,265)	-	-
Financial liabilities	526,986	(526,986)	655,755	(655,755)
	529,251	(529,251)	655,755	(655,755)

(d) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the Group aims at ensuring flexibility in its liquidity profile by maintaining the ability to undertake capital raisings.

17. Financial Instruments, Risk Management Objectives and Policies (continued)

(d) Liquidity risk (continued)

Contractual maturities of financial assets/(liabilities)	Less than 6 months $	6-12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Total contractual cash inflows /(outflows) $	Carrying amount $
At 30 June 2020						
Cash and cash equivalents	14,202,294	-	-	-	14,202,294	14,202,294
Trade and other receivables	377,628	-	-	-	377,628	377,628
Trade and other payables	(393,576)	-	-	-	(393,576)	(393,576)
Financial liabilities	-	-	-	(7,271,553)	(7,271,553)	(7,271,553)
	14,186,346	-	-	(7,271,553)	6,914,793	6,914,793
At 30 June 2019						
Cash and cash equivalents	8,750,641	-	-	-	8,750,641	8,750,641
Trade and other receivables	207,100	-	-	-	207,100	207,100
Trade and other payables	(278,946)	-	-	-	(278,946)	(278,946)
Financial liabilities	-	(2,138,357)	-	(7,129,007)	(9,267,364)	(9,267,364)
	8,678,795	(2,138,357)	-	(7,129,007)	(588,569)	(588,569)

(e) Net fair value
The carrying value and net fair values of financial assets and liabilities at reporting date are:

Consolidated	2020 Carrying Amount $	2020 Net fair Value $	2019 Carrying Amount $	2019 Net fair Value $
Financial assets:				
Cash and cash equivalents	14,202,294	14,202,294	8,750,641	8,750,641
Trade and other receivables - current	377,628	377,628	207,100	207,100
	14,579,922	14,579,922	8,957,741	8,957,741
Financial liabilities:				
Trade and other payables - current	393,576	393,576	278,946	278,946
Financial liabilities - current	-	-	2,138,357	2,138,357
Financial liabilities - non-current	5,796,838	5,796,838	5,074,286	5,074,286
	6,190,414	6,190,414	7,491,589	7,491,589

(f) 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).

Due to their short-term nature, the carrying amount of the current receivables and current payables is assumed to approximate their fair value. Refer to Note 13 for assumptions made in relation to determining fair value of financial liabilities.

		Consolidated 2020 $	Consolidated 2019 $
18.	**Loss per Share**		
(a)	Loss		
	Loss used in the calculation of basic and diluted EPS ($)	(5,134,821)	(5,263,570)
(b)	Weighted average number of ordinary shares ('WANOS')		
	WANOS used in the calculation of basic and diluted loss per share:	2,379,675,452	2,017,918,212
		cents per share	cents per share
	Basic and diluted loss per share	(0.22)	(0.26)

Diluted earnings per share is equal to basic loss per share as the Group is in a loss position.

		Consolidated 2020 $	Consolidated 2019 $
19.	**Cash Flow Information**		
	Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax:		
	Loss for the year	(5,299,858)	(5,263,570)
	Depreciation	379,143	300,281
	Share-based payment	2,170,407	2,336,178
	Movement in fair value of financial liabilities	722,552	417,926
	Interest income accrued	(9,534)	-
	Interest expense on convertible note	19,126	-
	Unrealised foreign exchange loss on convertible note	(238)	-
	Net realised and unrealised foreign exchange losses	42,756	-
	Depreciation expense of right-of-use asset	72,149	-
	Changes in assets and liabilities:		
	(Increase)/Decrease in operating receivables and prepayments	(169,916)	5,011
	Increase/(Decrease) in trade and other payables	257,129	(1,197)
	Net cash outflows from operating activities	(1,816,284)	(2,205,371)
	Non-cash investing and financing activities		
	Issue of ordinary shares for investor relations services	141,000	-
	Issue of ordinary shares from conversion of performance Rights	2,881,000	-
		3,022,000	-

Changes in financial liabilities arising from financing activities are disclosed in Note 13. Changes in lease liabilities arising from financing activities are disclosed in Note 10.

20. Segment Information

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.

21. Commitments and Contingencies

There are no other commitments or contingent liabilities outstanding at the end of the year.

22. Subsidiaries and non-controlling entities

(a) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(c):

Name of entity	Country of incorporation	Class of shares	Equity holding[1] 2020	2019
				%
AVZ International Pty Ltd	Australia	Ordinary	100	100
AVZ Minerals Congo SARL	DRC	Ordinary	100	100
AVZ Power	DRC	Ordinary	100	100
Dathcom Mining SA	DRC	Ordinary	60	60

[1] The proportion of ownership interest is equal to the proportion of voting power held.

(b) Non-controlling entities

The following table sets out the summarised financial information for each subsidiary that has non-controlling interests. Amounts disclosed are before intercompany eliminations (AASB 12.B11).

Summarised statement of Financial Position	Dathcom Mining SA 30 June 2020	30 June 2019
Current Assets	565,217	122,715
Non-current Assets	71,893,672	74,176,652
Total Assets	72,458,889	74,299,367
Current Liabilities	7,480	3,042
Non-current Liabilities	44,654,926	34,665,203
Total Liabilities	44,662,406	34,668,245
Net Assets	27,796,483	39,631,122
Accumulated NCI	11,690,054	11,615,453

23. Related Party Information

(a) Parent entity

The ultimate parent entity within the Group is AVZ Minerals Limited.

(b) Subsidiaries

Interests in subsidiaries are set out above.

(c) Key management personnel

The key management personnel compensation is as follows:

	Consolidated 2020 $	2019 $
Key Management Personnel Compensation		
Summary remuneration		
Short-term benefits	1,197,377	888,563
Post-employment benefits	25,074	5,205
Share-based payments	1,405,550	1,258,511
Total key management personnel compensation	2,628,001	2,152,279

Details of remuneration disclosures are provided within the audited remuneration report which can be found on pages 21 to 25 of the Directors' report. Refer page 24 for transactions with related parties.

24. Share Based Payments

	Consolidated 2020 $	2019 $
Options (a)	-	587,718
Performance Rights (b)	2,029,407	1,748,460
Total share based payments	2,029,407	2,336,178

(a) Options

Share based payment arrangement during the year ended 30 June 2020
No options were issued to current directors and executives as part of their remuneration during year ended 30 June 2020.

Share based payment arrangement granted in prior years and still in existence at 30 June 2020
During the year ended 30 June 2019, 15,000,000 unlisted options were issued to Patersons Securities Limited for being an advisor and underwriter for the February 2019 capital raising. The total fair value of the options was estimated at $587,718 as at the date of grant using the Black-Scholes model taking into account the terms and conditions upon which the options were granted.

	Tranche 1	Tranche 2	Tranche 3
Number granted	5,000,000	5,000,000	5,000,000
Expected volatility (%)	103	103	110
Risk-free interest rate (%)	1.75	1.72	1.69
Expected life of option (years)	2.13	2.63	3.13
Exercise price (cents)	4.75	5.7	6.65
Share price at grant date (cents)	6.5	6.5	6.5
Fair value at grant date (cents)	3.78	3.8	4.1

4,000,000 of Tranche 1 unlisted options were exercised during the year ended 30 June 2019. The remaining 11,000,000 unlisted options have a weighted average remaining contractual life of 498 days.

(b) Performance Rights

Share based payment arrangement during the year ended 30 June 2020
3,000,000 Class I Performance Rights were issued to a consultant of the Company on 11 November 2019. These Performance Rights are split into three equal tranches with the following vesting conditions:

1. Tranche 1 – 1,000,000 shall vest if the volume weighted average share price ("VWAP") for AVZ shares on the ASX is $0.10 or higher for a period of consecutive 15 trading days.
2. Tranche 2 – 1,000,000 shall vest if the volume weighted average share price ("VWAP") for AVZ shares on the ASX is $0.15 or higher for a period of consecutive 15 trading days.
3. Tranche 3 – 1,000,000 shall vest if the volume weighted average share price ("VWAP") for AVZ shares on the ASX is $0.20 or higher for a period of consecutive 15 trading days.

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Value per Performance Right on Grant Date ($)	Total Fair Value ($)	% Vested
Class I	3,000,000	11/11/2019	Nil	11/11/2020	0.016	47,000	Nil

The 3,000,000 Class I Performance Rights were valued using the underlying share price at grant date.

Share based payment of $29,793 in relation to Class I Performance Rights has been expensed to statement of profit or loss and other comprehensive income over its vesting period.

24. Share Based Payments (Continued)

(a) Performance Rights (continued)

Share based payment arrangement during the year ended 30 June 2020 (continued)

3,000,000 Class J Performance Rights were issued to an employee of the Company on 1 November 2019. These Performance Rights are split into two equal tranches with the following vesting conditions:

1. shall vest upon delivering a positive and definitive transport route(s) for export of product to be included in the Definitive Feasibility Study – Manono Project.
2. shall vest upon completion and delivery of a positive Definitive Feasibility Study – Manono Project.

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date ($)	Total Fair Value ($)	% Vested
Class J	3,000,000	1/11/2019	Nil	1/11/2022	0.046	$138,000	100%

The Class J Performance Rights vested and converted into ordinary shares on 12 June 2020. Share based payment of $138,000 has been fully expensed to statement of profit or loss and other comprehensive income.

1,600,000 Class K Performance Rights were issued to employees of the Company on 12 June 2020. These Performance Rights are split into two equal tranches with the following vesting conditions:

1. 800,000 shall vest upon upon executing an offtake agreement for at least 25% of the product from the Manono Project.
2. 800,000 shall vest upon the completion of the Manono Project financing.

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date ($)	Total Fair Value ($)	% Vested
Class K	1,600,000	12/06/2020	Nil	3/12/2021	0.058	$92,800	Nil

Share based payment of $12,477 in relation to Class K Performance Rights has been expensed to statement of profit or loss and other comprehensive income over its vesting period at a 100% probability of meeting vesting conditions.

During the year ended 30 June 2020, 27,150,000 Performance Rights vested and were converted to Ordinary Shares following the satisfaction of various vesting conditions as below:

1. 5,000,000 Class C Performance Rights vested upon the Company defining a 100Mt Measured Mineral Resource in accordance with JORC Guidelines.
2. 17,650,000 Class E Performance Rights vested on the Company defining 150mt JORC measured indicated resource with at least 1% Li_2O being delineated within the Manono Project area and the completion of a Defenitive Feasibility Study.
3. 1,500,000 Class H Performance Rights vested upon the completion of a Defenitive Feasibility Study on Manono Project.
4. 3,000,000 Class J Performance Rights vested upon delivering a positive and definitive transport route(s) for export of product to be included in the Definitive Feasibility Study – Manono Project and the completion of a positive Definitive Feasibility Study.

During the year ended 30 June 2020, 22,500,000 Performance Rights lapsed/cancelled due to the following:

1. 7,500,000 Class B Performance Rights issued to Airguide International Pte Limited which vest upon execution of the first binding offtake partnership, development finance or prepayment finance agreement with an Airguide introduced party lapsed when the contract with Airguide was terminated.
2. 10,500,000 Class D Performance Rights which vest if the 10-day VWAP for the Shares on the ASX is $0.34-$0.44 or higher for the period commencing 6 months from the date of issue lapsed when the vesting conditions were not met.
3. 750,000 Class D Performance Rights were cancelled when an employee resigned.
4. 750,000 Class E Performance Rights were cancelled when an employee resigned.
5. 3,000,000 Class G Performance Rights were cancelled when an employee resigned.

24. Share Based Payments (Continued)

(a) Performance Rights (continued)

Share based payment arrangement granted in prior years and still in existence at 30 June 2020
The remaining 3,600,000 Class D Performance Rights were granted on 6 February 2018 to employees. 4,350,000 Performance Rights were issued and they have the following vesting conditions:

1. Tranche 1 – 1,450,000 shall vest if the volume weighted average share price ("VWAP") for AVZ shares on the ASX is $0.34 or higher for a period of consecutive 10 trading days.
2. Tranche 2 – 1,450,000 shall vest if the volume weighted average share price ("VWAP") for AVZ shares on the ASX is $0.40 or higher for a period of consecutive 10 trading days.
3. Tranche 3 – 1,450,000 shall vest if the volume weighted average share price ("VWAP") for AVZ shares on the ASX is $0.44 or higher for a period of consecutive 10 trading days.

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Fair Value on Grant Date ($)	Total Fair Value ($)	% Vested
Tranche 1	1,450,000	6 Feb-18	Nil	5-Feb-21	0.134	194,010	Nil
Tranche 2	1,450,000	6 Feb-18	Nil	5-Feb-21	0.126	182,555	Nil
Tranche 3	1,450,000	6 Feb-18	Nil	5-Feb-21	0.121	175,740	Nil

750,000 Class D Performance Rights were cancelled on 11 July 2019 when an employee resigned.

Share based payment of $152,777 (2019: $139,837) in relation to Class D Performance Rights has been expensed to statement of profit or loss and other comprehensive income over its vesting period.

On 30 November 2018, 35,800,000 Class E Performance Rights were granted to directors, employees and contractors of the Company, with the vesting terms as below:

1. Tranche 1 – 8,950,000 Performance Rights shall vest upon the Company defining a 150Mt measured and indicated mineral resource in accordance with the JORC Guidelines with a minimum 1% Li2O being delineated within the Manono Project area;
2. Tranche 2 – 8,950,000 Performance Rights shall vest upon completion of a Feasibility Study on the Manono Project;
3. Tranche 3 – 8,950,000 Performance Rights shall vest upon executing an offtake agreement for at least 25% of the product from Manono Project; and
4. Tranche 4 – 8,950,000 Performance Rights shall vest upon the completion of the Manono Project financing.

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date ($)	Total Fair Value ($)	% Vested
Tranche 1	8,950,000	30 Nov-18	Nil	3-Dec-21	0.08	716,000	100%
Tranche 2	8,950,000	30 Nov-18	Nil	3-Dec-21	0.08	716,000	100%
Tranche 3	8,950,000	30 Nov-18	Nil	3-Dec-21	0.08	716,000	Nil
Tranche 4	8,950,000	30 Nov-18	Nil	3-Dec-21	0.08	716,000	Nil

8,950,000 Tranche 1 Class E Performance Rights vested and converted on 11 July 2019. 750,000 of Tranche 2, 3 and 4 Performance Rights were cancelled when an employee resigned. 8,700,000 Tranche 2 Performance Rights vested and converted on 12 June 2020.

The share based payments in relation to Class E Performance Rights of $1,028,965 (2019: $1,569,595) were expensed to the statement of profit or loss and other comprehensive income over its vesting period at a 100% probability of meeting vesting conditions.

24. Share Based Payments (continued)

(b) Performance Rights (continued)

Share based payment arrangement granted in prior years and still in existence at 30 June 2020 (continued)
On 3 June 2019, 8,000,000 Class F Performance Rights were issued to a contractor of the Company, with the vesting terms as below:

1. Tranche 1 – 2,000,000 Performance Rights shall vest upon successfully converting the Manono Project licence from PR to PE and lodgement of the Bankable Feasibility Study with the DRC and Provincial Government;
2. Tranche 2 – 2,000,000 Performance Rights shall vest on completion and acceptance of the Mining Convention by the DRC Government, ensure Manono Project licence remains in good standing with the relevant government departments,
3. Tranche 3 – 4,000,000 Performance Rights shall vest upon the issue of a legally binding exoneration on corporate and regional tax and import duty on major capital items for a period of 3 years from start-up – in event that the company secures a longer period a further tranche will be awarded pro-rata, i.e. 6 years a further 2 million.

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date ($)	Total Fair Value ($)	% Vested
Tranche 1	2,000,000	3-Jun-19	Nil	3-Jun-22	0.08	160,000	Nil
Tranche 2	2,000,000	3-Jun-19	Nil	3-Jun-22	0.08	160,000	Nil
Tranche 3	4,000,000	3-Jun-19	Nil	3-Jun-22	0.08	320,000	Nil

The share based payments in relation to Class F Performance Rights of $376,004 (2019: $63,764) were expensed to the statement of profit or loss and other comprehensive income over its vesting period at a 100% probability of meeting vesting conditions.

On 3 June 2019, 3,000,000 Class G Performance Rights were issued to an employee of the Company, with the vesting terms as below:

1. Tranche 1 – 1,500,000 Performance Rights shall vest upon delivering a positive and definitive transport route(s) for export of product to be included in the Definitive Feasibility Study – Manono Project and completing the 3 months probationary period;
2. Tranche 2 – 1,500,000 Performance Rights shall vest on completion and delivery of a positive Definitive Feasibility Study – Manono Project and completing the 3 months probationary period.

The employee resigned in July 2019 and the Performance Rights were cancelled as a consequence.

On 3 June 2019, 4,500,000 Class H Performance Rights were issued to a director of the Company, with the vesting terms as below.

1. Tranche 1 – 1,500,000 Performance Rights shall vest upon Performance Rights shall vest upon the completion of Feasibility Study on the Manono Project;
2. Tranche 2 – 1,500,000 Performance Rights shall vest executing an offtake agreement for at least 25% of the product from the Manono Project;
3. Tranche 3 – 1,500,000 Performance Rights shall vest upon the completion of the Manono Project financing.

	Number Issued	Grant Date	Exercise Price	Expiry Date of Milestone Achievements	Underlying Share Price on Grant Date ($)	Total Fair Value ($)	% Vested
Tranche 1	1,500,000	3-Jun-19	Nil	3-Jun-22	0.08	120,000	100%
Tranche 2	1,500,000	3-Jun-19	Nil	3-Jun-22	0.08	120,000	Nil
Tranche 3	1,500,000	3-Jun-19	Nil	3-Jun-22	0.08	120,000	Nil

24. Share Based Payments (continued)

(b) Performance Rights (continued)

Share based payment arrangement granted in prior years and still in existence at 30 June 2020 (continued)

1,500,000 Tranche 1 of Class H Performance Rights vested and were converted on 12 June 2020.

The share based payments in relation to Class H Performance Rights of $291,391 (2019: $27,401) were expensed to the statement of profit or loss and other comprehensive income over its vesting period at a 100% probability of meeting vesting conditions.

All remaining 36,600,000 Performance Rights at 30 June 2020 have a weighted average remaining contractual life of 499 days.

(c) Shares issued as share based payments

During the year ended 30 June 2020, the Company settled payments for investor relation services received through the issue of ordinary shares. On 5 July 2019, the Company issued 3,000,000 shares to a supplier in lieu of cash payments for investor relation services received. The share-based payment was valued at the fair value of the services received. The shares were issued at the share price of 4.7c. Expenses of $141,000 were recognised as investor relations fees in the statement of profit or loss and other comprehensive income.

There were no shares issued as share based payments for the year ended 30 June 2019.

		Company 2020 $	Company 2019 $
25.	**Parent Entity Information**		
(a)	Assets		
	Current assets	14,024,919	8,660,943
	Non-current assets	71,148,634	60,933,316
	Total assets	85,173,553	69,594,259
(b)	Liabilities		
	Current liabilities	495,691	2,349,584
	Non-current Liabilities	5,848,189	5,074,286
	Total liabilities	6,343,880	7,423,870
	Net Assets	78,829,673	62,170,389
(c)	Equity		
	Contributed equity	103,495,333	81,097,191
	Accumulated losses	(29,855,236)	(25,288,571)
	Reserves	5,189,576	6,361,769
	Total equity	78,829,673	62,170,389
(d)	Total comprehensive loss for the year		
	Loss for the year	(4,887,265)	(4,965,669)
	Other comprehensive income for the year	-	-
	Total comprehensive loss for the year	(4,887,265)	(4,965,669)

The parent entity has not guaranteed any loans for any entity during the year. The parent entity does not have any contingent liabilities, or capital commitments.

26. Events Occurring after the Reporting Date

On 21 September 2020, AVZ announced on ASX that it has executed a Share Sale Purchase Agreement ("Agreement") for an additional 10% equity stake in Dathcom Mining SA ("Dathcom Mining") from its joint venture partner, Dathomir Mining Resources SARLU ("Dathomir Mining"). Under the Agreement, AVZ has paid US$500,000 to Dathomir Mining as an advance payment. The remaining US$15,000,000 will be paid to Dathomir Mining at any time within 12 months of the Agreement being executed, or as soon as AVZ secures a minimum of US$50,000,000 project financing. Should payment not be made within 12 months of executing the Agreement, AVZ will forego its US$500,000 advance payment and lose the rights to secure the additional 10% equity in the Manono Project. Alternatively, the Agreement provides for AVZ to secure a minimum 2.5% equity shareholding in Dathcom Mining and thereafter in pro rata amounts up to the maximum 10% stake during the 12-month period.

Other than the abovementioned, no other matter or circumstance has arisen that has significantly affected, or may significantly affect:

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

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 29 to 60 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

(b) the audited remuneration disclosures set out on pages 21 to 25 of the directors' report comply with section 300A of the Corporations Act 2001; and

(c) at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

Nigel Ferguson
Managing Director

Perth, Western Australia

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

Independent Auditor's Report

To the Members of AVZ Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AVZ Minerals Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2020, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Accounting for share based payments As disclosed in note 24 to the financial statements, during the year ended 30 June 2020 the Consolidated Entity incurred share based payments expense of $2,029,407. Share based payments are considered to be a key audit matter due to – the value of the transactions; – the complexities involved in the recognition and measurement of these instruments; and – the judgement involved in determining the inputs used in the valuations.	Our procedures amongst others included: › Analysing agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with *AASB 2 Share Based Payments*; › Evaluating valuation models and assessing the assumptions and inputs used; › Assessing the amount recognised during the year in accordance with the vesting conditions of the agreements; › Assessing the achievement of relevant milestones; and › Assessing the adequacy of the disclosures included in Note 24 to the financial statements.
Financial liabilities As disclosed in note 13 of the financial statements, the Consolidated Entity had deferred consideration payable of $5,796,838 for the acquisition of 5% interest in Dathcom Mining SA which is repayable in June 2020. Financial liabilities are considered to be a key audit matter due to the value of the transactions.	Our procedures amongst others included: › Verifying of first tranche payment to bank statements; › Assessing the accuracy of the calculations and discount rate applied and › Assessing the adequacy of the disclosures included in Note 13 to the financial statements.
Exploration and evaluation expenditure As disclosed in note 8 to the financial statements, as at 30 June 2020, the Consolidated Entity's capitalised exploration and evaluation expenditure was carried at $84,896,432.	Our audit procedures included but were not limited to: • Assessing management's determination of its areas of interest for consistency with the definition in AASB 6 *Exploration and Evaluation of Mineral Resources* ("AASB

Key audit matter	How our audit addressed the key audit matter
The recognition and recoverability of the exploration and evaluation expenditure was considered a key audit matter due to: - The carrying value represents a significant asset of the Consolidated Entity, we considered it necessary to assess whether facts and circumstances existed to suggest the carrying amount of this asset may exceed the recoverable amount; and - Determining whether impairment indicators exist involves significant judgement by management	6"); • Assessing the Consolidated Entity's rights to tenure for a sample of tenements; • Testing the Consolidated Entity's additions to capitalised exploration costs for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6 • By testing the status of the Consolidated Entity's tenure and planned future activities, reading board minutes and enquiries with management we assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised exploration costs: - The licenses for the rights to explore expiring in the near future or are not expected to be renewed; - Substantive expenditure for further exploration in the area of interest is not budgeted or planned; - Decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and - Data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recorded in full from successful development or sale. – We also assessed the appropriateness of the related disclosures in note 8 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of AVZ Minerals Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Bentleys

Chris Nicoloff

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Partner

Dated at Perth this 30th day of September 2020