



AVZ Minerals Limited

ABN 81 125 176 703

Interim Financial Report

31 December 2016

Corporate Directory

Executive Chairman

Klaus Eckhof

Executive Director

Nigel Ferguson

Non-Executive Director

Patrick Flint

Non-Executive Director

Gary Steinepreis

Company Secretary

Gary Steinepreis

Principal & Registered Office

Level 1, 33 Ord Street

West Perth WA 6005

Telephone: (08) 9420 9300

Facsimile: (08) 9420 9399

Share Registry

Security Transfer Registrars Pty Ltd

770 Canning Highway

APPLECROSS WA 6153

Telephone: (08) 9315 2333

Auditor

BDO Audit (WA) Pty Ltd

38 Station Street

SUBIACO WA 6008

Stock Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

Code: AVZ

Frankfurt Stock Exchange

Code: 3A2

Website Address

www.avzminerals.com.au

Directors' Report

Your directors present their report on the consolidated entity consisting of AVZ Minerals Limited and the entities it controlled ("AVZ" or "Group") at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of AVZ Minerals Limited during the half-year (or as disclosed) and up to the date of this report:

Klaus Eckhof - Executive Chairman

Nigel Ferguson – Executive Director (appointed 2 February 2017)

Patrick Flint - Non-Executive Director

Gary Steinepreis - Non-Executive Director

Charles Thomas - Non-Executive Director (retired 24 November 2016)

Company Secretary

The company secretary is Gary Steinepreis.

Review of Operations

During the half year, AVZ completed the acquisition of:

- a 100% interest in the Manono Extension Lithium, Tin and Tantalum Project (**Extension Project**) in the south of the Democratic Republic of Congo (**DRC**). The Extension Project comprises two granted exploration permits covering 242.25 km² and preliminary work has confirmed the potential for lithium bearing pegmatites within the project area as extensions to the main Manono Pegmatite. The acquisition consideration comprised the issue of 30 million shares and the payment of US\$200,000 cash. The Company has already agreed to issue a further 20,000,000 shares if the Company continues to hold the Extension Project after 30 April 2017; and
- a 60% interest in seven additional exploration licences in the south of the DRC. The licences cover a total of approximately 1,172km² within the prospective mid-Proterozoic Kibaran Belt and preliminary work has identified anomalous mineralization on two of the permits, with results indicative of pegmatite intrusives with an REE signature. Pursuant to the agreement, the Company paid A\$500,000 and to maintain its interest is required to fund expenditure to completion of a feasibility study.

Subsequent to the end of the half year and as announced on 2 February 2017, the Company has agreed to acquire, subject to certain conditions, a 60% interest in the Manono Lithium, Tin and Tantalum Project (**Manono Project**, comprising the historic Manono Mine and surrounding area) in the south of the DRC. The key terms of the acquisition are:

- The Company will be responsible for funding expenditure to completion of a feasibility study, and will also make certain cash payments and share issues in relation to the acquisition.
- The acquisition is subject to the completion of due diligence, shareholder approval and certain other conditions in connection with the acquisition.

In conjunction with the acquisition the Company also plans to complete a placement (**Placement**) of up to 250 million shares at an issue price of 2 cents per Share (together with up to 250 million attaching options exercisable at 3 cents and expiring 3 years from the date of issue) to raise up to \$5,000,000. The first tranche of the Placement of 125 million shares for \$2,500,000 was completed on 10 February 2017.

The shareholders meeting to consider resolutions associated with the acquisition of the interest in the Manono Project will be held on Thursday, 6 April 2017.

The due diligence review by the Company with respect to the Manono Project is progressing. Subsequent to the 2 February 2017 announcement the Company was advised that a third party (MMCS Strategic 1 (**MMCS**)) that had previously held an indirect interest in a historic licence at Manono (PE 12202) is claiming the cancellation of that licence in 2016 by the DRC Mining Registry was invalid. AVZ understands the DRC Minister of Mines has previously rejected an appeal against the cancellation (i.e. upheld the cancellation). AVZ's joint venture partner La Congolese D'exploitation Minière SA (Cominière, a State owned enterprise) has also made standard representations and warranties to AVZ with respect to the validity of title as part of the joint venture agreement. On 8 March 2017, AVZ was served a writ of summons filed in the Supreme Court of Western Australia by MMCS seeking a declaration that the rights conferred under PE 12202 issued by the Ministry of Mines in the DRC remain valid. The Company also considers and has informed MMCS by its lawyers that:

Directors' Report (continued)

- the proceedings ought to be stayed on the basis that the Supreme Court of Western Australia (Court) is a clearly inappropriate forum for the determination of a question as to whether rights conferred under a mineral licence in the DRC remain valid; and
- if the Court is not a clearly inappropriate forum, the rights conferred under PE 12202 are not rights which were held by the plaintiff (MMCS) to the writ of summons, but by another entity, which is not a party to the proceedings. In addition, the entity which has been granted the current licence at Manono (PR 13359) is also not a party to these proceedings. As the parties whose rights are the subject of the relief sought are not parties to the proceedings, the proceedings will not resolve any issues, and therefore ought to be dismissed.

In the event MMCS does not discontinue the proceedings, AVZ will apply to have the proceedings permanently stayed, alternatively to have the proceedings dismissed.

During the half-year the Company undertook two placements which raised \$1,345,000 (before costs). Subsequent to the end of the half-year 35,000,000 options exercisable at 1.2 cents each were exercised to raise \$420,000 and 4,000,000 performance rights were converted to ordinary shares as the milestone was achieved (in addition to the first tranche of the Placement completed on 10 February 2017).

Operating Result

The loss from continuing operations for the half-year after providing for income tax was \$239,171 (31 December 2015: \$201,606).

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

After Reporting Date Events

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

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

Lead Auditor's Independence Declaration

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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



Gary Steinepreis
Non-Executive Director

Perth, Western Australia, 16 March 2017

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

As lead auditor for the review of AVZ Minerals Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2017

Half-Year Financial Report

Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11
Directors' Declaration	15
Independent Auditor's Review Report	16

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by AVZ Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

AVZ Minerals Limited
Level 1, 33 Ord Street
West Perth WA 6005

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

The financial report was authorised for issue by the directors on 16 March 2017. The Company has the power to amend and reissue the financial report.

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-year ended 31 December 2016

	Consolidated	
	31 December 2016 \$	31 December 2015 \$
Revenue		
Revenue from continuing operations	10,801	12,502
Expenses		
Administration costs	(80,937)	(27,377)
Directors and consultancy expenses	(102,314)	(120,000)
Employee benefits expense	-	(7,108)
Occupancy expenses	(13,600)	(12,000)
Compliance and regulatory expenses	(48,917)	(26,015)
Insurance expenses	(4,204)	(4,583)
Depreciation	-	(4,262)
Exploration written off	-	(12,763)
Loss before income tax	(239,171)	(201,606)
Income tax expense	-	-
Loss after income tax for the half-year	(239,171)	(201,606)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	2,172	(6,491)
Total comprehensive loss for the half year	(236,999)	(208,097)
Basic and diluted loss per share (cents per share)	(0.03)	(0.04)
Loss for the half-year is attributable to:		
Owners of AVZ Minerals Limited	(239,137)	(200,184)
Non-controlling interests	(34)	(1,422)
	(239,171)	(201,606)
Total comprehensive loss for the half-year attributable to:		
Owners of AVZ Minerals Limited	(237,074)	(206,350)
Non-controlling interests	75	(1,747)
	(236,999)	(208,097)

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

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	Consolidated 31 December 2016 \$	30 June 2016 \$
Current Assets			
Cash and cash equivalents	4	2,294,401	2,048,089
Trade and other receivables		34,009	27,695
Total Current Assets		2,328,410	2,075,784
Non-Current Assets			
Prepaid evaluation expenditure	5	1,226,814	-
Total Non-Current Assets		1,226,814	-
Total Assets		3,555,224	2,075,784
Current Liabilities			
Trade and other payables		44,666	34,991
Total Current Liabilities		44,666	34,991
Total Liabilities		44,666	34,991
Net Assets		3,510,558	2,040,793
Equity			
Contributed equity	6	16,111,112	14,404,348
Reserves		792,918	790,855
Accumulated losses		(13,195,677)	(12,956,540)
Capital and reserves attributable to owners of AVZ Minerals Ltd		3,708,353	2,238,663
Non-controlling interests		(197,795)	(197,870)
Total Equity		3,510,558	2,040,793

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

Consolidated Statement of Changes in Equity

For the Half-year Ended 31 December 2016

Consolidated	Contributed Equity	Accumulated Losses	Option Reserve	Share- based Payment Reserve	Foreign Currency Reserve	Total	Non- controlling Interests	Total Equity
	\$	\$	\$		\$	\$	\$	\$
Balance at 1 July 2015	13,996,848	(12,479,003)	1,310,448	17,200	(666,570)	2,178,923	(195,319)	1,983,604
Loss for the half-year	-	(200,184)	-	-	-	(200,184)	(1,422)	(201,606)
Exchange differences on translation of foreign operations	-	-	-	-	(6,166)	(6,166)	(325)	(6,491)
Total comprehensive income for the half-year	-	(200,184)	-	-	(6,166)	(206,350)	(1,747)	(208,097)
Balance at 31 Dec 2015	13,996,848	(12,679,187)	1,310,448	17,200	(672,736)	1,972,573	(197,066)	1,775,507
Balance at 1 July 2016	14,404,348	(12,956,540)	1,446,948	17,200	(673,293)	2,238,663	(197,870)	2,040,793
Loss for the half-year	-	(239,137)	-	-	-	(239,137)	(34)	(239,171)
Exchange differences on translation of foreign operations	-	-	-	-	2,063	2,063	109	2,172
Total comprehensive income for the half-year	-	(239,137)	-	-	2,063	(237,074)	75	(236,999)
Transactions with owners in their capacity as owners:								
Contributions of equity (net of transaction costs)	1,706,764	-	-	-	-	1,706,764	-	1,706,764
Balance at 31 Dec 2016	16,111,112	(13,195,677)	1,446,948	17,200	(671,230)	3,708,353	(197,795)	3,510,558

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

Consolidated Statement of Cash flows

For the Half-year Ended 31 December 2016

	Notes	Consolidated 31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities			
Payments to suppliers and employees		(284,545)	(226,940)
Interest received		8,801	12,502
Net cash used in operating activities		(275,744)	(214,438)
Cash flows from investing activities			
Proceeds from sale of assets		2,000	-
Payments to acquire tenements		(796,775)	-
Net cash used in investing activities		(794,775)	-
Cash flows from financing activities			
Proceeds from issue of shares		1,345,000	-
Payments for costs of issue of shares		(28,236)	-
Net cash provided by financing activities		1,316,764	-
Net increase/(decrease) in cash and cash equivalents		246,245	(214,438)
Cash and cash equivalents at the beginning of the period		2,048,089	1,998,037
Exchange differences on translation of foreign operations		67	(2,459)
Cash and cash equivalents at the end of the period	4	2,294,401	1,781,140

Amounts shown above relating to payments to suppliers and employees include goods and services tax. The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2016

1. Basis of preparation of half-year report

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'. The consolidated financial statements of the Company for the half-year ended 31 December 2016 include the Company and its controlled entities, together referred to as the Consolidated Group.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by AVZ Minerals Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The half-year report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

Key Estimates – Impairment

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

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

2. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. For the purposes of segment reporting the chief operating decision maker has been determined as the board of directors. The board monitors the entity primarily from a geographical perspective, and has identified two operating segments, being exploration for mineral reserves within Africa and the corporate/head office function.

The segment information provided to the board of directors for the reportable segments for the half-year ended 31 December 2016 is as follows:

	Exploration Africa \$	Corporate \$	Total \$
Half-year ended 31 December 2016			
Total segment revenue	-	10,801	10,801
Interest revenue	-	10,801	10,801
Other revenue	-	-	-
Total segment profit/(loss) before income tax	(688)	(238,483)	(239,171)

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2016

Half-year ended 31 December 2015			
Total segment revenue	-	12,502	12,502
Interest revenue	-	12,502	12,502
Other revenue	-	-	-
Total segment profit/(loss) before income tax	(28,431)	(173,175)	(201,606)
Total segment assets			
31 December 2016	1,226,814	2,328,410	3,555,224
30 June 2016	20,257	2,055,527	2,075,784

Total segment liabilities			
31 December 2016	1,060	43,606	44,666
30 June 2016	951	34,040	34,991

3. Dividends

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

	Consolidated 31 December 2016 \$	30 June 2016 \$
4. Cash & Cash Equivalents		
(a) Cash & cash equivalents		
Cash at bank and in hand	2,294,401	2,048,089
Total cash and cash equivalents	2,294,401	2,048,089
(b) Cash at bank and on hand		
Cash on hand is non-interest bearing. Cash at bank bears interest rates between 0.00% and 1.20% (30 June 2016: 0.00% and 1.20%).		

	Consolidated 2016 \$	2015 \$
5. Prepaid Evaluation Expenditure		
Exploration and evaluation phase		
Opening balance	-	-
Acquisition costs	1,226,814	-
Closing balance	1,226,814	-
Costs associated with the acquisition of the Manono Extension Project and seven additional tenement licences have been capitalised as a non-current asset, including the cash deposits paid, shares issued and professional fees associated with the project acquisitions.		
Upon completion of settlement post period end, these costs will remain as a non-current asset of the Company as capitalised exploration and evaluation expenditure.		

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2016

	Consolidated 31 December 2016 Shares	30 June 2016 Shares	Consolidated 31 December 2016 \$	30 June 2016 \$
6. Contributed Equity				
(a) Contributed equity				
Ordinary shares – fully paid	725,466,643	560,883,310	16,111,112	14,404,348
Total contributed equity	725,466,643	560,883,310	16,111,112	14,404,348

	Date	Number of Shares \$	Issue Price \$	Total \$
(b) Movements in contributed equity				
Opening Balance 1 July 2015		487,883,310		13,996,848
Closing Balance at 31 December 2015		487,883,310		13,996,848
Opening Balance 1 July 2016		560,883,310		14,404,348
Issue of shares: Placement	27 Sep 2016	90,000,000	\$0.009	810,000
Issue of shares: Project acquisition	9 Nov 2016	30,000,000	\$0.013	390,000
Issue of shares: Placement	2 Dec 2016	44,583,333	\$0.012	535,000
Less: Transaction costs arising on share issues				(28,236)
Closing Balance at 31 December 2016		725,466,643		16,111,112

7. Contingencies & Commitments

In accordance with the acquisition agreement to acquire 100% of the Manono Extension Project AVZ will issue a further 20,000,000 fully paid ordinary shares in the company if AVZ continues to hold the Project after 30 April 2017.

On 2 February 2017 the Company announced it had agreed to acquire, subject to certain conditions (including completion of due diligence to the Company's satisfaction), a 60% interest in the Manono Project. AVZ was subsequently advised that a third party that had previously held an indirect interest in a historic licence at Manono (PE 12202) is claiming the cancellation of that licence in 2016 by the DRC Mining Registry was invalid. AVZ understands the DRC Minister of Mines has previously rejected an appeal against the cancellation (i.e. upheld the cancellation). AVZ's joint venture partner La Congolese D'exploitation Minière SA (Cominière, a State owned enterprise) has also made standard representations and warranties to AVZ with respect to the validity of title as part of the joint venture agreement. On 8 March 2017, AVZ was served a writ of summons filed in the Supreme Court of Western Australia by MMCS seeking a declaration that the rights conferred under PE 12202 issued by the Ministry of Mines in the DRC remain valid. The Company also considers and has informed MMCS by its lawyers that:

- the proceedings ought to be stayed on the basis that the Supreme Court of Western Australia (Court) is a clearly inappropriate forum for the determination of a question as to whether rights conferred under a mineral licence in the DRC remain valid; and
- if the Court is not a clearly inappropriate forum, the rights conferred under PE 12202 are not rights which were held by the plaintiff (MMCS) to the writ of summons, but by another entity, which is not a party to the proceedings. In addition, the entity which has been granted the current licence at Manono (PR 13359) is also not a party to these proceedings. As the parties whose rights are the subject of the relief sought are not parties to the proceedings, the proceedings will not resolve any issues, and therefore ought to be dismissed.

In the event MMCS does not discontinue the proceedings, AVZ will apply to have the proceedings permanently stayed, alternatively to have the proceedings dismissed.

The due diligence review by the Company with respect to the Manono Project is progressing.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2016

Since the last annual reporting date, other than those disclosed above, there have been no material changes in any contingent liabilities or commitments.

8. Events Occurring Subsequent to Reporting Date

Subsequent to the end of the half year and as announced on 2 February 2017, the Company has agreed to acquire, subject to certain conditions, a 60% interest in the Manono Lithium, Tin and Tantalum Project (Manono Project, comprising the historic Manono Mine and surrounding area) in the south of the DRC. The key terms of the acquisition are:

- The Company will be responsible for funding expenditure to completion of a feasibility study, and will also make certain cash payments and share issues in relation to the acquisition.
- The acquisition is subject to the completion of due diligence, shareholder approval and certain other conditions in connection with the acquisition.

In conjunction with the acquisition the Company also plans to complete a placement (Placement) of up to 250 million shares at an issue price of 2 cents per Share (together with up to 250 million attaching options exercisable at 3 cents and expiring 3 years from the date of issue) to raise up to \$5,000,000. The first tranche of the Placement of 125 million shares for \$2,500,000 was completed on 10 February 2017.

The shareholders meeting to consider resolutions associated with the acquisition of the interest in the Manono Project will be held on Thursday, 6 April 2017.

9. Related Party Transactions

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

10. Fair Value Measurement of Financial Instruments

The Consolidated Group has no financial instruments that are carried at fair value. Due to their short term nature, the carrying amounts of the current receivables and current payables are assumed to approximate their fair value.

Director's Declaration

For the half-year ended 31 December 2016

In the directors' opinion:

- (a) the financial statements and notes set out on pages 11 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and;
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that AVZ Minerals Limited will be able to pay its debts as and when they become due and payable.

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



Gary Steinepreis
Non-Executive Director

Perth, Western Australia
16 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of AVZ Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AVZ Minerals Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AVZ Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AVZ Minerals Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just', is written over a faint, stylized 'BDO' logo.

Dean Just

Director

Perth, 16 March 2017