



10 March 2016

Dear Shareholder

## Non-Renounceable Rights Issue

On 4 March 2016 Australian Vanadium Limited (the Company or AVL) announced a non-renounceable rights issue to raise up to approximately \$3.32M (Offer). Proceeds of the Offer will be used to fund AVL's vanadium battery market development and sales, as well as a feasibility study for an AVL electrolyte plant. Funds will also focus on the next stages of evaluation at AVL's rapidly emerging Gabanintha vanadium project near Meekatharra in WA and for general working capital.

New shares will be offered on the basis of 1 new share for every 3 existing shares held. The offer price of the new shares will be \$0.013 per new share with 1 free attaching listed option (exercisable at \$0.02 on or before 31 December 2018) for each new share issued.

CPS Capital Group will partially underwrite the Offer to \$500,000.

Shareholders on the Record Date with a registered address in Australia and New Zealand will be entitled to participate. Shareholders will be given the opportunity to apply for additional shares in excess of their entitlement.

The indicative timetable for the Offer is set out below:

Prospectus lodged with ASIC and ASX	9 March 2016
Ex Date – Shares trade ex Entitlement	16 March 2016
Record date to determine Entitlement (Record Date)	17 March 2016
Prospectus with Entitlement and Acceptance Form dispatched	21 March 2016
Offer opens for receipt of Applications	21 March 2016
Closing date for acceptances (Closing Date)	1 April 2016
Notify ASX of Shortfall	6 April 2016
Issue of New Shares	7 April 2016
Dispatch of shareholding statements	8 April 2016
Normal trading of New Shares expected to commence	11 April 2016

The Directors may extend the Closing Date by giving at least 3 business days' notice to ASX prior to the Closing Date, subject to such date being no later than 3 months after the date of the Prospectus. As such the date the New Securities are expected to commence trading on ASX may vary.



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Assuming that Entitlements are taken up in full and that no Options are exercised or Shares issued prior to the Record Date, at the close of the Offer, the capital structure of the Company following the Offer will be:

## Shares

	Underwritten Amount		Full Subscription	
	Number	%	Number	%
Existing Fully Paid Shares	766,212,294	86.61	766,212,294	69.55
New Shares offered under this Prospectus	38,461,539	4.35	255,404,098	23.19
Existing Partly Paid Shares	80,000,000	9.04	80,000,000	7.26
Total Shares	884,673,833	100.0	1,101,616,392	100.0

## Options

	Underwritten Amount	Full Subscription
Unlisted Options (exercise price \$0.015 expiry 31 December 2017)	258,347,718	258,347,718
New Options offered under this Prospectus (exercise price \$0.02 on or before 31 December 2018)	38,461,539	255,404,098
Total Options	296,809,257	513,751,816

In calculating entitlements under the Offer, fractions will be rounded up to the nearest whole number.

Full details of the Offer will be contained in the Prospectus that will be mailed to all Shareholders who have a registered address in Australia and New Zealand on the Record Date. Shareholders eligible to participate should read the Prospectus carefully and if in doubt as to the value of the above Offer should contact their financial adviser. The Prospectus is also available on both the ASX website ([www.asx.com.au](http://www.asx.com.au)) and the Company's website ([www.australianvanadium.com.au](http://www.australianvanadium.com.au)).

Yours sincerely

Neville Bassett

Company Secretary