

Australian VANADIUM LIMITED



ACN 116 221 740



2021
Annual Report



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Corporate Directory

Directors

Cliff Lawrenson – appointed 12 October 2020 (Non-Executive Director); appointed 25 November 2020 (Non-Executive Chairman)
Vincent Algar (Managing Director)
Leslie Ingraham (Executive Director)
Daniel Harris (Non-Executive Director)
Brenton Lewis (Non-Executive Chairman) – resigned 25 November 2020

Company Secretary

Neville Bassett

Registered Office

Level 1, 85 Havelock Street
West Perth WA 6005
Telephone: +61 8 9321 5594
Facsimile: +61 8 6268 2699

Share Registry

Automic Pty Ltd
Level 2
267 St Georges Terrace
Perth WA 6000
Telephone (Australia): 1300 288 664

Auditors

Armada Audit & Assurance Pty Ltd
18 Sangiorgio Court
Osborne Park WA 6017

ASX Code

Ordinary shares – AVL
Listed options – AVLOA

Chairman's Letter

Dear Shareholders,

On behalf of your Board of Directors, I have pleasure in presenting the 2021 Annual Report of Australian Vanadium Limited ("AVL" or the "Company") for the 30 June 2021 financial year.

The past year has seen significant progress for AVL as the Company moves from resource development to preparation for funding, construction and production. Despite the many challenges and inevitable delays brought about by the global pandemic, AVL produced a significant update to its initial pre-feasibility study and is well advanced in incorporating detailed testwork results and detailed mine planning into its bankable feasibility study.

AVL's greatest strength is the quality of its technical team and the work it undertakes in collaboration with recognised consultants in their respective fields. The Company's vanadium processing patent application is testament to the standard of work which is being undertaken.

It is pleasing to see support from the Australian Government for the Company's downstream processing plans, through the Manufacturing Translation Stream - Resources Technology and Critical Minerals Processing Priority grant administered by the Department of Industry, Science, Energy and Resources. AVL looks forward to being the first company in Australia to build and operate a vanadium electrolyte plant, leading the way for growth in the vanadium redox flow battery market and providing an Australian produced alternative. This development will bring meaningful economic benefit and certainty of supply to our country, while enabling the creation of more jobs and a value-adding domestic skill set.

The Company's subsidiary, VSUN Energy, continues to make strong progress in the renewable energy market and its goal to improve the uptake of vanadium redox flow batteries, especially in stationary applications where flow batteries enjoy competitive advantages.

Vanadium's role in both the steel and battery markets has a positive impact on global carbon emission reduction. AVL has further developed its internal ESG strategy this year as evidenced by Advisian's gap analysis and we will continue to embrace ESG fundamentals as we move through the phases of development.

As AVL progresses on its journey to vanadium production, I would like to thank shareholders for their continued support throughout the year and extend my sincere thanks to the Board, management and staff for their ongoing commitment to the Company.

Yours sincerely,



Cliff Lawrenson
Non-Executive Chairman

Directors' Report

CORPORATE HIGHLIGHTS

The Australian Vanadium Project

- Australian Vanadium Ltd is undertaking a Bankable Feasibility Study (BFS) as the next step on its pathway to vanadium production.
- Key input work for the BFS was undertaken during the year including extensive pilot test work;
 - Vanadium pellet roast leaching delivered an uplift in vanadium extraction, achieving a 93.3% average extraction, an 8% relative improvement on the PFS basis.
 - Confirmation of high purity vanadium pentoxide production from pilot scale testwork.
- A technical and financial PFS Update in December 2020 reflected robust economics, incorporated a revised layout and location, updated process design and a new extended Ore Reserve and mine life.
- Mining Lease M51/878, host to the Mineral Resource for the planned operation, was granted by the WA Department of Mines, Industry Regulation and Safety, with an initial term of 21 years.
- A mining licence application was submitted over the Company's southern fault blocks, offering potential for further mineral resource extensions.
- Geotechnical drilling was completed to gather key metallurgical and geotechnical data for mine planning
- Patent application submitted to protect unique processing flowsheet developed by the Company.
- AVL awarded \$3.69M Australian Government manufacturing grant for downstream vanadium processing in competitive process, including:
 - High-purity vanadium pentoxide processing circuit
 - Building and operating a commercial vanadium electrolyte plant in WA
 - Manufacture of residential and stand-alone power systems in WA
- Launch of green hydrogen strategy and MOU with ATCO for supply of green hydrogen to processing plant.
- Environment Protection Authority referral for the mine site and Crushing, Milling and Beneficiation Circuit location successfully submitted.
- Company advancing detailed corporate ESG strategy by appointment of Advisian consultants to undertake ESG gap analysis and propose implementation strategy for best practice operations.
- Land Option agreement extended over processing plant location east of the port city of Geraldton.
- Strategic vanadium offtake MOU signed with U.S. Vanadium LLC
- MOU for vanadium and electrolyte offtake signed with:
 - Enerox GmbH, manufacturer of CellCube commercial vanadium redox flow battery (VRFB) systems.
 - Chinese VRFB manufacturer Gui Zhou Collect Energy Century Science and Technology Co Ltd, trading as CEC VRFB Co. Ltd (CEC), based in Guizhou province.
 - V-Flow Tech, Singaporean VRFB manufacturer.
- 31.3 Mt Nickel-Copper-Cobalt Mineral Resource reported at the Australian Vanadium Project by Bryah Resources Limited (ASX: BYH, AVL holds 5.11% of BYH and retains the cobalt rights), paving way for base metal sulphide concentration circuit for critical e-mobility battery materials at the Project.

VSUN Energy

- AVL received manufacturing grant to enable VSUN Energy to manufacture residential and stand-alone power systems in WA.
- Battery sales agency for Australia signed for CellCube VRFBs.
- Residential VRFB product development collaboration agreement signed with CEC VRFB with engineering design underway.
- Battery sales agency for Australia signed with V-Flow Tech.
- 3 x 5kW/30kWh VRFBs from V-Flow Tech en route from Singapore to Perth for commercial, residential and utility sites.

Coates

- EIS drilling grant funding awarded for Coates V-Ni-Cu-PGE-Au project SE of Chalice Mining's Julimar discovery.
- Historical data and new geological interpretation support further exploration for Nickel, Copper and PGEs.

Directors' Report (continued)

CORPORATE HIGHLIGHTS (continued)

Corporate Matters

- AVL received \$973,307 from the Australian Federal Government's Research and Development Tax Incentive Scheme for the 2019/2020 tax year.
- Government grants of \$331,245 were received during the year from the Department of Industry, Innovation and Science as part of the Cooperative Research Centres Projects ("CRC-P").
- On 30 August 2021, AVL issued 348,000,000 ordinary fully paid shares at a price of \$0.025 per share to raise \$8.7 million before costs. For every one share issued under the Placement, one free attaching option was issued. The options have an exercise price of \$0.025 and expire on 18 December 2022.

The COVID-19 pandemic has continued to impact the Company through availability of resources for testwork activity and work on site. Additional delays from vendor capacity constraints are expected to continue locally and internationally throughout 2021 and into 2022. Western Australia has been fortunate to have less impact on project based activities than other areas of the world and the Company has continued to make strong progress in spite of the hurdles.

The annual financial statements for the Group have been prepared based on assumptions and conditions prevalent at 30 June 2021.

Directors' Report (continued)

REVIEW OF OPERATIONS

The following is a summary of activities undertaken by Australian Vanadium Ltd, (ASX: AVL, “the Company” or “AVL”) during the period to the date of this report.

The Australian Vanadium Project

The Australian Vanadium Project (the Project) is located approximately 40km south of Meekatharra within the northern Murchison region of Western Australia. Access from Perth is via the Great Northern Highway and the Meekatharra-Sandstone Road. The Company plans to develop the project with a mine and concentrate plant at the deposit site, and final processing of high value vanadium pentoxide at a plant near Geraldton.



Figure 1 Location of The Australian Vanadium Project

Mining Lease granted

Mining Lease M51/878 has been granted by DMIRS with an initial term of 21 years from 28 August 2020. The granting of the Mining Lease is a major milestone in the Company’s pathway to development of the Project.

New Mining Licence application

AVL submitted a new Mining Licence Application (MLA51/897) over the Company’s southern fault blocks. The application overlies 100% AVL tenure and contains Inferred Resources in fault blocks 60 and 70 with:

- A total Inferred category Mineral Resource of 27.5 Mt at 0.76% V₂O₅;
- Including high-grade massive magnetite zone of 14.8 Mt at 0.99% V₂O₅; and
- 3D Magnetic Inversion model showing additional strike of 500m with potential for further high-quality resources pending drilling.

Previous drill results in southern fault blocks returned high-grade vanadium with only minor weathering, implying high magnetic recoveries and concentrate quality. The application provides flexibility for future infrastructure works and further optimisation of the Project’s mine-life.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

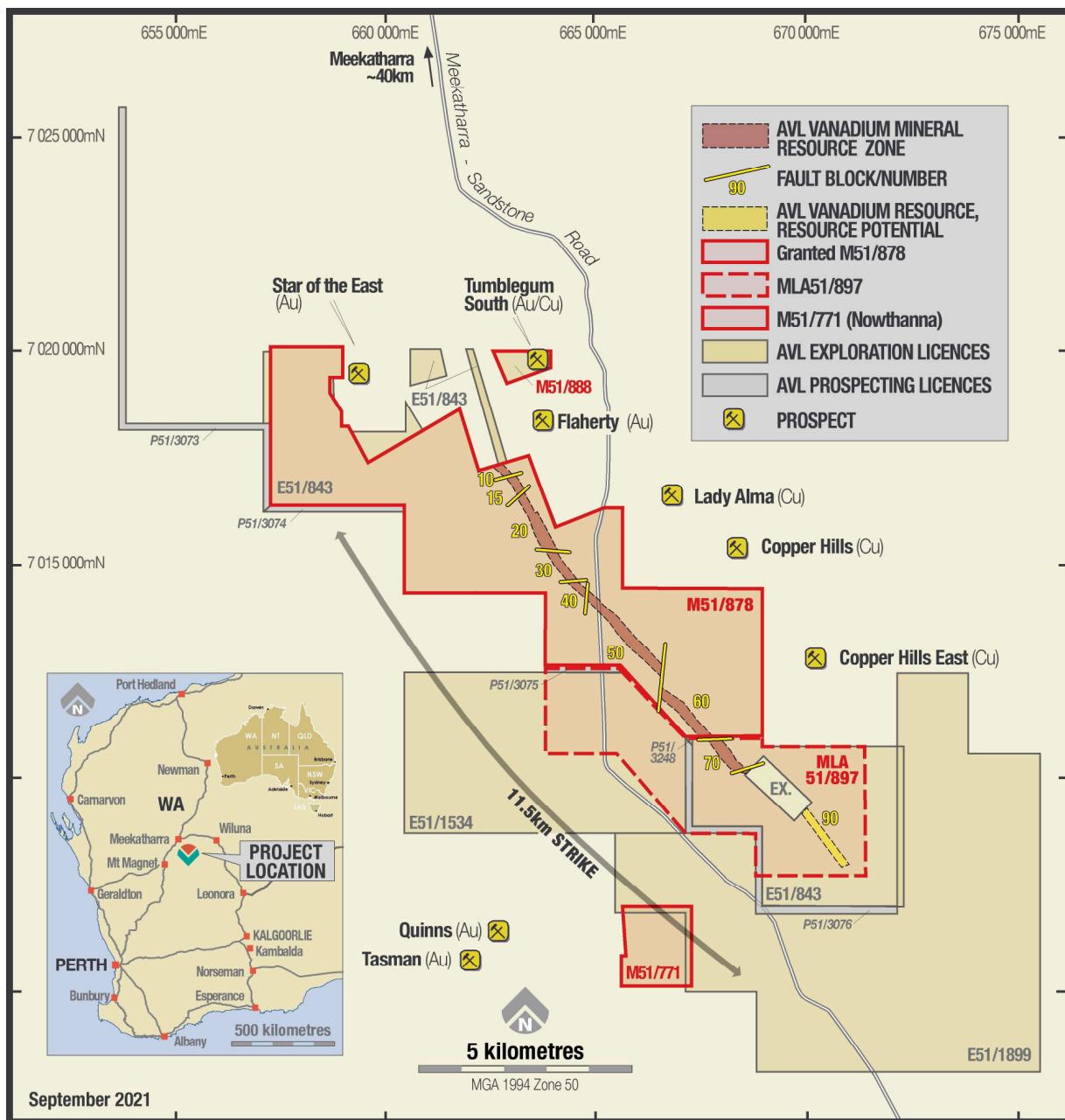


Figure 2 AVL Tenure over the Australian Vanadium Project and location of granted M 51/878

Technical and Financial Update to the PFS

In December 2020 the Company announced an update to the 2018 Pre-Feasibility Study (PFS), incorporating technical and financial information from the work undertaken during the past two years.

Highlights from the updated PFS were:

- Project pre-tax **NPV₈** of **A\$909M** increased from A\$320M (\uparrow 184%).
- Project **IRR rises to 17.5%** (\uparrow 41%).
- Project payback of 6.6 years (\downarrow 17.5%).
- C1 operating cost of **US\$3.66/lb V₂O₅** competitive with world primary vanadium producers, includes iron titanium (FeTi) coproduct credit (\downarrow US\$0.49/ lb V₂O₅).
- Project annual EBITDA average for 25 years of A\$144M (\uparrow 31%).
- Plant and associated infrastructure capital cost of **US\$253M**.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

- Total Project capital cost of US\$399M (\uparrow 13%) includes area and regional infrastructure, indirects, EPCM, growth and owner's costs.
- **Ore Reserve increased to 32.1Mt at 1.05% V₂O₅** (\uparrow 76%) comprised of a **Proved Reserve of 9.8Mt at 1.08% V₂O₅** and a **Probable Reserve of 22.4Mt at 1.04% V₂O₅** (rounding is applied). See Table 1 for Resource/Reserve details.
- Increased anticipated **mine life from 17 to 25 years**, supporting a long-life, consistent ore feed operation on AVL's granted mining lease.
- **Increased nominal vanadium production** to 24.3 Mlbs V₂O₅ annually (\uparrow 8%).
- Forecast vanadium **ore recovery to concentrate of 74.8%** life of mine, supported by pilot testing.
- New innovative flowsheet for processing plant recovers **88% V₂O₅** utilising tried-and-tested grate kiln technology.
- Separation of processing plant from minesite provides access to cheaper competitive natural gas near Geraldton, local workforce and FeTi coproduct sales opportunities for **900,000 dry tonnes per annum** over the mine life.
- Positive economic results give grounds for completion of Bankable Feasibility Study (BFS), finalising offtake, obtaining final approvals and securing project finance.

The PFS was updated to enable the Company to discuss the improved metrics with greater confidence to a wider investment audience.

Key outcomes included:

- Improved Project metrics including an overall Project pre-tax NPV₈ of A\$909M, and a post-tax NPV₈ of A\$542M.
- A substantial increase in IRR to 17.5% from 12.4%, driven by lower overall costs, higher recoveries through the processing plant, and a longer mine life.
- Operating expenses (C1 costs) have significantly improved to US\$3.66/lb V₂O₅ equivalent¹ ($\pm 25\%$), placing AVL firmly in the bottom quartile of current vanadium producers. This significantly reduces project risk, achieving AVL's goal for low-cost operation that will be healthy throughout the vanadium market price cycles.
- Fully realised cost of production (C3 costs) of US\$5.04 on a zero-debt basis.
- Forecast average vanadium recovery to concentrate of 74.8% for life of mine, as confirmed in the CMB pilot testwork. This is exceptionally high versus other current operating vanadium operations, allowing for a compact and effective crushing and milling operation.
- Operationally robust flowsheets have been developed and tested, providing assurance that the CMB and vanadium processing plant can perform treating a managed blend of feed.

For full details of the updated PFS, please see ASX announcement dated 22 December 2020 '*Technical and Financial PFS Update*'.

Geotechnical Drilling Completed

A diamond drilling program was undertaken on the Project's southern Resource blocks 50 and 60. The drilling was designed to gather data for metallurgical and geotechnical purposes.

The drill core collected for metallurgical testwork was for variability work to quantify any potential differences in the massive magnetite horizon between the northern and southern Resource blocks. Diamond holes completed in 2009 and 2015 indicated that the weathering of material in block 60 is shallower than northern blocks 20 and 30. This drilling is designed to confirm the observations.

¹ V₂O₅ equivalent pricing is determined by subtracting average by-product credits from average operating expenses through the life of mine.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Diamond holes were also drilled for geotechnical data to determine important pit slope information. The data was to enable the southern Indicated Resources to be included in the BFS mining schedule on granted Mining Lease M51/878.

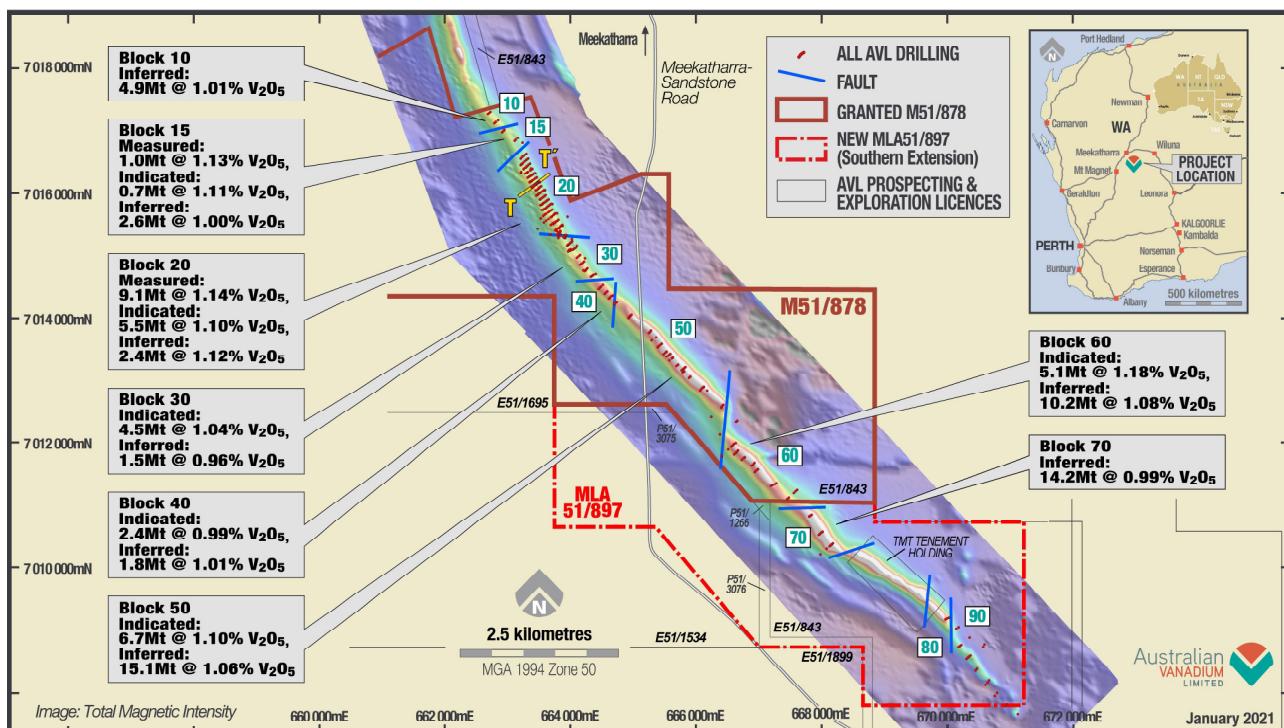


Figure 3 Mineral Resources for Shown Fault Blocks over TMI

Pilot scale testwork advances

In March 2021 the Company announced the final test results of the extensive roast-leach pilot testwork that was undertaken at Metso's testing facilities in the US. The pilot scale testwork applied a well-established Grate Kiln technology which demonstrated energy efficiency and adaptability for vanadium roasting. Process optimisation by roasting a concentrate representative of average early years mine production, resulted in vanadium roast/leach extractions up to 94.9%. Roasting testwork conducted on concentrate representative of the average forecast for later years of processing produced optimum vanadium roast/leach extraction at 92.2%. Both results provided significant improvements compared to a traditional rotary kiln flowsheet which is typically applied in vanadium processing.

After allowing for scaling up, this is estimated to deliver an 8% relative improvement on the basis applied in the initial PFS and represent a significant unique advantage for the Company. These test outcomes relate to the processing of concentrate, designed to represent the average of the first five years of forecast production and build on results from previous AVL bench scale tests, where 587kg of concentrate was roasted in batches and similar vanadium leach extractions were observed.

High purity 99.4% vanadium pentoxide (V₂O₅) was produced from representative leach liquor. The vanadium flake product from the Project is expected to be of outstanding quality, comparable to high purity products from existing global producers. Testwork has demonstrated the ability to produce high purity V₂O₅ at scale.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Vanadium processing circuit patent application

In April 2021, AVL submitted a unique vanadium processing flowsheet provisional patent application. The application relates to a specific method of preparing high purity vanadium pentoxide and preparing a marketable titanium and iron coproduct from vanadium bearing titanomagnetite (VTM), in a cost effective and environmentally sustainable manner. AVL's unique combination of physical beneficiation, pyrometallurgical and hydrometallurgical steps combine to underline the patent application.

AVL's patent application is concerned with the recovery of high-purity vanadium from run-of-mine VTM ores using an updated and enhanced version of the salt-roast process.

Innovative aspects are particularly concerned with each of the following major stages:

- Physical beneficiation
 - Pelletisation of a V_2O_5 concentrate
 - Drying and hardening of pellets
 - Salt roasting of a pelletised concentrate
 - Leaching of a roasted product via various options, including combined ball milling/leaching, resin-in-leach, combined drum/spiral leach and heap leaching
 - Recovery of a high-grade vanadium containing solid prior to conversion to V_2O_5
 - Recovery of marketable titanium and iron containing coproduct(s)

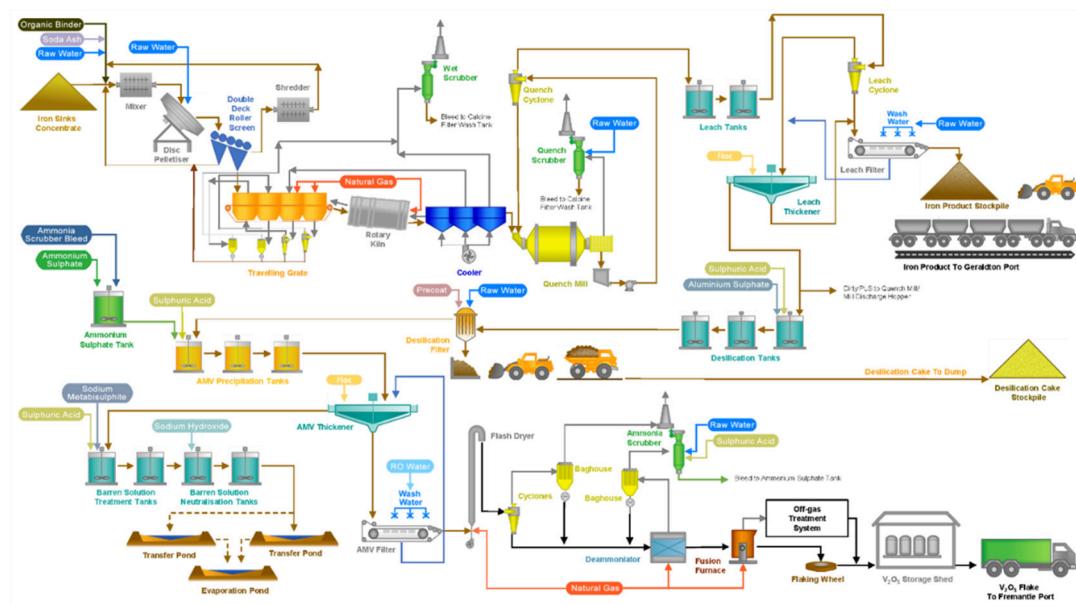


Figure 4 Processing Flowsheet Overview

Environmental, Social and Governance (ESG)

Global consultancy Advisian has been engaged and provided initial feedback to the Company on its ESG gap analysis review. AVL is pleased with the Company's initial scoring and will look to further advance and develop the practises as the Project moves into the development phase.

AVL's Stakeholder Engagement Manager, Samantha McGahan, has been appointed Chair of the Meekatharra Community Resource Centre committee.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Texas A&M University, in partnership with global vanadium organisation Vanitec, released a technical white paper on the positive impact of vanadium in the reduction of carbon emissions in the steel sector. The paper can be found on AVL's website under Investor and Media\Reports.

Green hydrogen strategy and offtake MOU with ATCO

AVL signed an MOU with ATCO Australia for the supply of green hydrogen for AVL's planned processing plant which is to be located near Geraldton. ATCO received a grant from the Australian Renewable Energy Agency (ARENA) under the Renewable Hydrogen Deployment Round to develop a project for the commercial scale production of hydrogen gas in Australia.

AVL's strategy to incorporate green hydrogen into the Project includes research into the following areas:

- Introducing a percentage of green hydrogen into the natural gas feed for the processing plant. The purpose of this is to reduce carbon emissions.
- Offtake of green ammonia for use in the final vanadium precipitation step of processing. The CSIRO is working on an ARENA-funded project, (the Australian Government's Australian Renewable Energy Agency), to develop a production process that does not contribute to greenhouse gas emissions.
- Powering minesite or haulage vehicles to move material from the minesite to the processing plant with green hydrogen.
- The use of green hydrogen for steel production in the ore reduction step. AVL is seeking partnerships with companies interested in this area as it would be a noble and efficient use for the FeTi coproduct that the Company plans to produce.
- Through AVL's 100% owned subsidiary, VSUN Energy, integrating hydrogen electrolyzers in plant design, combined with energy storage utilising vanadium redox flow battery (VRFB) technology.

To support the Government of Western Australia's plans for a green hydrogen economy, AVL submitted a formal response to the request for expressions of interest for the Oakajee Strategic Industrial Area Renewable Energy Strategy.

EPA referral lodged

An Environmental Impact Assessment application was lodged with the Environmental Protection Authority (EPA) during the first quarter of 2021. The submission focuses on the mine site and concentration plant (CMB) only, which are to be located on the Gabanintha mine site. The EPA set the level of referral as 'assessment on referral information', with a two-week public review. The Company's environmental consultants will provide the additional requested information for the EPA to finalise its review.

Option agreement over land for vanadium processing plant extended

AVL has signed an extension to the option agreement over a potential location for its vanadium processing plant. The land is located inland from the port city of Geraldton (see Figure 1). The location allows AVL to access existing gas, water, road and rail infrastructure in the mid-west region. Domestic gas prices close to the coast are particularly attractive in comparison to prices elsewhere in the country and the world. The option agreement is renewable for a further one-year term extension from October 2021.

Fe-Ti coproduct sales opportunities

AVL has compiled preliminary market research on various product options for the Fe-Ti coproduct or its derivatives. The outcomes will be used as part of AVL's critical metals research program, aimed at improving the efficiency of vanadium processing. AVL's A\$4.9 M research initiative is partially funded by a Cooperative Research Centres Projects (CRC-P) grant from the Australian Federal Government.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

The Company's plan to locate its vanadium processing plant at a location 18 kilometres west of Mullewa (see Figure 1) offers multiple opportunities to improve the financial metrics of the Project which is the focus of the current BFS work. The ability to sell the Fe-Ti coproduct via the port of Geraldton arises from this plan, making AVL's Project globally unique in this respect. All other current and potential primary vanadium operations are constrained by distance and cost to ports. Iron-rich calcine is generally considered as a waste product in other projects and is stored in specially designed tailings facilities.

Another potential pathway to unlock value from the Fe-Ti coproduct material is to upgrade it to a higher quality or independent higher value iron and titanium concentrates. This approach involves more capital investment, but has the obvious advantage of generating significant additional revenues.

Preliminary testwork has been undertaken by the Company to upgrade the material from a lower grade (<55% Fe) iron concentrate, to a higher grade (>62% Fe) iron product which could be sold at higher market value into the global iron ore market.

AVL has appointed an expert steel metallurgist to advance its Asian market development strategy. Chinese-based consultant Yongqing Yu has been engaged to advance offtake arrangements for AVL's vanadium and planned Fe-Ti coproduct to be produced from the Project.

U.S. Vanadium LLC MOUs signed for vanadium offtake and electrolyte manufacturing technology

Two MOUs have been signed with U.S. Vanadium LLC (USV), one for offtake of 2,000 tonnes of V₂O₅ per annum from AVL and one for the licensing of USV's vanadium electrolyte manufacturing technology.

UK company GSA Environmental MOU signed for collaboration on vanadium products

AVL signed an MOU for commercial and technical collaboration with a leading-edge UK based engineering and metals recovery/extraction consultancy for the purposes of evaluating value-adding feedstocks to the Project.

GSAe and AVL will collaborate principally to evaluate feedstocks that have the capability to further improve the economics of the Project

Enerox MOU signed for vanadium offtake and electrolyte sales

In September 2020, AVL signed an MOU with CellCube VRFB manufacturer Enerox GmbH. The MOU includes development of:

- Vanadium pentoxide offtake arrangements to support global VRFB sales by Enerox;
- A vanadium electrolyte facility in Australia to supply Enerox battery installations, and
- Assistance with arrangement of vanadium electrolyte leasing.

V-Flow Tech MOU signed for vanadium offtake and electrolyte sales

In December 2020, AVL signed an MOU with Singaporean VRFB manufacturer V-Flow Tech. The MOU includes development of:

- Vanadium products (V₂O₅) offtake to V-Flow in Singapore to support global battery sales.
- Vanadium electrolyte manufacture and supply in Australia for V-Flow VRFBs.
- Sales agreement with AVL's 100% owned subsidiary VSUN Energy for VRFB sales in Australia.
- VRFB service and maintenance.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Cooperative Research Centre – Project (CRC-P)

AVL was awarded a CRC-P grant of \$1.25 million by the Australian Government in February 2020. Significant progress has been achieved from research milestones for the Project including:

- Pyrometallurgical pilot with Metso's Grate Kiln technology completed which has confirmed its suitability for vanadium, with extractions of up to 94.9% achieved.
- Characterisation and testwork of variability samples has demonstrated high iron grades of over 60% achievable in concentrates from southern ore blocks.
- Benchscale reduction-roast testwork has demonstrated that the FeTi coproduct stream can be upgraded to 66% iron, with further work underway using alternative reductants such as green hydrogen.
- Vanadium electrolyte production and low-grade ore beneficiation work streams ongoing as part of CRC-P, to maximise upstream and downstream benefits.

The CRC-P partners include ANSTO, Amec Foster Wheeler Australia Pty Ltd, (Wood), Ammtec Unit Trust (ALS) and Curtin University.

Modern Manufacturing Initiative - Resources Technology and Critical Minerals Processing National Manufacturing Priority

AVL was awarded a \$3.69M Australian Government manufacturing grant in competitive process for downstream vanadium processing. The grant is for matched funding to support AVL's plan to:

- Include a high-purity processing circuit to produce battery, chemical and master-alloy grade vanadium pentoxide as part of the development of the Australian Vanadium Project.
 - Build and operate a commercial vanadium electrolyte plant based in WA, to support the rollout of vanadium redox flow batteries (VRFBs) in Australia.
 - Manufacture prototype/demonstration residential and stand-alone power systems (SPS) based on VRFB technology, for distribution into Australian energy markets.
-

Bryah Resources reported 31.3Mt Nickel-Copper-Cobalt Mineral Resource at the Project

AVL holds the mineral rights to vanadium, titanium, iron and cobalt at the Project and a 5.11% equity stake in Bryah Resources. Bryah's mineral rights at the Project include nickel, copper and gold. In June 2021, Bryah Resources reported a 31.3Mt nickel-copper-cobalt Mineral Resource at the Project, a 100% increase from a previous 2018 Resource.

Due to the nature of the very separate disposition of the metals in the orebody, this is seen as being a seamless processing solution that will maximise benefit for both companies.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

VSUN Energy

VSUN Energy Pty Ltd is the Company's 100% owned subsidiary with the sole focus of developing the Australian market for vanadium redox flow batteries (VRFBs). The expansion of the Australian and global VRFB market opens up significant new opportunities for additional consumption of high-purity vanadium products used in vanadium electrolyte.

Reseller Agreement for CellCube VRFBs

In September 2020 VSUN Energy signed a Value Added Reseller (VAR) agreement with Enerox GmbH for the supply and installation of CellCube VRFBs. The VAR agreement provides VSUN Energy with the non-exclusive right to market, sell and install Enerox products in Australia for a period of 2 years. The Enerox CellCube has been installed in many locations around the world, with an installation of a 10kW/100kWh system in Busselton by VSUN Energy being the second CellCube VRFB to be installed in Australia and has been in continuous operation for over 5 years.

V-Flow Tech

AVL's MOU with V-Flow incorporates vanadium electrolyte manufacture and supply and a battery sales, installation, service and maintenance agreement for VSUN Energy in Australia. VSUN Energy has already sold two 5kW/30kWh V-Flow VRFB systems, one to a residential customer in rural WA and one to the Shire of Beverley for the Beverley Caravan Park. A third battery will be used at a test site being developed by one of WA's energy utilities.



Figure 5 V-Flow Tech 5kW/30kWh VRFBs ready for shipment to Australia

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Residential VRFB development

In January 2021, VSUN Energy received delivery of a grid-connect ready 5kW/30kWh residential VRFB from CEC VRFB in China. Local Western Australian design and consultancy group CADDS Group have been undertaking work on the residential VRFB design and prototyping. Testing of the battery is underway at CADDS' facility in Bibra Lake in WA, with assistance from local electrical company CDI Electrics. AVL's Modern Manufacturing Initiative grant from the Australian Government includes an amount for development of the residential battery.



Figure 6 Concept design for the 5kW/30kWh residential VRFB

AVL's Modern Manufacturing Initiative Grant

In addition to an amount allocated to the residential VRFB prototype development, there is an amount available from the grant for the development of a standalone power system (SPS) prototype based around a VRFB. The SPS will be particularly well suited to applications in agricultural, mining and rural markets.

VSUN Energy offers batteries from a range of manufacturers to cover all size requirements.

Coates Project

The Coates vanadium deposit is situated approximately 35km east of metropolitan Perth in the Shire of Wundowie. Exploration at Coates was undertaken in the 1970s after its discovery in the early 1960s. Mining plans have previously been produced by Agnew Clough Ltd on the Coates vanadium deposit, although no significant mining was undertaken.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Historical data

AVL released compiled historical drilling geochemistry for the Coates Mafic Intrusive Complex near Wundowie, Western Australia confirming the exploration strategy for nickel, base metals, gold and platinum group minerals.

Platinum Group Elements, among the rarest metals on earth, comprise ruthenium, rhodium, palladium, osmium, iridium, and platinum which are elements with high melting points, corrosion resistance and catalytic qualities.

EIS grant funding awarded

AVL was successful in Round 23 of the Government of Western Australia's Exploration Incentive Scheme (EIS) program for the 2021/22 Financial Year. The program is designed to test for Ni-Cu-PGE-Au mineralisation at AVL's Coates Project, south-east of the Julimar PGE discoveries in Western Australia.

The Company will receive grant funding of up to \$112,500 from the Department of Mines, Industry Regulation and Safety (DMIRS) as a contribution towards drilling costs at the Coates Project.

Under the co-funded drilling program, the Company will drill eleven drill holes across the intrusion with Reverse Circulation (RC) to 60 - 75 metres depth, followed by diamond drilling of NQ core to maximum total hole depths of between 120 and 300 metres. Holes are planned to achieve full stratigraphic coverage of the gabbro sequence. Downhole ElectroMagnetics (EM) will be used to evaluate the rocks around the drill holes for conductors.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

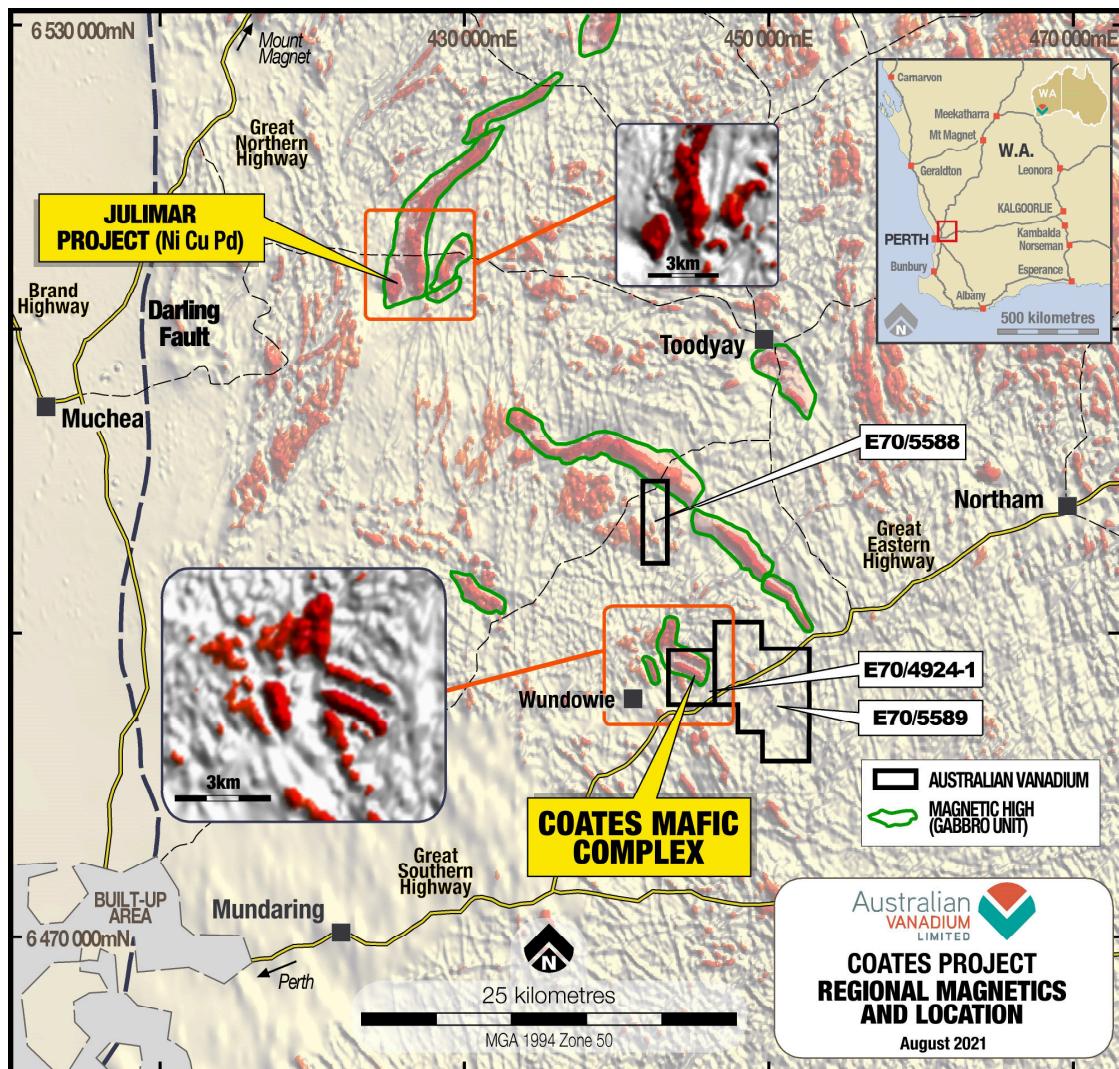


Figure 7 Location of Coates Project alongside known Base Metal, VTM and PGE Projects

Bryah Resources Limited

AVL presently holds 11.25 million shares in Bryah, which represents a 5.71% holding in that company. Bryah Resources Limited is a gold, base metals and manganese exploration company with tenements exclusively in Western Australia.

Directors' Report (continued)

DIRECTORS

The names of the Directors of the Company in office during or since the end of the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Cliff Lawrenson	Non-Executive Director – appointed 12 October 2020
	Non-Executive Chairman – appointed 25 November 2020
Vincent Algar	Managing Director
Leslie Ingraham	Executive Director
Brenton Lewis	Non-Executive Chairman – resigned 25 November 2020
Daniel Harris	Non-Executive Director

The qualifications, experience and special responsibilities of each Director are as follows:

Cliff Lawrenson – B. Comm (Hons)

Mr Cliff Lawrenson holds postgraduate qualifications in commerce and finance and has worked extensively in project development and investment banking around the world, including in South Africa, Australia, USA and Singapore. Mr Lawrenson is an experienced mining executive and director with deep expertise in minerals and energy sectors derived from his considerable global experience. He has a successful track record of leading strategic direction in companies and executing corporate transactions.

Mr Lawrenson's previous roles include Managing Director of Atlas Iron Ltd from January 2017 until its acquisition in 2018 by Hancock Prospecting Pty Ltd. Prior to this he led several ASX listed companies through various stages of development. Mr Lawrenson held the position of Group Chief Executive Officer of GRD Ltd from 2006 to 2009 which incorporated GRD Minproc Ltd, OceanaGold Ltd and Global Renewables. Prior to joining GRD Ltd, Mr Lawrenson was a senior executive and vice president of CMS Energy Corporation in the USA and Singapore for seven years. An investment banking career preceded the above.

Other ASX listed company directorships (current and past three years):

- Paladin Energy Ltd (since 2019)
- Caspin Resources (since 2020)
- Canyon Resources (since 2020)

Mr Lawrenson is also non-executive director of Onsite Rental Group (since 2020) and Pacific Energy Pty Limited (since 2010).

Committee membership:

- Member of the Audit & Risk Committee
- Chairperson of the Remuneration, Nomination and Governance Committee
- Member of the Technical and Sustainability Committee

Vincent Algar – BSC (Hons) Geology MAusIMM

Mr Vincent Algar is a geologist by profession with over 32 years of experience in the mining industry spanning underground and open cut mining operations, greenfields exploration, project development and mining services in Western Australia and Southern Africa. He has significant experience in the management of publicly listed companies, which includes the entire compliance, marketing and management process and encompasses the development of internal geological and administrative systems, exploration planning and execution, plus project acquisition and deal completion.

Other directorships (current and past three years):

- Nil.

Directors' Report (continued)

DIRECTORS (continued)

Leslie Ingraham

Mr Ingraham has been in private business for over 30 years and is an experienced mineral prospector and professional investor. He has successfully worked as a consultant for both private companies and companies listed on the ASX. Core competencies include capital raising and shareholder liaison.

Other directorships (current and past three years):

- Bryah Resources Limited (since 2017)

Committee membership:

- Member of the Audit & Risk Committee
- Member of the Remuneration, Nomination and Governance Committee
- Member of the Technical and Sustainability Committee

Brenton Lewis – BBSc (Hons), MBSc

Mr Lewis is an academic who has spent the past 20 years in the tertiary education sector. He has held management positions including Head of Department and Head of Post-Graduate Studies. He has published, taught and researched in areas including ethics and psychopathology. He has been a consultant to various health agencies including the Hong Kong Hospital Authority and the WA Health Department. He has served on numerous boards of management including academic and non-government organisations.

Other directorships (current and past three years):

- Nil

Daniel Harris

Mr Harris brings with him a vast amount of expertise in the vanadium industry and an understanding of the resource sector from both a technical and financial perspective. Recent roles include the interim CEO and Managing Director at Atlas Iron Limited; CEO & Chief Operating Officer at Atlantic Ltd; Vice President & Head of Vanadium Assets at Evraz Group; Managing Director at Vametco Alloys; General Manager of Vanadium Operations at Strategic Minerals Corporation and as an independent technical and executive consultant to GSA Environmental Limited in the United Kingdom.

During the past three years, Mr Harris was a director of the following ASX listed companies:

- Atlas Iron Limited – (resigned 2019)
- Paladin Energy Limited – (resigned 2019)
- QEM (Queensland Energy Minerals) – (since 2018)

Committee membership:

- Chairperson of the Audit & Risk Committee
- Member of the Remuneration, Nomination and Governance Committee
- Chairperson of the Technical and Sustainability Committee

COMPANY SECRETARY

Neville Bassett

Mr Bassett is a Chartered Accountant with over 35 years of experience. He has been involved with a diverse range of Australian public listed companies in directorial, company secretarial and financial roles.

Directors' Report (continued)

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the Directors and executives in the shares and options of Australian Vanadium Limited were:

	Number of Ordinary Shares	Number of Unlisted Performance Rights
Shares		
Vincent Algar ¹	7,663,436	48,000,000
Leslie Ingraham ²	30,478,774	32,000,000
Cliff Lawrenson ³	-	24,000,000
Brenton Lewis ⁵	15,028,600	-
Daniel Harris ⁴	2,500,000	20,000,000
Todd Richardson ⁶	4,213,125	7,500,000

¹ 12,000,000 performance rights held by Mr Algar vested prior to 30 June 2021 but have not been exercised as at the date of this report.

² 8,000,000 performance rights held by Mr Ingraham vested prior to 30 June 2021 but have not been exercised as at the date of this report.

³ 6,000,000 performance rights held by Mr Lawrenson vested prior to 30 June 2021 but have not been exercised as at the date of this report.

⁴ 5,000,000 performance rights held by Mr Harris vested prior to 30 June 2021 but have not been exercised as at the date of this report.

⁵ Mr Lewis resigned 25 November 2020.

⁶ 7,500,000 performance rights were issued to Mr Richardson under the Australian Vanadium Employee Incentive Plan on 30 July 2021.

MEETINGS OF DIRECTORS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

Directors	Directors' Meetings		Remuneration Committee Meetings		Audit and Risk Committee Meetings		Technical and Sustainability Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Cliff Lawrenson	4	4	1	1	-	-	1	1
Vincent Algar	3	3	-	-	-	-	-	-
Leslie Ingraham	5	5	1	1	-	-	1	1
Brenton Lewis	1	1	-	-	-	-	-	-
Daniel Harris	5	5	1	1	-	-	1	1

INSURANCE OF OFFICERS

The Company has in place an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and Officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in their capacity as a Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurers has not been disclosed. This is permitted under Section 300(9) of the *Corporations Act 2001*.

Directors' Report (continued)

ENVIRONMENTAL REGULATIONS

The Group's operations are subject to various environmental laws and regulations under government legislation. The exploration tenements held by the Group are subject to these regulations and there have not been any known breaches of any environmental regulations during the year under review and up until the date of this report.

CORPORATE INFORMATION

Nature of Operations and Principal Activities

The principal continuing activities during the year of entities within the Consolidated Entity were the advancement of the Australian Vanadium Project, exploration for vanadium/titanium and other economic resources, development of vanadium electrolyte production and the sale of VRFB systems.

Corporate Structure

Australian Vanadium Limited is a limited liability company that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as follows:

Australian Vanadium Limited	Parent entity
VSUN Energy Pty Ltd	100% owned controlled entity
South African Lithium Pty Ltd	100% owned controlled entity
Australian Uranium Pty Ltd	100% owned controlled entity
Cabe Resources Limited	100% owned controlled entity

OPERATING AND FINANCIAL REVIEW

Operating Review

A review of operations for the financial year is contained within this Directors' Report. The consolidated loss after income tax for the financial year was \$3,140,752 (2020: \$2,713,630).

Financial Position

At 30 June 2021, the Group had cash reserves of \$3,495,613 (2020: \$5,541,703). The net assets of the Group have increased by \$2,044,471. The increase is largely due to the following factors:

- the issue of 357,142,857 new shares to raise \$5 million (before costs);
- the Group received \$973,307 in Research and Development Tax Incentive for the 2020 financial year, and \$331,245 in Government grants;
- ongoing exploration and evaluation of The Australian Vanadium Project;
- advancement of the vanadium in energy storage strategy;
- incurring overheads and running costs consistent with operating a listed company; and
- remuneration of key management personnel essential to the continued success of the Group.

Following balance date, the Company announced that it had issued 348,000,000 ordinary fully paid shares at a price of \$0.025 per share as part of a Placement to raise \$8.7 million before costs. For every share issued under the Placement, one free attaching option was issued. The options have an exercise price of \$0.025 and will expire on 18 December 2022.

Refer to Note 1(b) for further disclosures regarding the Group's financial position.

Directors' Report (continued)

Dividends

No dividends were paid during the year and no recommendation is made as to dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year are detailed in the Company's review of operations. In the opinion of the Directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this Annual Report.

EVENTS SUBSEQUENT TO REPORTING DATE

On 22 July 2021, the Company announced that it had been awarded a Federal Government matched funding grant of \$3.69 million under the Resources Technology and Critical Minerals Processing National Manufacturing Priority roadmap.

On 12 August 2021, the Company issued 1,666,667 ordinary fully paid shares as consideration for the provision of drill core and other mineral exploration data.

On 30 August 2021, AVL issued 348,000,000 ordinary fully paid shares at a price of \$0.025 per share to raise \$8.7 million before costs. For every one share issued under the Placement, one free attaching option was issued. The options have an exercise price of \$0.025 and will expire on 18 December 2022.

On 30 July 2021, the Company issued 7,500,000 performance rights (expiry 30 July 2026) to Mr Todd Richardson under the Australian Vanadium Employee Incentive Plan. The rights were issued for nil consideration and vest subject to the following market and operational conditions:

- 2,250,000 vest on completion of the bankable feasibility study on the Australian Vanadium Project;
- 1,750,000 vest when the Company achieves a share price of at least \$0.025 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
- 1,750,000 vest when the Company achieves a share price of at least \$0.03 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
- 1,750,000 vest when the Company achieves a share price of at least \$0.04 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.

On vesting and exercise, each right automatically entitles the holder to one ordinary share.

On 30 July 2021, the Company issued 27,616,525 performance rights (expiry 30 July 2026) to various employees and contractors under the Australian Vanadium Employee Incentive Plan. The rights were issued for nil consideration and vest subject to the following conditions:

- 5,808,262 vest on continuous employment from grant date to 31 December 2021;
- 5,936,087 vest when the Company achieves a share price of at least \$0.025 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
- 5,396,088 vest when the Company achieves a share price of at least \$0.03 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
- 5,896,088 vest when the Company achieves a share price of at least \$0.04 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
- 4,000,000 vest when the Company achieves a share price of at least \$0.05 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.

On vesting and exercise, each right automatically entitles the holder to one ordinary share.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the Group up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after

Directors' Report (continued)

EVENTS SUBSEQUENT TO REPORTING DATE (continued)

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.

No other matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years, other than as outlined in the Company's review of operations which is contained in this Annual Report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to focus on mineral exploration and development opportunities, and associated activities as outlined in the Company's review of operations.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director and executive of Australian Vanadium Limited. The information provided in the remuneration report includes remuneration disclosures that are audited as required by section 308(3C) 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 Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report the term "executive" includes those Key Management Personnel who are not Directors of the parent company.

Remuneration Policy

The board policy is to remunerate Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of Directors' fees that can be paid is subject to approval by shareholders in a general meeting, from time to time. Fees for non-executive directors are not linked to the performance of the Consolidated Entity. However, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold shares in the Company.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company Directors and Officers are remunerated to a level consistent with the size of the Company.

The Executive Directors and full-time Executives receive a superannuation guarantee contribution required by the government, which is currently 10% (2021: 9.5%), and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of its size and maturity. As part of the remuneration policy, the Company issues incentive options and performance rights to Directors and other Key Management Personnel.

Directors' Report (continued)

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Non-Executive Director Compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination approved by shareholders was an aggregate compensation of \$500,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion consisting of either options, performance rights, service rights, deferred shares, exempt shares, cash right or stock appreciation rights (as defined in the Australian Vanadium Employee Incentive Plan), as considered appropriate by the Board, which may be subject to shareholder approval in accordance with ASX Listing Rules.

Separate from their duties as Directors, the Non-Executive Directors may undertake work for the Company directly related to the evaluation and implementation of various business opportunities, including mineral exploration/evaluation and new business ventures, for which they receive a daily rate. These payments are made pursuant to individual agreement with the Non-Executive Directors and are not taken into account when determining their aggregate remuneration levels.

Executive Compensation

Objective

The entity aims to reward Executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward Executives for company and individual performance against targets set by appropriate benchmarks;
- align the interests of Executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. The Company has established a separate remuneration committee.

Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Directors' Report (continued)

Remuneration consists of a fixed remuneration and a long-term incentive portion as considered appropriate. Compensation may consist of the following key elements:

- Fixed Compensation;
- Variable Compensation;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the mining exploration sector and external advice. The fixed remuneration is a base salary or monthly consulting fee.

Variable Pay - Long Term Incentives

The objective of long-term incentives is to reward directors/executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the Director's/Executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Long term incentives (LTIs) granted to directors and executives are delivered in the form of options or performance rights. LTIs granted to executives are delivered in the form of employee share options or performance rights. Options are issued at an exercise price determined by the Board at the time of issue. The employee share options generally vest over a selected period.

The objective of the granting of options or rights is to reward executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTIs are made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTIs granted is, in turn, dependent on the Company's recent share price performance, the seniority of the executive, and the responsibilities the executive assumes in the Company.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time.

Employment Contracts of Directors and Senior Executives

The employment arrangements of the Non-Executive Chairman and Executive Directors are not formalised in a contract of employment. Remuneration and other terms of employment for the Chief Executive Officer/Managing Director are formalised in an employment contract. Major provisions are set out below.

Vincent Algar, Managing Director:

- Annual base salary of \$300,000 plus superannuation;
- Notice period required to be given by the Company or employee for termination of one month, except in the case of gross misconduct;
- Payment of termination benefit on termination by either party equal to the amount in lieu of the notice period.

Directors' Report (continued)

Details of Remuneration for the Year

Details of the remuneration of Directors and specified Executives of Australian Vanadium Limited are set out in the following table. There are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

		Short-Term Benefits	Post Employment	Share-Based Payments	Long-Term Benefits		
		Salary & Fees ⁵	Super-annuation	Options & Rights	Long Service Leave	Total	Performance Based Remuneration
Directors	Year	\$	\$	\$	\$	\$	%
Cliff Lawrenson ¹	2021	58,310	3,628	71,758	-	133,696	54%
	2020	-	-	-	-	-	0%
Vincent Algar	2021	325,000	30,875	143,516	-	499,391	29%
	2020	275,000	26,125	-	-	301,125	0%
Leslie Ingraham ²	2021	192,467	18,284	95,677	4,150	310,578	31%
	2020	177,133	16,828	-	-	193,961	0%
Brenton Lewis ³	2021	66,667	6,333	-	-	73,000	0%
	2020	77,917	7,402	-	-	85,319	0%
Daniel Harris	2021	100,000	-	59,798	-	159,798	37%
	2020	81,250	-	-	-	81,250	0%
Total Directors	2021	742,443	59,121	370,749	4,150	1,176,463	32%
	2020	611,300	50,355	-	-	661,655	0%
Executives							
Todd Richardson ⁴ (Chief Operating Officer)	2021	324,423	30,820	3,083	-	358,326	1%
	2020	275,577	26,180	42,648	-	344,405	12%
Total Executives	2021	324,423	30,820	3,083	-	358,326	1%
	2020	275,577	26,180	42,648	-	344,405	12%
Key Management Personnel	2021	1,066,866	89,941	373,832	4,150	1,534,789	24%
	2020	886,877	76,535	42,648	-	1,006,060	4%

¹ Mr Lawrenson was appointed Non-Executive Director on 12 October 2020; appointed Non-Executive Chairman on 25 November 2020.

² The Group paid Streamline Capital Pty Ltd (a related party of Mr Leslie Ingraham) \$83,129 during the period (refer to Note 17b).

³ Mr Lewis resigned 25 November 2020.

⁴ On 8 April 2020, Mr Richardson was granted 4,573,125 performance rights with a vesting date of 6 July 2020. These performance rights were subject to satisfying the vesting condition, being continuous employment from grant date to vesting date. The performance rights were valued at the share price on grant date being 1 cent. A total of \$3,083 in share based payments was recognised to 30 June 2021 based on the vesting period.

⁵ Salary includes movements in annual leave provision during the year.

Directors' Report (continued)

No other performance-related payments were made during the year. Performance hurdles are not attached to remuneration options if issued, however the Board determines appropriate vesting periods to provide rewards over a period of time to Key Management Personnel.

Compensation Options Granted to Key Management Personnel

No options were granted to Directors or Executives during the year ended 30 June 2021.

Performance Rights and Shares Issued to Key Management Personnel on Exercise of Compensation Options

On 23 December 2020, 4,573,125 performance rights held by Mr Richardson converted to ordinary shares.

Compensation Options Lapsed During the Year

No options previously issued to Key Management Personnel lapsed during the year.

Share Holdings of Key Management Personnel

	Balance 1 July 2020	Received as Remuneration	Shares Issued on Conversion of Performance Rights	Acquired/ (Disposed)	Net Change/ Other	Balance 30 June 2021
Directors						
Cliff Lawrenson ¹	-	-	-	-	-	-
Vincent Algar	7,663,436	-	-	-	-	7,663,436
Leslie Ingraham	30,478,774	-	-	-	-	30,478,774
Brenton Lewis ²	15,028,600	-	-	-	-	15,028,600
Daniel Harris	2,500,000	-	-	-	-	2,500,000
Todd Richardson ³	380,000	-	4,573,125	(740,000)	-	4,213,125

¹ Mr Lawrenson was appointed Non-executive Director on 12 October 2020; appointed Non-executive Chairman on 25 November 2020.

² Mr Lewis resigned 25 November 2020.

³ On 23 December 2020, 4,573,125 performance rights held by Mr Richardson converted to ordinary shares.

Performance Rights Granted as Remuneration

Following shareholder approval at the general meeting held on 25 November 2020, 124,000,000 performance rights were issued to Directors (2020: nil).

The fair value of the performance rights granted were determined using a binomial options pricing model with the following inputs:

- Effective interest rate: 0.335%
- Volatility: 107.63%
- Expiry date: 2 December 2025
- Share price at grant date: \$0.013
- Exercise price: nil

Directors' Report (continued)

Performance Rights Granted as Remuneration (continued)

The performance rights were granted for nil consideration and vest subject to certain market performance conditions being met, as outlined in the below table. The rights will be forfeited if the directorship ends before the rights vest.

Name	Number	Performance Condition	Fair Value
Vincent Algar	12,000,000 *	Share price of at least \$0.025 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.009
	12,000,000	Share price of at least \$0.03 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.009
	12,000,000	Share price of at least \$0.04 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.008
	12,000,000	Share price of at least \$0.05 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.008
Leslie Ingraham	8,000,000 *	Share price of at least \$0.025 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.009
	8,000,000	Share price of at least \$0.03 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.009
	8,000,000	Share price of at least \$0.04 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.008
	8,000,000	Share price of at least \$0.05 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.008
Cliff Lawrenson	6,000,000 *	Share price of at least \$0.025 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.009
	6,000,000	Share price of at least \$0.03 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.009
	6,000,000	Share price of at least \$0.04 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.008
	6,000,000	Share price of at least \$0.05 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.008
Daniel Harris	5,000,000 *	Share price of at least \$0.025 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.009
	5,000,000	Share price of at least \$0.03 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.009
	5,000,000	Share price of at least \$0.04 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.008
	5,000,000	Share price of at least \$0.05 over 20 consecutive trading days on which the Company's shares have actually traded	\$0.008

* The performance condition was met during the year end 30 June 2021, but the performance rights have not been exercised.

Directors' Report (continued)

Performance Rights Holdings of Key Management Personnel

	Balance 1 July 2020	Granted as Remuneration	Vested & Converted	Lapsed/ Cancelled	Balance 30 June 2021	Number Vested & Exercisable
Directors						
Cliff Lawrenson ¹	-	24,000,000	-	-	24,000,000	6,000,000
Vincent Algar ²	21,000,000	48,000,000	-	(21,000,000)	48,000,000	12,000,000
Leslie Ingraham ³	21,000,000	32,000,000	-	(21,000,000)	32,000,000	8,000,000
Daniel Harris ⁴	6,000,000	20,000,000	-	(6,000,000)	20,000,000	5,000,000
Brenton Lewis ⁵	12,000,000	-	-	(12,000,000)	-	-
Todd Richardson ⁶	4,573,125	-	(4,573,125)	-	-	-

¹ Mr Lawrenson was appointed Non-executive Director on 12 October 2020; appointed Non-executive Chairman on 25 November 2020.

² Mr Algar held 21,000,000 performance rights which were cancelled on 10 July 2020.

³ Mr Ingraham held 21,000,000 performance rights which were cancelled on 10 July 2020.

⁴ Mr Harris held 6,000,000 performance rights which were cancelled on 10 July 2020.

⁵ Mr Lewis held 12,000,000 performance rights which were cancelled on 10 July 2020. Mr Lewis resigned 25 November 2020.

⁶ During the year, Mr Richardson converted 4,573,125 performance rights into ordinary shares.

On vesting, each right automatically converts to one ordinary share. If the employee ceases employment before the rights vest, the rights will be forfeited, except in limited circumstances that are approved by the Board.

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Loans and Other Transactions with Key Management Personnel

There were no loans to or from, or other transactions with, Key Management Personnel.

This ends the audited Remuneration Report

Directors' Report (continued)

SHARE OPTIONS

As at the date of this report, unissued ordinary shares under option are as follows:

	Number	Exercise Price	Expiry Date
Listed options (AVLOA)	534,071,428	\$0.025	18 December 2022

AUDITOR

Armada Audit & Assurance Pty Ltd continues in office in accordance with Section 327 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

No non-audit services were provided by our auditors, Armada Audit & Assurance Pty Ltd during the year ended 30 June 2021.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2021, as required under section 307C of the *Corporations Act 2001*, has been received and is included within the financial report.

Signed in accordance with a resolution of Directors.



Cliff Lawrenson
Chairman
23 September 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	Consolidated	
		2021 \$	2020 \$
Battery revenue	2(a)	34,329	-
Cost of sales	2(a)	(26,433)	-
Gross profit		7,896	-
Other income	2(a)	146,033	187,056
Exploration and evaluation expenditure	9	(648,663)	(14,976)
Depreciation	8(a)	(57,394)	(43,084)
Amortisation of lease liability		(75,320)	(77,346)
Finance costs	2(b)	(22,540)	(36,142)
Share-based payments	13(g)	(400,832)	(189,080)
Directors' fees and benefits expenses		(234,938)	(166,569)
Realised foreign exchange (loss)/gain		-	(28,211)
Other expenses	2(c)	(1,854,994)	(2,345,278)
Loss before income tax expense		(3,140,752)	(2,713,630)
Income tax expense	3	-	-
Net loss for year		(3,140,752)	(2,713,630)
Other comprehensive income			
Other comprehensive income for the year, net of tax			
Items that cannot be subsequent reclassified to profit and loss			
Movement in fair value of investment classified as fair value through OCI	10	123,750	(67,500)
Total comprehensive loss attributable to members of Australian Vanadium Limited		(3,017,002)	(2,781,130)
		Cents	Cents
Basic/diluted earnings per share	5	(0.11)	(0.11)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	CONSOLIDATED 2021 \$	2020 \$
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	6	3,495,613	5,541,703
Trade and other receivables	7	567,337	225,196
Total current assets		4,062,950	5,766,899
<i>Non-current assets</i>			
Plant and equipment	8	238,775	238,863
Exploration and evaluation expenditure	9	28,502,403	23,479,022
Financial assets	10	663,750	540,000
Right-of-use assets		83,320	151,343
Total non-current assets		29,488,248	24,409,228
TOTAL ASSETS		33,551,198	30,176,127
LIABILITIES			
<i>Current liabilities</i>			
Trade and other payables	11	1,888,174	461,179
Provisions	12	189,928	187,580
Lease liability		44,288	106,098
Total current liabilities		2,122,390	754,857
<i>Non-current liabilities</i>			
Lease liability		32,896	69,829
Total non-current liabilities		32,896	69,829
TOTAL LIABILITIES		2,155,286	824,686
NET ASSETS		31,395,912	29,351,441
EQUITY			
Issued capital	13	94,152,977	89,457,105
Reserves	13	(103,221)	(592,572)
Accumulated losses		(62,653,844)	(59,513,092)
TOTAL EQUITY		31,395,912	29,351,441

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	ISSUED CAPITAL \$	ACCUMULATED LOSSES \$	OTHER RESERVES \$	CONSOLIDATED TOTAL \$
Balance as at 1 July 2019	83,411,527	(56,741,093)	(732,009)	25,938,425
Opening balance adjustment on adoption of new accounting standard AASB16 Leases	-	(58,369)	-	(58,369)
Balance as at 1 July 2019 Restated	83,411,527	(56,799,462)	(732,009)	25,880,056
Loss for the year	-	(2,713,630)	-	(2,713,630)
Total loss for the year	-	(2,713,630)	-	(2,713,630)
Movement in fair value of investments recognised in equity	-	-	(67,500)	(67,500)
Total comprehensive loss	-	(2,713,630)	(67,500)	(2,781,130)
Securities issued pursuant to placements	6,594,975	-	-	6,594,975
Shares issued as consideration	158,516	-	-	158,516
Securities issued on conversion of performance rights	27,099	-	-	27,099
Share based payments	-	-	206,937	206,937
Capital raising costs	(735,012)	-	-	(735,012)
Balance as at 1 July 2020	89,457,105	(59,513,092)	(592,572)	29,351,441
Loss for the year	-	(3,140,752)	-	(3,140,752)
Total loss for the year	-	(3,140,752)	-	(3,140,752)
Movement in fair value of investments recognised in equity	-	-	123,750	123,750
Total comprehensive loss	-	(3,140,752)	123,750	(3,017,002)
Securities issued pursuant to placements	5,000,000	-	-	5,000,000
Shares issued as consideration	28,000	-	-	28,000
Securities issued on conversion of performance rights	58,731	-	(42,648)	16,083
Recognition of share-based payments – for services provided by third parties	-	-	37,500	37,500
Recognition of share-based payments - directors	-	-	370,749	370,749
Capital raising costs	(390,859)	-	-	(390,859)
Balance as at 30 June 2021	94,152,977	(62,653,844)	(103,221)	31,395,912

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	CONSOLIDATED	
		2021 \$	2020 \$
Cash flows from operating activities			
Payments to suppliers and employees		(3,116,229)	(3,184,662)
Interest received		18,901	50,219
Net receipts from other entities		119,916	122,842
Net cash used in operating activities	6(a)	(2,977,412)	(3,011,601)
Cash flows from investing activities			
Expenditure on mining interests		(4,834,973)	(4,421,517)
Receipts from Research and Development Tax		1,304,552	2,658,763
Incentives and Government Grants			
Payment for plant and equipment	8(a)	(57,306)	(3,470)
Net cash used in investing activities		(3,587,727)	(1,766,224)
Cash flows from financing activities			
Proceeds from issue of shares	13(b)	5,000,000	6,594,975
Repayment of lease liabilities		(127,592)	(147,273)
Payment of capital raising costs		(353,359)	(545,547)
Net cash provided by financing activities		4,519,049	5,902,155
Net increase/(decrease) in cash held		(2,046,090)	1,124,330
Cash at beginning of the financial year		5,541,703	4,417,373
Cash at the end of the financial year	6	3,495,613	5,541,703

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Australian Vanadium Limited (the "Company") and Controlled Entities (the "Consolidated Entity" or "Group") for the year ended 30 June 2021.

Australian Vanadium Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Company is domiciled in Western Australia. The nature of operations and principal activities of the Group are described in the Directors' Report.

1(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures the Consolidated Financial Report of the Group complies with International Financial Reporting Standards ("IFRSs"). The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Material accounting policies adopted in preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The Group's financial statements are presented in Australian dollars.

1(b) Financial position

The financial report has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The Group's primary source of funding is from capital raisings, equity funding, Research and Development Tax Incentives and Government grants. The Group received \$973,307 in Research and Development Tax Incentive for the 2021 financial year, and Government grants of \$331,245. For the year ended 30 June 2021 the Group incurred a net loss of \$3,140,752 (2020: \$2,713,630) and had a working capital surplus of \$1,940,560 at 30 June 2021. The Group has a listed investment of \$663,750 (Note 10) that can be sold to generate further funds. The Group also has the ability to cut back and reduce discretionary costs and reduce/defer budgeted exploration expenditure as necessary.

On 30 August 2021, AVL issued 348,000,000 ordinary fully paid shares at \$0.025 each in a Placement to raise \$8.7 million before costs. For every share issued under the Placement, one free attaching option was issued with an exercise price of \$0.025 (expiring 18 December 2022).

Based on the working capital surplus at 30 June 2021, the cash flow forecast prepared by management, the value of the listed shares, the \$8.7 million (before costs) received on 30 August 2021, and the Group's ability to reduce discretionary costs and defer budgeted exploration costs, the Directors consider the going concern basis of preparation to be appropriate.

1(c) Statement of compliance

The financial report was authorised for issue on 23 September 2021.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Notes to the Financial Statements (continued)

1(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Australian Vanadium Limited ("Company" or "Parent Entity") and its subsidiaries as at 30 June each year ("Consolidated" or "Group"). Subsidiaries are all entities over which the Group has control. The Group controls an entity when it 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 and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries are accounted for at cost in the individual financial statements of Australian Vanadium Limited. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

1(e) Other income

Interest income

Interest earned is recognised as it accrues, taking into account the effective yield on the financial asset.

Research and Development Tax Incentive ("R&DTI")

Income derived from successful R&D claims is recognised on receipt of payment. Research and Development Tax Incentive ("R&DTI") are accounted for under AASB 120 *Government Grants*. R&DTI are recognised on receipt. R&DTI that relate to the acquisition or construction of an asset are deducted from the carrying amount of the asset in accordance with AASB 120.

Government grants

Government grants are recognised as revenue when the conditions attached to the grant are satisfied. Grants that relate to construction of asset are deducted from the carrying amount of the asset in accordance with AASB 120

1(f) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

1(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Impairment losses in respect of debtors is calculated on an expected credit losses method as required by AASB 9 *Financial Instruments*.

1(h) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Financial Statements (continued)

1(h) Income tax (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Notes to the Financial Statements (continued)

1(i) Other taxes

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

1(j) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted. Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement (financial liabilities)

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3 *Business Combinations* (AASB 3) applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

The Company does not measure any financial liabilities at fair value through profit or loss. All other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount of initial recognition. A financial liability cannot be reclassified.

Classification and subsequent measurement (financial assets)

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (debt instruments);
- fair value through other comprehensive income (equity – no recycling); or
- fair value through profit or loss

Based on the two primary criteria, being:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost when it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- it gives rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Notes to the Financial Statements (continued)

1(j) Financial instruments (continued)

The Group has financial assets that are measured at amortised cost including trade and other receivables and cash at bank (including term deposits). The Group investment in listed shares (Note 10) is measured at fair value through other comprehensive income.

De-recognition

Financial liabilities:

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Financial assets:

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for de-recognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Association no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income. Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due, and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument. The Group uses the simplified approach to impairment, as applicable under AASB 9 for trade debtors.

1(k) Leases

The Company, as a lessee, will assess whether a contract is, or contains, a lease under AASB 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If the contract is assessed to be, or contains, a lease, the Company will recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability.

Depreciation is based on the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Notes to the Financial Statements (continued)

1(k) Leases (continued)

The lease liability is subsequently increased by the interest cost on the lease liability, offset by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Recognition exemption - Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less and leases for low-value assets. The Company will recognise the payments associated with these leases as an expense on a straight-line basis over the lease term.

1(l) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - a. the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - b. the exploration and evaluation activities in the area have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence, or otherwise, of economically recoverable reserves and active and significant operations in, or relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

Notes to the Financial Statements (continued)

1(m) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

1(n) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

1(o) Share-based payment transactions

The Group may provide 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).

When provided, 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 an external valuer using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Australian Vanadium Limited (market conditions) if applicable.

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).

Notes to the Financial Statements (continued)

1(o) Share-based payment transactions (continued)

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 amount charged or credited to the statement of profit or loss and other comprehensive income 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.

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.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

1(p) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1(q) Segment reporting

Operating segments are reported in a manner 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 of the Company. The Group operates in two segments, being mineral exploration within Australia and the sale of VRB systems.

1(r) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the Financial Statements (continued)

1(s) Investments in associates

An associate is an entity over which the Consolidated Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investments in associates are accounted for in the parent entity using the cost method and in the Consolidated Entity using the equity method of accounting. Under the equity method, the investment in an associate is initially recorded at cost. The carrying amount of the investment is adjusted to recognise changes in the Consolidated Entity's share of net assets of the associate since the acquisition date. The Consolidated Entity's share of post-acquisition profits or losses is recognised in the statement of profit or loss and its share of post-acquisition movements in other comprehensive income is presented as part of the Consolidated Entity's other comprehensive income.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

1(t) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment	5 to 10 years
Motor vehicles	8 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

(ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Notes to the Financial Statements (continued)

1(t) *Plant and equipment (continued)*

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

1(u) *Adoption of new and revised standards*

In the year ended 30 June 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to the Group's accounting policies.

1(v) *New standards, interpretation and amendments issued but not yet effective*

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

1(w) *Significant accounting estimates and judgments*

Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(l). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the Statement Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements (continued)

1(w) Significant accounting estimates and judgments (continued)

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of assets

In determining the recoverable amounts of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(ii) Deferred tax

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

(iii) Share-based payment transactions

The fair value of share-based payments is discussed in Note 13(g). The fair values of options are determined using Option Pricing Models that take into account the exercise price, the term of the option, the impact of dilution, the share price at valuation date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Judgement has been exercised on the probability and timing of achieving milestones related to the options.

(iv) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group, based on known information. This consideration extends to the nature of the supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Notes to the Financial Statements (continued)

2. REVENUE AND EXPENSES

	CONSOLIDATED	
	2021	2020
	\$	\$
2(a) Income		
Battery revenue	34,329	-
Cost of sales	(26,433)	-
 Other Income		
Interest received	23,508	54,214
Administrative services and other income	122,525	132,842
	153,929	187,056
 2(b) Finance Costs		
Interest paid	987	-
Interest on leases	21,553	36,142
	22,540	36,142
 2(c) Other Expenses		
Salaries and wages	693,343	918,967
Superannuation	142,344	126,198
Stock exchange and registry fees	100,285	83,238
Rent and office facility expenses	41,453	29,415
Legal fees	89,565	36,811
Audit and accounting fees	139,025	234,937
Travel and accommodation	37,060	145,831
Other corporate and administrative expenses	611,919	769,881
	1,854,994	2,345,278

Notes to the Financial Statements (continued)

3. INCOME TAX

3(a) Income Tax Expense

Major components of income tax expense for the years ended 30 June 2021 and 30 June 2020 are as follows:

	CONSOLIDATED	
	2021	2020
	\$	\$
<i>Income statement</i>		
<i>Current income</i>		
Current income tax charge (benefit)	(2,405,027)	(2,029,778)
Current income tax not recognised	2,405,027	2,029,778
Research and development concession	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	823,194	(935,311)
Deferred tax benefit not recognised	(823,194)	935,311
Income tax expense (benefit) reported in income statement	-	-

A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the years ended 30 June 2021 and 30 June 2020 is as follows:

	CONSOLIDATED	
	2021	2020
	\$	\$
Accounting profit (loss) before tax from continuing operations	(3,140,752)	(2,713,630)
Accounting profit (loss) before income tax	(3,140,752)	(2,713,630)
At the statutory income rate of 26% (2020: 30%)	(816,596)	(814,089)
<i>Add:</i>		
Non-deductible expenses	106,811	20,727
Temporary differences and losses not recognised	982,995	811,362
<i>Less:</i>		
Non-assessable income	(20,150)	(18,000)
R&D tax offset	(253,060)	-
At effective income tax rate of 0% (2020: 0%)	-	-
Income tax expense reported in income statement	-	-
Total income tax expense	-	-

Notes to the Financial Statements (continued)

3(b) Deferred Tax Assets

Deferred tax assets/(liabilities) have not been recognised in respect of the following items:

	CONSOLIDATED	
	2021 \$	2020 \$
Liabilities:		
Receivables	-	(1,618)
Property, plant and equipment	(13,536)	(5,680)
Prepaid expenditure	(27,629)	(22,490)
Capitalised exploration expenditure	(7,185,807)	(7,406,475)
	(7,226,972)	(7,436,263)
Assets:		
Investments	194,025	261,000
Right of Use Assets	(1,595)	7,375
Trade and other payables	15,509	13,441
Provisions	53,510	61,038
Business related costs	254,529	245,584
Tax losses	24,093,325	25,053,349
	24,609,303	25,641,787
Net Deferred Tax	17,382,331	18,205,524

The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

4. AUDITORS' REMUNERATION

Amounts paid or due and payable to Armada Audit & Assurance Pty Ltd for:

	CONSOLIDATED	
	2021 \$	2020 \$
Audit and review	30,000	27,750
	30,000	27,750

Notes to the Financial Statements (continued)

5. EARNINGS PER SHARE

	CONSOLIDATED	
	2021	2020
	\$	\$
Basic earnings per share	Cents (0.11)	Cents (0.11)
<i>The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:</i>		
Net loss for the year	(3,140,752)	(2,713,630)
Weighted average number of ordinary shares used in the calculation of basic EPS	2,837,011,273	2,413,741,848

6. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2021	2020
	\$	\$
Cash at bank	972,147	3,430,304
Short-term deposits	2,523,466	2,111,399
	3,495,613	5,541,703

Cash at bank earns interest at floating rates based on daily deposit rates. Cash and cash equivalents for the purpose of the statement of cash flows are comprised of cash at bank and short-term deposits.

6(a) Reconciliation of Loss for the Year to Net Cash Flows used in Operating Activities

Loss for the year	(3,140,752)	(2,713,630)
Non-cash flows in profit/loss		
Interest Expense on Leases	21,553	36,142
Depreciation and amortisation	132,714	120,430
Exploration and evaluation write off	648,663	-
Share based payments	400,832	189,080
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(342,141)	149,482
Increase/(decrease) in trade and other payables	(700,629)	(926,800)
Increase/(decrease) in provisions	2,348	133,695
Net cash flows from operating activities	(2,977,412)	(3,011,601)

6(b) Non-Cash Financing and Investing Activities

In the year the following non-cash financing and investing activities occurred:

	CONSOLIDATED	
	2021	2020
	\$	\$
Shares issued as consideration for share issue costs	37,500	-
	37,500	-

Notes to the Financial Statements (continued)

7. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2021 \$	2020 \$
Current		
GST receivable	278,296	37,312
Other receivables	213,197	136,566
Trade debtors	91,725	67,199
Less: provision for doubtful debts	(15,881)	(15,881)
	567,337	225,196

Other receivables are non-interest bearing and generally repayable within 12 months. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

8. PLANT AND EQUIPMENT

	CONSOLIDATED	
	2021 \$	2020 \$
Plant and equipment		
At cost	447,326	390,020
Accumulated depreciation	(227,082)	(177,290)
	220,244	212,730
Motor vehicles		
At cost	60,600	60,600
Accumulated depreciation	(42,069)	(34,467)
	18,531	26,133
Total		
At cost	507,926	450,620
Accumulated depreciation	(269,151)	(211,757)
	238,775	238,863

8(a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of plant and equipment during the financial year:

	Plant & Equipment	Motor Vehicles	Total
Balance at 1 July 2019	245,275	33,202	278,477
Additions	3,470	-	3,470
Depreciation expense	(36,015)	(7,069)	(43,084)
Balance at 30 June 2020	212,730	26,133	238,863
Additions	57,306	-	57,306
Depreciation expense	(49,792)	(7,602)	(57,394)
Balance at 30 June 2021	220,244	18,531	238,775

Notes to the Financial Statements (continued)

9. EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED	
	2021	2020
	\$	\$
Expenditure brought forward ¹	23,479,022	21,750,919
Less expenditure recouped on sale of asset	-	-
Add expenditure incurred on purchase of asset	-	-
Receipts for exploration and mining activities ²	(1,304,552)	(2,658,763)
Expenditure incurred during the year	6,976,596	4,401,842
Amounts expensed during the period	(648,663)	(14,976)
Expenditure carried forward	28,502,403	23,479,022

¹ The expenditure above relates principally to the exploration and evaluation phase. The ultimate recoupment of this expenditure is dependent upon the successful development and commercial exploration, or alternatively, sale of the respective areas of interest, at amounts at least equal to the carrying value.

² Receipts include \$973,307 in Research and Development Tax Incentive received for the 2021 financial year and \$331,245 in Government grants related to exploration and evaluation expenditure.

10. FINANCIAL ASSETS

	CONSOLIDATED	
	2021	2020
	\$	\$
Purchase price of investment in Bryah Resources	1,410,000	1,410,000
Fair value movement	(746,250)	(870,000)
Investments at fair value	663,750	540,000

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investment	
				2021	2020	2021	2020
				%	%	\$	\$
Bryah Resources Limited ¹	Mineral Exploration	Australia	Listed: Ordinary	5.71	9.27	663,750	540,000

¹ Investments in Bryah Resources Limited has been classified as an equity instrument at FVTOCI in accordance with AASB 9 *Financial Instruments* with the movements in the investment presented in Other Comprehensive Income. The fair value movement of \$123,750 has been recognised in Equity in accordance with AASB 9 *Financial Instruments*.

Notes to the Financial Statements (continued)

11. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2021	2020
	\$	\$
<i>Current</i>		
Trade payables and accruals	1,873,230	441,459
Payroll tax	9,943	5,676
Fringe benefits tax	5,001	14,044
	1,888,174	461,179

Trade creditors are non-interest bearing and are normally settled on 30-day terms. Due to the short-term nature of trade payables and accruals, their carrying value is assumed to approximate their fair value.

12. PROVISIONS

	CONSOLIDATED	
	2021	2020
	\$	\$
<i>Current</i>		
Employee entitlements – short-term benefits	108,524	109,666
Employee entitlements – long-term benefits	81,404	77,914
	189,928	187,580

Notes to the Financial Statements (continued)

13. ISSUED CAPITAL AND RESERVES

13(a) Issued and Paid Up Capital

	CONSOLIDATED	
	2021	2020
	\$	\$
Ordinary shares – fully paid	96,509,217	91,422,486
Ordinary shares – partly paid	8,000	8,000
Share issue costs written off against issued capital	(2,364,240)	(1,973,381)
	94,152,977	89,457,105

13(b) Movement in Ordinary Shares on Issue

	2021 Number	2021 \$	2020 Number	2020 \$
(i) Ordinary shares – fully paid				
Balance at beginning of year	2,566,322,832	91,422,486	1,973,843,787	84,641,896
Issue of ordinary shares via placements	357,142,857	5,000,000	573,476,491	6,594,975
Issue of ordinary shares as consideration for acquisition of exploration licences	-	-	5,000,000	50,000
Issue of ordinary shares as consideration for option fee for land acquisition	1,120,000	14,000	1,231,926	14,007
Issue of ordinary shares as consideration for corporate and consulting services received from suppliers	1,000,000	14,000	10,060,770	94,509
Issue of ordinary shares on conversion of performance rights	1,000,000	13,000	-	-
Issue of ordinary shares on conversion of performance rights	4,573,125	45,731	2,709,858	27,099
Balance at end of year	2,931,158,814	96,509,217	2,566,322,832	91,422,486
(ii) Ordinary shares – partly paid (\$0.0389 unpaid)				
Balance at beginning of year	80,000,000	8,000	80,000,000	8,000
Balance at end of year	80,000,000	8,000	80,000,000	8,000
Total issued shares	3,011,158,814	96,517,217	2,646,322,832	91,430,486

13(c) Terms and Conditions of Issued Capital

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Fully paid ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Options and partly paid ordinary shares do not entitle their holder to any voting rights.

Notes to the Financial Statements (continued)

13(d) Share Options

At 30 June 2021, the following options over unissued ordinary shares were outstanding:

No. shares under option	Class of shares under option	Exercise price (\$)	Expiry date of options
186,071,428	Ordinary	0.025	18 December 2022

13(e) Performance Rights

At 30 June 2021, the following performance rights were outstanding:

	CONSOLIDATED	
	2021	2020
	No.	No.
Opening performance rights	64,573,125	102,709,868
Performance rights expired 30 June 2019	-	(192,308)
Performance rights expired 19 December 2019 ¹	(20,000,000)	(40,000,000)
Performance rights expired 31 December 2019	-	(2,517,550)
Performance rights expiring 31 December 2020 ²	(4,573,125)	4,573,125
Performance rights expired 19 December 2020 ¹	(20,000,000)	-
Performance rights expired 19 December 2021 ¹	(20,000,000)	-
Performance rights expiring 2 December 2025 ³	124,000,000	-
Closing performance rights	124,000,000	64,573,135

¹ Cancelled during the period.

² Converted to ordinary shares during the period.

³ 31,000,000 performance rights vested during the period but were not exercised as at 30 June 2021. Performance conditions relating to these performance rights are detailed in the Remuneration Report.

⁴ 1,000,000 performance rights (expiry 31 December 2021; fair value at grant date \$0.013) were issued and converted during the year.

13(f) Fair Value Reserve

The fair value reserve records movements in financial assets classified as fair value through Other Comprehensive Income in accordance with AASB 9 *Financial Instruments*.

	CONSOLIDATED	
	2021	2020
	\$	\$
Balance at the beginning of the year	(870,000)	(802,500)
Change in fair value of investments	123,750	(67,500)
Balance at the end of the year	(746,250)	(870,000)

Notes to the Financial Statements (continued)

13(g) Share-Based Payment Reserve

The share-based payments reserve is used to recognise the fair value of options or performance rights issued.

	CONSOLIDATED	
	2021	2020
	\$	\$
Balance at the beginning of the year	277,428	70,491
Fair value of options recognised in share issue costs ¹	37,500	189,464
Fair value of performance rights converted to shares	(58,731)	(25,175)
Fair value of performance rights issued to directors ²	370,749	-
Fair value of performance rights issued to employees ³	16,083	42,648
Balance at the end of the year	643,029	277,428

The share-based payment reserve records the cumulative value of services received for the issue of share options and/or performance rights. When the securities are exercised the amount in the share-based payment reserve is transferred to share capital.

A total of \$400,832 was expensed as share-based payments for the period ended 30 June 2021 (2020: \$189,080).

	CONSOLIDATED	
	2021	2020
	\$	\$
Share-Based Payments		
Conversion of performance rights to shares during the period	-	1,923
Share issued for option fee on land acquisition	-	17,509
Shares issued for Exploration & Evaluation assets	-	50,000
Shares issued in consideration for services rendered	14,000	77,000
Performance rights issued fully vested to Directors during the period	370,749	-
Performance rights issued fully vested during the period ³	16,083	42,648
Share based payments expensed recognised in profit or loss	400,832	189,080

¹The Company issued 7,500,000 options during the year as consideration for underwriting services provided. The options issued have been valued using a Black-Scholes model with the following parameters:

- Option exercise price: \$0.025
- Underlying share price at issue: \$0.014
- Volatility: 101.82%
- Effective interest rate: 0.105%
- Expiry date: 17 December 2022
- Fair value of option \$0.005

The total fair value of the options issued to the brokers on grant date being \$37,500.

Notes to the Financial Statements (continued)

13(g) Share-Based Payment Reserve (continued)

² Following shareholder approval at the general meeting held on 25 November 2020, 124,000,000 performance rights were issued to Directors. The fair value of the performance rights granted were determined using a binomial options pricing model with the following inputs:

- Effective interest rate: 0.335%
- Volatility: 107.63%
- Expiry date: 2 December 2025
- Share price at grant date: \$0.013
- Exercise price: nil

The performance rights were granted for nil consideration and vest subject to certain market performance conditions and service conditions being met (refer to Remuneration Report for details).

³ The Company issued 4,573,125 performance rights to a KMP (exercise price: nil; expiry: 31 December 2020) during the year ended 30 June 2020 which have been valued using the share price at issue date being \$0.01 each. The performance rights vested on 6 July 2020. A total of \$3,083 was recognised in the year ended 30 June 2021. During the year the Company issued 1,000,000 performance rights (exercise price: nil; expiry: 31 December 2021) to a third party which have been valued using the share price at issue date being \$0.013 each. A total of \$13,000 was recognised to 30 June 2021.

14. COMMITMENTS

The Group has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Group. These commitments have not been provided for in the accounts.

Exploration Commitments	CONSOLIDATED	
	2021	2020
	\$	\$
<i>Minimum expenditure commitment on the tenements is:</i>		
Payable no later than 1 year	622,634	701,760
Payable between 1 year and 5 years	2,675,536	3,217,040
	3,298,170	3,918,800

15. CONTINGENT LIABILITIES

It is possible that native title, as defined in the *Native Title Act 1993*, might exist over land in which the Group has an interest. It is impossible at this stage to quantify the impact (if any) that the existence of native title may have on the operations of the Group. However, at the date of this report, the Directors are aware that applications for native title claims have been accepted by the Native Title Tribunal over Group tenements.

Notes to the Financial Statements (continued)

16. SEGMENT INFORMATION

AASB 8 requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

The Group has identified two operating segments for 2021 being:

Exploration	Consisting of The Australian Vanadium Project and other exploration projects
Energy storage	VSUN Energy Pty Limited's vanadium redox flow battery marketing and sales activities.

Segment revenues, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and primarily consist of plant and equipment and project tenements. Segment liabilities consist primarily of trade and other creditors and employee entitlements.

The following table presents revenue, expenditure and asset information regarding operating segments for the year ended 30 June 2021.

	Exploration Consolidated \$	Energy Storage \$	Unallocated \$	Total \$
Sales to external customers	-	34,329	-	34,329
Cost of sales	-	(26,433)	-	(26,433)
Gross profit	-	7,896	-	7,896
Other revenue	-	10,000	136,033	146,033
Total segment revenue	-	44,329	136,033	180,362
Total segment results	(1,353,443)	(88,618)	(1,698,691)	(3,140,752)
Total segment assets	28,502,403	183,729	4,865,066	33,551,198
Total segment liabilities	1,888,321	6,950	260,015	2,155,286
Exploration and evaluation expenditure	(648,663)	-	-	(648,663)
Depreciation and amortisation	-	(23,755)	(108,959)	(132,714)
Finance costs	-	-	(22,540)	(22,540)
Interest income	-	10,000	13,508	23,508

Notes to the Financial Statements (continued)

17. RELATED PARTY TRANSACTIONS

17(a) Subsidiaries

The consolidated financial statements include the financial statements of Australian Vanadium Limited and the subsidiaries listed in the following table.

	Country of Incorporation	Equity 2021 %	Holding 2020 %	Principal Activities
Australian Uranium Pty Ltd	Australia	100	100	Mineral exploration
Cabe Resources Ltd	Australia	100	100	Mineral exploration
VSUN Energy Pty Ltd	Australia	100	100	Energy storage
South African Lithium Pty Ltd	South Africa	100	100	Mineral exploration

17(b) Director-Related Entities

The Group engaged the following entities during the financial year for the following services on normal commercial terms:

- Streamline Capital Pty Ltd (a company wholly owned by Mr Leslie Ingraham) - expenses totalling \$83,129 paid for rental of storage facility for the year ended 30 June 2021 (amount owing at 30 June 2021: nil).

Notes to the Financial Statements (continued)

18. PARENT ENTITY DISCLOSURES

18(a) Summary Financial Information

	PARENT	
	2021	2020
	\$	\$
Assets		
Current assets	3,845,017	5,776,564
Non-current assets	29,507,448	24,283,280
Total assets	33,352,465	30,059,844
Liabilities		
Current liabilities	1,883,321	831,429
Total Liabilities	1,883,321	831,429
Equity		
Issued capital	94,152,933	89,457,062
Reserves	(103,222)	(592,572)
Accumulated losses	(62,580,567)	(59,636,075)
Total equity	31,469,144	29,228,415
Financial performance		
Loss for the year	(2,944,492)	(2,895,026)
Other comprehensive income	123,750	(67,500)
Total comprehensive loss	(2,820,742)	(2,962,526)

18(b) Guarantees

Australian Vanadium Limited has not entered into any guarantees.

18(c) Other Commitments and Contingencies

Australian Vanadium Limited (parent entity) has exploration commitments as described in Note 14. It has no contingent liabilities other than those discussed in Note 15.

Notes to the Financial Statements (continued)

19. KEY MANAGEMENT PERSONNEL DISCLOSURES

19(a) Compensation of Key Management Personnel

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel.

	CONSOLIDATED	
	2021	2020
	\$	\$
<i>Director and executive disclosures</i>		
<i>Compensation of key management personnel</i>		
Short-term personnel benefits	1,066,866	886,877
Post-employment benefits	89,941	76,535
Other long-term benefits	4,150	-
Share based payments	373,832	42,648
	1,534,789	1,006,060

19(b) Loans and Other Transactions with Key Management Personnel

There were no loans to key management personnel or their related entities during the financial year. Other transactions with key management personnel are described in Note 17(b).

20. SHARE-BASED PAYMENTS

Refer to Note 13 for assumptions used in the valuation of the share-based payments.

21. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Consolidated Entity manages its exposure to key financial risks in accordance with the Consolidated Entity's financial risk management policy. The objective of the policy is to support the delivery of the Consolidated Entity's financial targets while protecting future financial security.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, credit risk and liquidity risk. The Consolidated Entity does not speculate in the trading of derivative instruments. The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

Notes to the Financial Statements (continued)

21. FINANCIAL RISK MANAGEMENT (continued)

21(a) Interest Rate Risk

The Consolidated Entity's exposure to risks of changes in market interest rates relates primarily to the Consolidated Entity's cash balances. The Consolidated Entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the Consolidated Entity has no interest-bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At the reporting date, the Consolidated Entity had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	CONSOLIDATED	
	2021	2020
	\$	\$
Financial assets		
Cash and cash equivalents (interest bearing accounts)	3,495,613	5,541,703
	3,495,613	5,541,703

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At the reporting date, if interest rates had moved as illustrated in the table below, with all other variables held constant, post-tax profit and equity relating to financial assets of the Consolidated Entity would have been affected as follows:

	CONSOLIDATED	
	2021	2020
	\$	\$
Estimates of reasonably possible movements:		
Post tax profit – higher/(lower)		
+0.5%	31,506	25,719
-0.5%	(31,506)	(25,719)
Equity – higher/(lower)		
+0.5%	31,506	25,719
-0.5%	(31,506)	(25,719)

21(b) Liquidity Risk

The Consolidated Entity has no significant exposure to liquidity risk as there is effectively no debt. The Consolidated Entity manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Notes to the Financial Statements (continued)

21. FINANCIAL RISK MANAGEMENT (continued)

21(c) Credit Risk

Credit risk arises from the financial assets of the Consolidated Entity, which comprise deposits with banks and trade and other receivables. The Consolidated Entity's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amounts of financial assets included in the statement of financial position represents the Consolidated Entity's maximum exposure to credit risk in relation to those assets.

The Consolidated Entity does not hold any credit derivatives to offset its credit exposure. The Consolidated Entity trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the Consolidated Entity's policy to securitise its trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity does not have a significant exposure to bad debts.

There are no significant concentrations of credit risk within the Consolidated Entity.

21(d) Capital Management Risk

Management controls the capital of the Consolidated Entity in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Consolidated Entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels and share and option issues.

The Consolidated Entity has no external loan debt facilities other than trade payables. There have been no changes in the strategy adopted by management to control capital of the Consolidated Entity since the prior year.

21(e) Commodity Price and Foreign Currency Risk

The Consolidated Entity's exposure to price and currency risk is minimal given the Consolidated Entity is still in the exploration phase.

21(f) Fair Value

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

22. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 22 July 2021, the Company announced that it had been awarded a Federal Government matched funding grant of \$3.69 million under the Resources Technology and Critical Minerals Processing National Manufacturing Priority roadmap.

On 12 August 2021, the Company issued 1,666,667 ordinary fully paid shares as consideration for the provision of drill core and other mineral exploration data.

On 30 August 2021, AVL issued 348,000,000 ordinary fully paid shares at a price of \$0.025 per share to raise \$8.7 million before costs. For every one share issued under the Placement, one free attaching option was issued. The options have an exercise price of \$0.025 and will expire on 18 December 2022.

Notes to the Financial Statements (continued)

22. EVENTS SUBSEQUENT TO REPORTING DATE (continued)

On 30 July 2021, the Company issued 7,500,000 performance rights (expiry 30 July 2026) to Mr Todd Richardson under the Australian Vanadium Employee Incentive Plan. The rights were issued for nil consideration and vest subject to the following market and operational conditions:

- 2,250,000 vest on completion of the bankable feasibility study on the Australian Vanadium Project;
- 1,750,000 vest when the Company achieves a share price of at least \$0.025 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
- 1,750,000 vest when the Company achieves a share price of at least \$0.03 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
- 1,750,000 vest when the Company achieves a share price of at least \$0.04 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.

On vesting and exercise, each right automatically entitles the holder to one ordinary share.

On 30 July 2021, the Company issued 27,616,525 performance rights (expiry 30 July 2026) to various employees and contractors under the Australian Vanadium Employee Incentive Plan. The rights were issued for nil consideration and vest subject to the following conditions:

- 5,808,262 vest on continuous employment from grant date to 31 December 2021;
- 5,936,087 vest when the Company achieves a share price of at least \$0.025 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
- 5,396,088 vest when the Company achieves a share price of at least \$0.03 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
- 5,896,088 vest when the Company achieves a share price of at least \$0.04 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
- 4,000,000 vest when the Company achieves a share price of at least \$0.05 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.

On vesting and exercise, each right automatically entitles the holder to one ordinary share.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the Group up to 30 June 2021, 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.

No other matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years, other than as outlined in the Company's review of operations which is contained in this Annual Report.

Directors' Declaration

The Directors of the Company declare that:

- (a) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion the attached Financial Statements and Notes thereto are in accordance with the Corporations Act 2001 (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated entity;
- (c) in the Directors' opinion, the Financial Statements and Notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in Note 1; and
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001 (Cth).

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001 (Cth).



Cliff Lawrenson
Non-Executive Chairman
Perth
23 September 2021

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF**

AUSTRALIAN VANADIUM LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been:

- i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii) No contraventions of any applicable code of professional conduct in relation to the audit.

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Nigel Dias
Director
Perth, 23 September 2021

Independent Auditor's Report To the Members of Australian Vanadium Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Australian Vanadium Limited ('the Company') and its subsidiaries ('the "Group") which, comprises the consolidated statement of financial position as at 30 June 2021, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Australian Vanadium Limited is in accordance with the *Corporation Act 2001*, Including

- Giving a true and fair view of the Group's financial position as at 30 June 2021, and of its financial performance for the year then ended and;
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has given to directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 year. 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 separated opinion on these matters.

Key Audit Matter

Future Funding - Refer to Note 1 (b)

The Group's primary activity is exploration for and evaluation of mineral resources which is primarily funded via equity raisings as the Group does not yet have any revenue generating activities.

For the year ended 30 June 2021 the Group incurred a net loss of \$3,140,752 (2020: \$2,713,630) and had a working capital surplus of \$1,940,560 at 30 June 2021. The Group has a listed investment of \$663,750 that can be sold to generate further funds. The Group also has the ability reduce discretionary costs and reduce/defer budgeted exploration expenditure as necessary.

On 30 August 2021, AVL issued 348,000,000 ordinary fully paid shares at \$0.025 each in a placement to raise \$8.7 million before costs.

The adequacy of funding and liquidity as well as the relevant impact on the going concern assessment is a key audit matter due to the significance of management estimates and judgement to this estimate.

How our audit addressed the key audit matter

Our Procedures, amongst others, included:

- Obtaining management's cash flow forecast. Evaluating the reliability and completeness of management's forecasts by comparing them to the group's future plans and operating conditions;
- Checking that the Group has sufficient cash to meet its minimum exploration expenditure commitments;
- Confirming that management has the ability to reduce its discretionary costs and budgeted exploration costs to conserve the Group's cash reserves;
- Performing a sensitivity analysis on management's cash flow forecast by varying key assumptions within the forecast;
- Obtaining the ASX Announcements and other information subsequent to year end to assess the impact of any additional facts or information on management's assumptions; and
- Checking the equity placement of \$8.7 million (before costs) received on 30 August 2021 to the bank statement and supporting documentation from the lead broker of the placement.

Exploration and Evaluation Assets - Note 9

At 30 June 2021, the Group's carrying value of Exploration and Evaluation Assets was \$28,502,403

The exploration and evaluation assets are required to be assessed for impairment when facts and circumstances suggest that the carrying amount may exceed their recoverable amounts. Any impairment losses are then measured in accordance with *AASB 136 Impairment of Assets*.

This area is a key audit matter as significant judgement is required in determining whether:

- The capitalised Exploration and Evaluation assets meet the recognition criteria in terms of *AASB 6 Exploration for and Evaluation of Mineral Resources*; and
- Facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount in accordance with AASB 6.

Our Procedures, amongst others, included:

- Agreeing a sample of capitalised exploration and evaluation expenditure to invoices and other documentation. We verified whether the amounts capitalised was in accordance with the recognition criteria of *AASB 6 Exploration for and Evaluation of Mineral Resources*;
- Confirming whether the rights to tenure for the areas of interest were current at the reporting date as well as confirming that the rights to tenure are expected to be renewed for tenements that will expire in the near future;
- Obtaining evidence of the Group's intention to carry out exploration and evaluation activities in the relevant areas of interest. This included checking future budgeted exploration expenditure, reading board minutes and checking related exploration work programmes;
- Assessing whether the Group has the ability to fund its planned exploration and evaluation activities;
- Evaluating Group documents such as announcements made by the Company to the ASX, geologist reports and board minutes to check whether exploration and evaluation activities in the relevant area of interest were unsuccessful; and
- Assessing the appropriateness of the accounting treatment and disclosure in terms of AASB 6.



Share Based Payments – Note 13(g)

At 30 June 2021, the Company had recorded \$438,332 of share based payments of which \$37,500 was recognised in equity and \$400,832 was recognised in the statement of profit or loss. The fair values of options are determined using option pricing models that take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, and the risk-free interest rate for the term of the option. Judgement has been exercised on the probability and timing of achieving milestones related to the options and performance rights.

This area is a key audit matter as the valuation of share based payments is subject to significant management estimates and judgements.

Our procedures, amongst others, included:

- Verifying the key terms and conditions of the equity settled share based payments including number of equity instruments granted, exercise price and vesting conditions to the relevant agreements and award letters;
- Assessing the fair value of the share based payments by testing the key inputs used in option pricing model. This included checking the share price on grant date, exercise price, option life, volatility and risk free rate to supporting documentation and market information;
- Testing the accuracy of the share based payments amortisation over the relevant vesting periods;
- Assessing the Group's accounting treatment in accordance with AASB 2 *Share Based Payments*; and
- Testing the related financial statement disclosures relating to share based payments.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021 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 the Australian Accounting Standards and the *Corporation Act 2001* and for such internal control as the directors determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the Company'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 Company or to cease operations, or have 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 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 30 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Australian Vanadium Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.

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Nigel Dias
Director Perth, 23 September 2021

Annual Mineral Resource Statement

1. THE AUSTRALIAN VANADIUM PROJECT - MINERAL RESOURCE STATEMENT

A summary of the Mineral Resources at The Australian Vanadium Project as at 30 June 2021 is shown in Table 1 below.

The updated Mineral Resource estimation was carried out Trepanier Pty Ltd and Geologica Pty Ltd, resulting in the estimation of Measured, Indicated, and Inferred Mineral Resources. All mineralised domains, are reported above 0.4% V₂O₅ for the low-grade ore zones and above 0.7% V₂O₅ within the high-grade zones.

The Mineral Resource estimate consists of:

- 208.2 million tonnes at 0.74% V₂O₅ containing 1,557,110 tonnes of V₂O₅;
- A discrete massive high-grade zone of 87.9 million tonnes at 1.06% V₂O₅ containing 939,320 tonnes of V₂O₅;
- Discrete low-grade zones of 104.8 million tonnes at 0.49% V₂O₅ containing 617,790 tonnes of V₂O₅, and
- Combined Measured and Indicated Mineral Resources of 79.7 Million tonnes at 0.77% V₂O₅ in low and high-grade zones containing 616,260 tonnes of V₂O₅.

Table 1 The Australian Vanadium Project Mineral Resources Statement (as at 30 June 2021)

Zone	Classification	MT	V ₂ O ₅ %	Fe %	TiO ₂ %	SiO ₂ %	Al ₂ O ₃ %	LOI %
HG	Measured	10.1	1.14	43.9	13.0	9.2	7.5	3.7
	Indicated	25.1	1.10	45.4	12.5	8.5	6.5	2.9
	Inferred	52.7	1.04	44.6	11.9	9.4	6.9	3.3
	Sub-total	87.9	1.06	44.7	12.2	9.2	6.8	3.2
LG 2-5	Measured	-	-	-	-	-	-	-
	Indicated	44.5	0.51	25.0	6.8	27.4	17.0	7.9
	Inferred	60.3	0.48	25.2	6.5	28.5	15.3	6.7
	Sub-total	104.8	0.49	25.1	6.6	28.0	16.1	7.2
Transported 6-8	Measured	-	-	-	-	-	-	-
	Indicated	-	-	-	-	-	-	-
	Inferred	15.6	0.65	28.4	7.7	24.9	15.4	7.9
	Sub-total	15.6	0.65	28.4	7.7	24.9	15.4	7.9
Total	Measured	10.1	1.14	43.9	13.0	9.2	7.5	3.7
	Indicated	69.6	0.72	32.4	8.9	20.6	13.2	6.1
	Inferred	128.5	0.73	33.5	8.8	20.2	11.9	5.4
	Sub-total	208.2	0.74	33.6	9.0	19.8	12.1	5.6

2. MATERIAL CHANGES AND RESOURCE STATEMENT COMPARISON

A comparison between the 2020 and 2021 Mineral Resource Estimates for The Australian Vanadium Project is shown in Table 2 below.

Table 2 The Australian Vanadium Project Comparison Between 2020 and 2021 Mineral Resource Estimates

JORC Class	Resource	Tonnes Million	V ₂ O ₅ %	Fe %	TiO ₂ %	SiO ₂ %	Al ₂ O ₃ %	LOI %
<i>Estimate as at 30 June 2021</i>								
Measured								
		10.1	1.14	43.9	13.0	9.2	7.5	3.7
Indicated								
		69.6	0.72	32.4	8.9	20.6	13.2	6.1
Inferred								
		128.5	0.73	33.5	8.8	20.2	11.9	5.4
Total								
		208.2	0.74	33.6	9.0	19.8	12.1	5.6
<i>Estimate as at 30 June 2020</i>								
Measured								
		10.1	1.14	43.9	13.0	9.2	7.5	3.7
Indicated								
		69.6	0.72	32.4	8.9	20.6	13.2	6.1
Inferred								
		128.5	0.73	33.5	8.8	20.2	11.9	5.4
Total								
		208.2	0.74	33.6	9.0	19.8	12.1	5.6

The updated estimation represented no change.

The Group is not aware of any new information or data that materially affects the information as previously released and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

3. GOVERNANCE ARRANGEMENTS AND INTERNAL CONTROLS

The Group has appropriate systems in place and suitably qualified and competent geological consultants to complete any resource estimation or review to the required standards as shown in the 2012 JORC Code Guidelines. The Quality Assurance, Sampling Systems, Assay Procedures, Data Recording, Interpretation Standards and Resource Estimation Methods and other parameters as set out in Table 1 of the JORC Code 2012 Guidelines are closely followed. The mineral resources reported have been generated by independent external consultants where appropriate who are experienced in best practices in modelling and estimation methods. The consultants have also undertaken reviews of the quality and suitability of the underlying information used to determine the resource estimate. In addition, management carries out regular reviews and audits of internal processes and external contractors that have been engaged by the group.

The Company policy is that all steps are recorded during the resource drilling program and then the estimation stage. All results from field logs and assays to database entries and modelling data are validated, reviewed and checked by independent and qualified geological personnel.

Competent Person Statement – Mineral Resource Estimation

The information in this report relating to The Australian Vanadium Project Mineral Resource estimate reported is based on and fairly represents information compiled by Mr Lauritz Barnes, (Consultant with Trepanier Pty

Ltd) and Mr Brian Davis (Consultant with Geologica Pty Ltd). Mr Barnes and Mr Davis are members of the Australasian Institute of Mining and Metallurgy and have sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Specifically, Mr Barnes is the Competent Person for the estimation and Mr Davis is the Competent Person for the database, geological model and site visits. Mr Barnes and Mr Davis consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

Competent Person Statement – Exploration Results and Exploration Targets

The information in this report that relates to Exploration Results and Exploration Targets is based on and fairly represents information and supporting documentation prepared by Mr Brian Davis (Consultant with Geologica Pty Ltd). Mr Davis is a shareholder of Australian Vanadium Limited. Mr Davis is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Specifically, Mr Davis consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

Competent Person Statement – Ore Reserves

The technical information in this announcement that relates to the Ore Reserve estimate for the Project is based on information compiled by Mr Ross Cheyne, an independent consultant to AVL. Mr Cheyne is a Fellow of the Australasian Institute of Mining and Metallurgy. He is an employee and Director of Orelogix Mine Consulting Pty Ltd. Mr Cheyne has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a competent person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Cheyne consents to the inclusion in the announcement of the matters related to the Ore Reserve estimate in the form and context in which it appears.

Competent Person Statement – Metallurgical Results

The information in this report that relates to Metallurgical Results is based on information compiled by independent consulting metallurgist Brian McNab (CP. B.Sc Extractive Metal-lurgy), Mr McNab is a Member of AusIMM. Brian McNab is employed by Wood Mining and Metals. Mr McNab has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken, to qualify as a Competent Person as defined in the JORC 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr McNab consents to the inclusion in this report of the matters based on the information made available to him, in the form and context in which it appears.

4. SCHEDULE OF INTERESTS IN MINING TENEMENTS AS AT 14 SEPTEMBER 2021

Project	Tenement	Area	Equity	Annual Expenditure Commitment
Australian Vanadium	E51/843	12 blocks	100% ¹	\$70,000
Australian Vanadium	E51/1534	8 blocks	100% ¹	\$70,000
Australian Vanadium	E51/1899	16 blocks	100% ¹	\$20,000
Australian Vanadium	E51/1943	5 blocks	100% ¹	\$15,000
Australian Vanadium	E51/1944	1 block	100% ¹	\$10,000
Australian Vanadium	M51/878	3,565.86 ha	100% ¹	\$356,600
Australian Vanadium	P51/3073	175.12 ha	100% ¹	\$7,040
Australian Vanadium	P51/3074	46.37 ha	100% ¹	\$2,000
Australian Vanadium	P51/3075	26.59 ha	100% ¹	\$2,000
Australian Vanadium	P51/3076	123.53 ha	100% ¹	\$4,960
Australian Vanadium	M51/890	1,811.82 ha	100% ¹	Application
Australian Vanadium	M51/897	1,812.05 ha	100% ¹	Application
Australian Vanadium	L51/116	830.50 ha	100%	Application
Australian Vanadium	P51/3248	5.01 ha	100% ¹	Application
Tumblegum South	M51/888	70.9 ha	100% ¹	\$10,000
Coates	E70/4924-I	4 blocks	100%	\$20,000
Coates	E70/5588	3 blocks	100%	\$15,000
Coates	E70/5589	15 blocks	100%	Application
Nowthanna Hill	M51/771	301.0 ha	100%	\$30,100
Blesberg	(NC) 940 PR	887 ha	Nil ²	-
Total				\$632,700

¹ Mineral Rights for V/U/Co/Cr/Ti/Li/Ta/Mn & iron ore only.

Bryah Resources Limited retains 100% rights all minerals except V/U/Co/Cr/Ti/Li/Ta/Mn & iron ore on The Australian Vanadium Project and Tumblegum South.

² AVL has the right to acquire up to 50.03% interest in the holding company that owns 100% interest in Prospecting Right (NC) 940 PR

ASX Additional Information

Additional information required by the ASX Listing Rules not disclosed elsewhere in this Annual Report is set out below. The information is current as at 14 September 2021.

1. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Listed Shares, Fully Paid Ordinary

Range	No of Holders	Number of shares
1 – 1,000	183	31,799
1,001 – 5,000	172	518,529
5,001 – 10,000	256	2,328,498
10,001 – 100,000	4,917	241,174,945
100,001+	3,689	3,036,771,710
Total	9,217	3,280,825,481

Listed Options, ASX code AVLOA (exercisable at \$0.025, expiring 18/12/2022)

Range	No of Holders	Number of shares
1 – 1,000	4	1,102
1,001 – 5,000	1	4,000
5,001 – 10,000	-	-
10,001 – 100,000	28	2,174,186
100,001+	270	531,892,140
Total	303	534,071,428

Unlisted Shares, Partly Paid Ordinary

Range	No of Holders	Number of shares
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001+	5	80,000,000
Total	5	80,000,000

Unmarketable Parcels

There were 1,727 holders of less than a marketable parcel of ordinary shares and 36 holders of less than a marketable parcel of listed options.

2. UNQUOTED SECURITIES

Holders of more than 20% of the abovementioned unquoted securities are:

Holder Name	Unlisted Shares, Partly Paid Ordinary
Woolmaton Pty Ltd <Woolmaton A/C>	28,000,000
Lisen Zhang	28,000,000

3. RESTRICTED SECURITIES

There are no restricted securities or securities subject to voluntary escrow as at 14 September 2021.

4. SUBSTANTIAL SHAREHOLDERS

There were no substantial holders as at 14 September 2021.

5. CORPORATE GOVERNANCE

The Company's Corporate Governance Statement is located on its website at: australianvanadium.com.au

6. TOP 20 SHAREHOLDERS AS AT 14 SEPTEMBER 2021

Name	Number of Shares	% of Shares
1 BNP Paribas Nominees Pty Ltd ACF Clearstream	102,643,713	3.13
2 HSBC Custody Nominees (Australia) Limited	89,016,887	2.71
3 Citicorp Nominees Pty Ltd	85,373,720	2.60
4 Mr John McDonald & Mr Shaun McDonald <Southland Snipe SF A/C>	65,242,048	1.99
5 Mr Leendert Hoeksema & Mrs Aaltje Hoeksema	57,000,000	1.74
6 BNP Paribas Nominees Pty Ltd <IB Au Noms Retail Client DRP>	48,847,572	1.49
7 CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	47,585,318	1.45
8 1215 Capital Pty Ltd	35,197,900	1.07
9 Orca Capital GmbH	34,949,974	1.07
10 UBS Nominees Pty Ltd	31,082,584	0.95
11 Mr Peter James Muir	30,000,000	0.91
12 Mr Neale Parsons	22,250,000	0.68
13 BNP Paribas Nominees Pty Ltd Six Sis Ltd <DRP A/C>	20,285,940	0.62
14 BNP Paribas Noms Pty Ltd <DRP>	20,145,230	0.61
15 Mr Nigel Charles Redvers Duffey <Trading Account A/C>	20,000,000	0.61
15 Jalein Pty Ltd <Elbaja A/C>	20,000,000	0.61
16 Mr Robert Glyn Salathiel + Mrs Danielle Louise Salathiel <RD Salathiel S/F A/C>	13,966,424	0.43
17 Certane Ct Pty Ltd <BC1>	13,444,000	0.41
18 HSBC Custody Nominees (Australia) Limited	12,809,324	0.39
19 Pinny Pty Ltd	12,068,334	0.37
20 Mr Charles Michael Higgins	12,054,348	0.37
Total	793,963,316	24.21
Total Remaining Holders Balance	2,486,862,164	75.79

7. TOP 20 OPTION HOLDERS AS AT 14 SEPTEMBER 2021

Name	Number of Shares	% of Shares
1 CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	59,233,169	11.09
2 UBS Nominees Pty Ltd	34,827,587	6.52
3 1215 Capital Pty Ltd	14,850,005	2.78
4 Certane Ct Pty Ltd	13,944,000	2.61
5 Matthew Burford Super Fund Pty Ltd <Burford Superfund A/C>	13,172,676	2.47
6 JJ Sunrise Investment Pty Ltd <JJ Shen Family A/C>	10,250,000	1.92
7 HSBC Custody Nominees (Australia) Limited	10,000,000	1.87
8 ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	9,800,000	1.84
9 Ms Chunyan Niu	9,409,054	1.76
10 Lehav Pty Ltd	8,457,252	1.58
11 Mr Andrew Blair Pirrit	8,400,000	1.57
12 Mr Richard Merlin O'Sullivan	8,253,231	1.55
13 Mr John Arthur Jarvis <John Jarvis Family A/C>	8,000,000	1.50
13 Ms Sihol Marito Gultom	8,000,000	1.50
14 M & K Korkidas Pty Ltd <M & K Korkidas Pty Ltd A/C>	7,347,396	1.38
15 Mr Dean Andrew Kent <The Wattle A/C>	7,000,000	1.31
16 J & R Superannuation Pty Ltd <J & R Super A/C>	6,000,000	1.12
16 Munrose Investments Pty Ltd <McKenzie Super Fund A/C>	6,000,000	1.12
17 Yucaja Pty Ltd <The Yoegiar Family A/C>	5,400,000	1.01
18 Mr Daniel Aaron Hylton Tucket	5,317,505	1.00
19 Mr Mark Andrew Tkocz	5,100,000	0.95
20 Absolute Investments Australia Pty Ltd <Absolute A/C>	5,000,000	0.94
20 Mr Khooshvin Ramsurrunsingh Balgobin	5,000,000	0.94
20 Mr Peter John Corbett	5,000,000	0.94
Total	273,761,875	51.27
Total Remaining Holders Balance	260,309,553	48.73



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