



Australian
VANADIUM
LIMITED

ACN 116 221 740

Half Year Report

31 December 2022

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Corporate Directory

Directors

Cliff Lawrenson	Non-Executive Chair
Vincent Algar	Managing Director
Leslie Ingraham	Executive Director (resigned 8 March 2023)
Daniel Harris	Non-Executive Director
Miriam Stanborough	Non-Executive Director (appointed 13 February 2023)
Peter Watson	Non-Executive Director (appointed 13 February 2023)

Company Secretaries

Neville Bassett
Louis Mostert (appointed 14 February 2023)

Registered and Principal Office

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Share Registry

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ASX Code

Ordinary shares – AVL

Directors' Report

Your directors submit the financial report of Australian Vanadium Limited ("AVL" or the "Company") and its subsidiaries (the "Consolidated Entity" or "Group") for the half-year ended 31 December 2022. This report should be read in conjunction with the 2022 Annual Report and announcements to the Australian Securities Exchange. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

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

Cliff Lawrenson (Non-executive Chair)
 Vincent Algar (Managing Director)
 Leslie Ingraham (Executive Director) – resigned 8 March 2023
 Daniel Harris (Non-executive Director)
 Peter Watson (Non-executive Director) – appointed 13 February 2023
 Miriam Stanborough (Non-executive Director) – appointed 13 February 2023

REVIEW OF OPERATIONS

The Australian Vanadium Project

The Company's operations during the half-year were focused on progressing the Australian Vanadium Project ("the Project") towards production. AVL is developing each stage of its vertically integrated mining, vanadium processing and battery strategy in parallel.

The Project is one of the most advanced vanadium development projects in the world, with a Bankable Feasibility Study (BFS) which highlighted the following key metrics:

- The Project is a potential globally significant primary vanadium producer (development of the asset is subject to raising finance).
- Total vanadium Mineral Resource of **239 million tonnes (Mt) at 0.73% V₂O₅** (vanadium pentoxide).
- Ore Reserve of **30.9Mt at 1.09% V₂O₅** comprised of a Proven Reserve of 10.5Mt at 1.11% V₂O₅ and a Probable Reserve of 20.4Mt at 1.07% V₂O₅.
- Combined Measured and Indicated high-grade vanadium resource of **38.8Mt at 1.11% V₂O₅**
 - 11.3Mt at 1.14% V₂O₅ Measured Resources
 - 27.5Mt at 1.10% V₂O₅ Indicated Resources.
- Strong financial metrics:
 - Project pre-tax **NPV_{7.5} of A\$833M**
 - Equity Project **IRR 20.6%**
 - Project **payback of 7.3 years** after first production
 - Project annual EBITDA average for 25 years of A\$175M
 - Total Project EBITDA of \$4.4B.

In 2022, AVL was awarded a \$49M Australian Government grant towards Project funding under the Modern Manufacturing Initiative Collaboration stream.

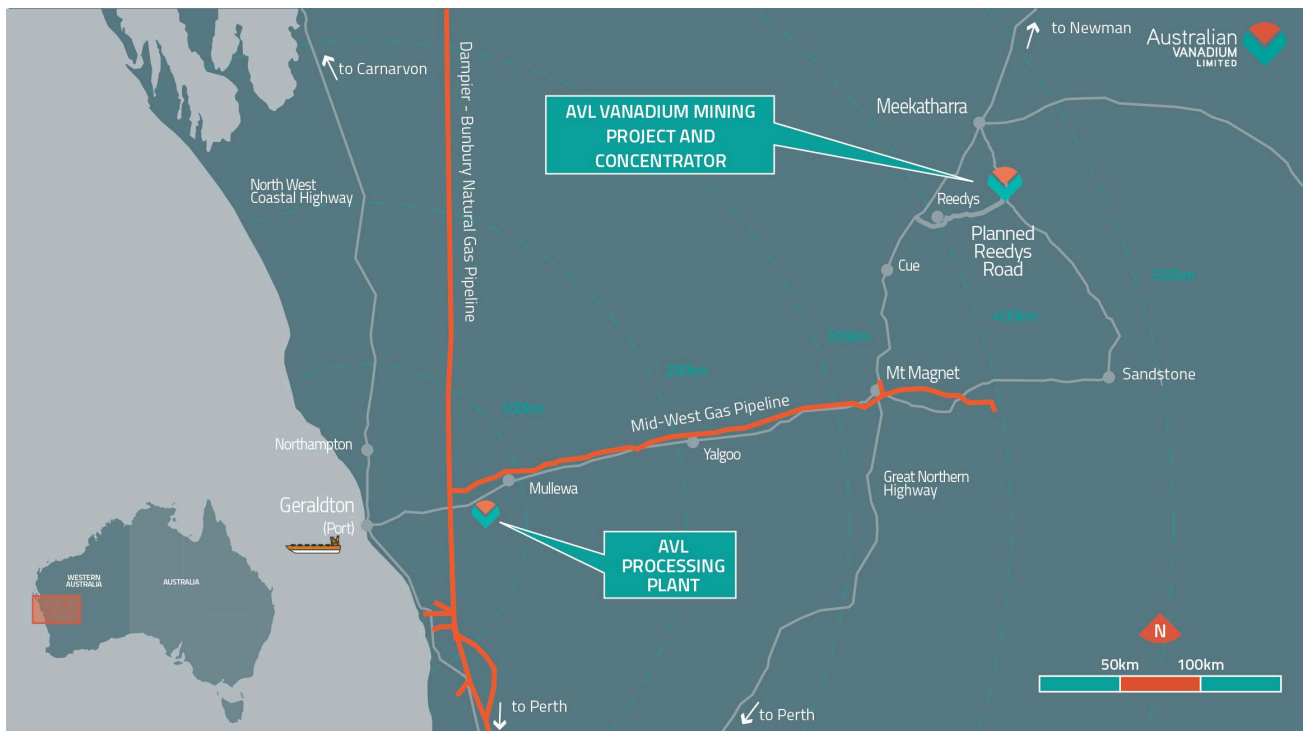


Figure 1 – Location of The Australian Vanadium Project

A summary of the main activities for the half-year included:

Team expansion

In October, AVL appointed Graham Arvidson as Chief Executive Officer (CEO). Graham is an experienced business leader, project development and operations executive, with 18 years of experience in the minerals sector. His work has spanned feasibility, evaluation, successful development and operation of mineral assets globally and across a broad range of commodities including deep experience in vanadium, lithium, nickel and other future focused battery metals. Graham has held senior leadership roles through the development and operational phases of the Nova Nickel Project (Sirius Resources, IGO) and more recently ran the Operations and Maintenance division of Primero Group.

Resource Drilling

During the half-year, a vanadium resource development drill program was completed on the Project. Drilling in 2020 and metallurgical work in 2021 had identified increased vanadium concentrate grades and iron titanium (FeTi) coproduct grades in the southern blocks at the Project. The drill program increased the density of the diamond core material available to approximately 300m spaced sections through blocks 60 and 70 and provided a diamond core section in the centre of the designed pit in block 50. The initial mining pit at the Project will commence in block 60. This new data will further improve the mining schedule and potentially increase project value, while providing excellent definition of expected ore and concentrate grades. (Refer to Figure 2.)

When results are received and further characterisation work has been undertaken, improved quantification of the location and amount of material that will produce a higher iron-vanadium concentrate will be incorporated into an updated Mineral Resource Estimate, mine studies and financial modelling for the Project.

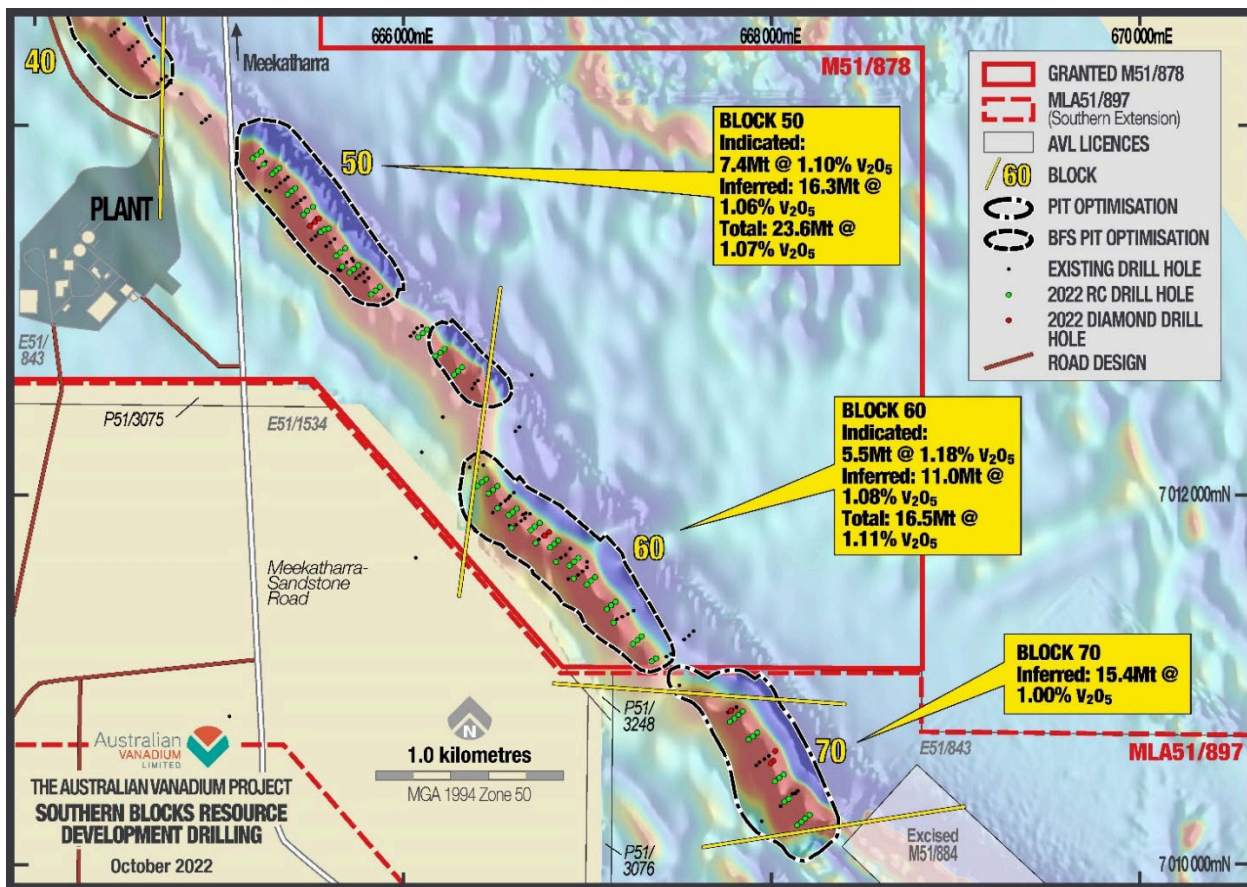


Figure 2 - Location of updated Drilling, Fault Blocks and Tenure

Early Contractor Involvement for Crushing, Milling and Beneficiation Plant

GR Engineering Services Ltd and Primero Group Ltd have been appointed to undertake a dual-party Early Contractor Involvement (ECI) process for the Australian Vanadium Project's Crushing Milling and Beneficiation plant Engineering, Procurement and Construction (EPC) package. The ECI process will run through until Q2 2023, with the final deliverable being an EPC tender proposal.

The ECI process was determined as the appropriate way forward as it allows AVL and each of the ECI contractors the opportunity to build key relationships by collaborating in design development, optimising risk allocation and preparation of EPC pricing.

Environmental Approvals

Key Project approvals at the mine site and processing plant site are progressing in line with the expected schedule for project development and construction.

AVL is currently developing and providing additional information required to be submitted with the Environmental Review Document (ERD) which is on track for submission in early 2023. This includes a water management plan, greenhouse gas emissions and management plan, social surroundings surveys and draft cultural heritage management plan, peer reviews of hydrology and hydrogeological studies, together with flora and fauna surveys and impact studies. Upon submission and acceptance, the ERD will be published on the EPA website for public comment.

Road Reserve Closure

AVL intends to operate open pits which would be intersected by two existing road reserves. An application to the Shire of Meekatharra with public consultation has resulted in Ministerial approval for the closure of the reserves in favour of AVL.

The road reserves do not currently contain any roads and the closure of these reserves is not expected to result in any changes to traffic or access in the area.

FeTi coproduct

The Company's first term sheet for sale of its FeTi coproduct was completed with Wingsing International Limited, the commercial arm of Tianzhu Steel. The agreement is for an initial 50,000 tonnes per annum (tpa) of AVL's FeTi coproduct, with an option to increase volumes after the first year.

Tianzhu Steel has an annual steel production of 5 million tonnes per annum (mtpa) from its mill in Hebei Province, P.R. China. AVL plans to produce approximately 900,000 tpa of FeTi coproduct from the Project, after production of approximately 11,200 tpa of vanadium pentoxide. The FeTi coproduct will be shipped from port facilities at Geraldton.

Sponsorships

AVL has partnered with Shooting Stars to support girls in the Mid West, particularly in Meekatharra and Mullewa. Shooting Stars empowers Aboriginal girls and women across Western and South Australia to make informed choices about their education and employment journey. This sponsorship complements the ongoing support AVL provides to the Stephen Michael Foundation across the region.

VSUN Energy

AVL's 100% owned subsidiary, VSUN Energy, is involved in the market growth of vanadium redox flow batteries (VRFBs) across mining, agriculture, utilities, commercial and industrial projects.

IGO standalone power system

VSUN Energy is installing a 80kW/300KWh standalone power system (SPS) at IGO's Nova Nickel Operation.¹ The battery is undertaking factory acceptance testing (FAT) in Malaga.

When FAT is complete, the battery will be decommissioned and transported to site, alongside the solar module and a backup diesel generator. The system has been designed to provide a 100% renewable energy supply for much of the year, with periods of long cloud cover being supported by a diesel genset. Total renewable penetration of 85-90% is being targeted for the trial. The SPS will initially be used to power an existing process water pump, but the system is redeployable and can be used in a variety of locations across multiple mine sites, including mining camps and EV charging stations.



Figure 2 IGO SPS VRFB being transported for FAT testing in Malaga, WA

Water Corporation

VSUN Energy installed a 5kW/30kWh VRFB for use on a trial basis at Water Corporation's Innovation Hub in Shenton Park, WA at its Water, Research and Innovation Precinct.² The VRFB was trialled for use on a mobile water purification unit and provided 100% renewable power to the system via a solar PV and VRFB SPS.

The trial period was successfully completed and Water Corp is now considering a field test using a VRFB at a site north of Perth.

Water Corporation is the principal supplier of water, wastewater, drainage and bulk irrigation services in Western Australia and

¹ See ASX announcement dated 11th November 2021 'IGO's Nova Nickel Operation to Trial VSUN Energy Vanadium Battery Standalone Power System'

² See ASX announcement dated 29th December 2021 'VSUN Energy to Install VRFB at Water Corporation Site'

is owned by the Western Australian Government. Water Corporation manages almost 35,000km of water mains across an area greater than 2.6 million kilometres. Water Corporation has a commitment to reducing its environmental footprint, with the use of renewable energy being one of the solutions for doing this.

VRFB for agricultural client

VSUN Energy's second VRFB ordered from E22 has been delivered to an agricultural client in Victoria and is being installed and commissioned. The battery is a 20kW/80kWh unit which will be paired with 100kW of solar power generation. The system will be grid connected and help to achieve greater renewable energy penetration for the client.

Residential VRFB

VSUN Energy has been working to develop a residential version of the VRFB. This product is of interest to many people who are looking for an alternative to a lithium-ion battery. The company is currently working with local engineering companies to develop the product. The battery will be a 5kW/15kWh size, which will provide enough power to supply an average house through the evening and into the morning when solar power begins to generate.

Coates Project

Assay results from RC drilling of the stratigraphic drill section at AVL's Coates Project included highly anomalous copper and visual observations of sulphide in diamond core tails.

AVL's tenure is in the Coates Mafic Intrusive Complex near Wundowie, 80km NE of Perth in Western Australia. The AVL tenement at the Coates Project covers 11.68 km² over a southern extension of similar mafic-ultramafic rocks to the sequence that is host to the nickel-copper-PGE Julimar Project discovery by Chalice Gold Mines Limited (ASX: CHN).

AVL signed an option agreement with Mining Green Metals (MG1) in May 2022 for MG1 to acquire a 100% interest in the Coates Project.³ The option agreement includes the Company's Nowthanna Hill uranium project and provides AVL with 5,000,000 fully paid ordinary shares in MG1, a 0.75% net smelter return royalty from the value of the minerals mined (Coates Project) and a cash payment of \$100,000. The option is conditional on MG1 completing due diligence on the tenements and listing on the ASX. Mining Green Metals lodged its prospectus on 2 March 2023. AVL shareholders will be entitled to participate in a priority offer.

Financial

The Group incurred a loss after tax for the half-year of \$2,367,434 (31 December 2021 - loss of \$2,363,632).

In October 2022, AVL commenced trading on the OTCQB market in the USA. The OTCQB market allows US investors to trade AVL's ASX shares and is non-dilutive because no additional capital is required to be raised and no new shares will be issued in conjunction with inclusion on the market. The Company trades under the code ATVVF.

In November 2022, the Company received \$618,904 from the Australian Government Research & Development (R&D) Tax Incentive Scheme. The refund applied to work undertaken in the 2020/21 tax year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the half-year are detailed under the heading 'Review of Operations' in this report. In the opinion of the directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the half-year under review not otherwise disclosed in this report or in the financial report.

DIVIDENDS

No dividends have been declared or paid during the half-year ended 31 December 2022 or in the prior period, and the directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2022.

³ See ASX announcement dated 11th May 2022 'Sale of Coates Nickel-Copper-PGE and Nowthanna Hill Uranium Projects'



EVENTS SUBSEQUENT TO REPORTING DATE

On 3 January 2023, 20,000,000 fully vested performance rights held by a director were exercised for nil consideration.

The Company announced the appointment of Ms Miriam Stanborough and Mr Peter Watson to the Board as Non-Executive Directors with effect from 13 February 2023.

Mr Leslie Ingraham resigned from his position as Executive Director effective 8 March 2023.

The Company appointed Mr Louis Mostert as Chief Legal and Commercial Officer and joint company secretary on 14 February 2023.

There are no further matters or circumstances that have arisen since the end of the half-year, which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods.

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year ended 31 December 2022 is included within this financial report.

Signed on behalf of the directors

Cliff Lawrenson
Non-Executive Chairman
Perth
9 March 2023

Competent Person Statement — Mineral Resource Estimation

The information in this report relating to The Australian Vanadium Project Mineral Resource estimate 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 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 a 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 report 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 Orelogy 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 *Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*. Mr Cheyne consents to the inclusion in the report 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 the Australasian Institute of Mining and Metallurgy and 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 Edition of the *Joint Ore Reserves Committee (JORC) 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.



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DECLARATION OF INDEPENDENCE BY GLYN O' BRIEN TO THE DIRECTORS OF AUSTRALIAN VANADIUM LIMITED

As lead auditor for the review of Australian Vanadium Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Australian Vanadium Limited and the entities it controlled during the period.

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

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth

9 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2022

	Notes	Consolidated	
		31 December 2022	31 December 2021
		\$	\$
Revenue			
Sales		30,500	-
Cost of sales		(22,727)	-
Gross Profit		7,773	-
Other income		67,823	25,679
		67,823	25,679
Expenses			
Exploration and evaluation expenditure		(29,391)	(74,540)
Depreciation and amortisation		(110,466)	(54,049)
Finance costs		(24,789)	(5,403)
Share Based Payments	7	(66,143)	(546,145)
Directors fees and benefits expense		(50,000)	(50,000)
Employee benefits expense		(757,269)	(636,151)
Consulting fees		(253,965)	(204,598)
Professional fees		(155,330)	(294,814)
Other corporate and administrative expenses		(995,677)	(523,611)
Loss before income tax expense from continuing operation		(2,367,434)	(2,363,632)
Income Tax Expense		-	-
Loss after income tax expense for the half year		(2,367,434)	(2,363,632)
Other Comprehensive (Loss)/Income			
Items that cannot be reclassified subsequently to profit or loss			
Movement in fair value of financial assets classified at fair value through OCI		(47,629)	(101,250)
Total comprehensive loss for the half year		(2,415,063)	(2,464,882)
		Cents	Cents
Basic/ diluted earnings per share		(0.06)	(0.07)

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	Consolidated	
		31 December 2022	30 June 2022
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		27,060,629	26,443,986
Trade and other receivables		898,316	1,265,497
Total current assets		27,958,945	27,709,483
Non-current assets			
Plant and equipment		1,033,732	620,143
Exploration and evaluation expenditure	3	39,213,106	35,627,356
Financial assets		360,871	337,500
Right-of-use assets		1,389,073	36,926
Total non-current assets		41,996,782	36,621,925
TOTAL ASSETS		69,955,727	64,331,408
LIABILITIES			
Current liabilities			
Trade and other payables		965,635	899,779
Provisions		163,771	150,467
Grant liability	4	2,161,897	2,581,947
Lease liability		232,257	32,314
Total current liabilities		3,523,560	3,664,507
Non-current liabilities			
Provisions		143,649	133,698
Lease liability		1,180,057	-
Total non-current liabilities		1,323,706	133,698
TOTAL LIABILITIES		4,847,266	3,798,205
NET ASSETS		65,108,461	60,533,203
EQUITY			
Issued capital	5	135,340,905	127,025,901
Reserves	6	(174,736)	1,197,576
Accumulated Losses		(70,057,708)	(67,690,274)
TOTAL EQUITY		65,108,461	60,533,203

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2022

	Issued Capital	Accumulated Losses	Consolidated Asset Revaluation Reserve	Other Reserves	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2021	94,152,977	(62,653,844)	(746,250)	643,029	31,395,912
Loss for the period	-	(2,363,632)	-	-	(2,363,632)
Movement in fair value of investments recognised in equity	-	-	(101,250)	-	(101,250)
Total comprehensive loss for the period	-	(2,363,632)	(101,250)	-	(2,464,882)
Shares issued as consideration	54,007	-	-	-	54,007
Shares issued pursuant to placements	8,700,000	-	-	-	8,700,000
Recognition of share-based payments – for services provided by third parties	-	-	-	265,000	265,000
Recognition of share-based payments – employees	-	-	-	468,348	468,348
Recognition of share-based payments – directors	-	-	-	77,796	77,796
Capital Raising Cost	(833,593)	-	-	-	(833,593)
Balance as at 31 December 2021	102,073,391	(65,017,476)	(847,500)	1,454,173	37,662,588
Balance as at 1 July 2022	127,025,901	(67,690,274)	(1,072,500)	2,270,076	60,533,203
Loss for the period	-	(2,367,434)	-	-	(2,367,434)
Movement in fair value of investments recognised in equity	-	-	(47,629)	-	(47,629)
Total comprehensive loss for the period	-	(2,367,434)	(47,629)	-	(2,415,063)
Shares issued on exercise of options	6,938,111	-	-	-	6,938,111
Shares issued on conversion of performance rights - directors *	1,008,800	-	-	(1,008,800)	-
Shares issued on conversion of performance rights - employees *	382,026	-	-	(382,026)	-
Recognition of share-based payments – KMP *	-	-	-	62,050	62,050
Recognition of share-based payments – employees *	-	-	-	4,093	4,093
Capital Raising Cost	(13,933)	-	-	-	(13,933)
Balance as at 31 December 2022	135,340,905	(70,057,708)	(1,120,129)	945,393	65,108,461

* Refer to Note 7

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2022

	Consolidated	
	31 December	31 December
	2022	2021
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(2,953,596)	(2,181,797)
Interest paid on leases	(22,527)	(5,403)
Interest received	10,296	1,330
Payments for exploration and mining interests	(29,391)	-
Net receipts from other entities	88,028	17,849
Net cash used in operating activities	(2,907,190)	(2,168,021)
Cash flows from investing activities		
Payments for exploration and mining interests	(3,742,208)	(5,012,934)
Receipts from Research and Development Tax Incentives and Government Grants	656,404	1,585,079
Proceeds from disposal of property plant and equipment	-	6,500
Payments for investments	(71,000)	-
Payments for property plant and equipment	(757,494)	(222,860)
Net cash used in investing activities	(3,914,298)	(3,644,215)
Cash flows from financing activities		
Proceeds from issue of shares	571,000	8,700,000
Proceeds from conversion of options	6,947,111	-
Payment of capital raising costs	(36,774)	(568,594)
Repayment of lease liabilities	(43,206)	(24,695)
Net cash provided by financing activities	7,438,131	8,106,711
Net increase in cash held	616,643	2,294,475
Cash at beginning of the period	26,443,986	3,495,613
Cash at end of the period	27,060,629	5,790,088

The accompanying notes form part of these consolidated financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

Australian Vanadium Limited is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the ASX. The Company also trades on the OTCQB market in the United States and the Frankfurt market. The Consolidated Financial Statements of the Company as at, and for, the half-year ended 31 December 2022 comprise those of the Company and its subsidiaries (together referred to as “the Consolidated Entity” or “the Group”). The principal continuing activities of the Group are 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated half-year financial statements are a general purpose financial statement prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 ‘Interim Financial Reporting’. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’.

The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made by Australian Vanadium Limited during the half-year period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial assets and financial liabilities that are recognised initially at fair values and subsequently measured at amortised cost or at fair value. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Significant Accounting Estimates and Judgments

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

In preparing this interim report, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2022.

Going Concern

For the half-year ended 31 December 2022 the Group incurred a net loss of \$2,367,434 (31 December 2021: loss of \$2,363,632). The Group’s net current asset position as at 31 December 2022 was \$24,435,385 (30 June 2022: \$24,044,976 net current assets). Cash and cash equivalents totalled \$27,060,629 as at 31 December 2022 (30 June 2022: \$26,443,986).

The consolidated financial statements have been prepared on the going concern basis as the directors believe, amongst other things, that they will continue to be successful in securing funding for the development of the Australian Vanadium Project.

3. DEFERRED EXPLORATION EXPENDITURE

	31 December 2022 \$	30 June 2022 \$
Deferred exploration expenditure		
Expenditure brought forward	35,627,356	28,502,403
Receipts for exploration and evaluation activities*	(656,404)	(257,153)
Expenditure incurred during the period	4,271,545	7,515,886
Expenditure written off during period	(29,391)	(133,780)
Expenditure carried forward	39,213,106	35,627,356

*Receipts of \$37,500 is for government grants related to exploration and evaluation expenditure and \$618,904 relates to R&D Tax Incentive capitalised.

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 exploitation, or alternatively, sale of the respective areas of interest, at amounts at least equal to book value. On review, management have not identified any indicators of impairment to the exploration assets.

4. GRANT LIABILITY

The Company has received funding from the Australian Government under the Manufacturing Translation Stream – Resources Technology and Critical Minerals Processing Priority scheme. The purpose of the grant is to co-fund:

- Piloting of an ultra-high purity vanadium pentoxide manufacturing circuit,
- Design and construction of a full-scale vanadium electrolyte manufacturing plant, and
- Design and development of a residential Vanadium Redox Flow Battery and Standalone Power System.

As at 31 December 2022 an amount of \$2,161,897 is recognised as a liability.

5. ISSUED CAPITAL

	Notes	31 December 2022 \$	30 June 2022 \$
Issued and paid up capital			
Ordinary shares - fully paid	5(i)	139,841,711	131,512,774
Ordinary shares - partly paid	5(ii)	6,800	6,800
Capital raising costs		(4,507,606)	(4,493,673)
		135,340,905	127,025,901
Movement in ordinary share in issue			
(i) Ordinary share - fully paid		No.	\$
Balance at beginning of period		3,940,855,932	131,512,774
Movement			
- Issue of ordinary shares on exercise of options		277,524,439	6,938,111
- Issue of ordinary shares on conversion of performance rights – employees		21,244,846	382,026
- Issue of ordinary shares on conversion of performance rights – directors		104,000,000	1,008,000
Balance at end of Period		4,343,625,217	139,841,711
(ii) Ordinary share - partly paid (\$0.0389 unpaid)			
Balance at beginning of period		68,000,000	6,800
Balance at end of Period		68,000,000	6,800

6. RESERVES

	31 December 2022 \$	30 June 2022 \$
Share based payment reserve	945,393	2,270,076
Financial assets at FVOCI	(1,120,129)	(1,072,500)
Balance at end of Period	(174,736)	1,197,576

7. SHARE BASED PAYMENTS

Share based payment reserve	31 December 2022 \$	30 June 2022 \$
Balance at beginning of period	2,270,076	643,029
Fair value of options recognised in share issue costs	-	265,000
Transfer to issued capital on conversion of performance rights – directors (i)	(1,008,800)	-
Transfer to issued capital on conversion of performance rights – employees (ii)	(382,026)	(118,398)
Fair value of performance rights issued to directors and KMP	62,050	986,401
Fair value of performance rights issued to employees	4,093	494,044
Balance at end of Period	945,393	2,270,076

The share-based payment reserve arises on the grant of performance rights and/or options to executives, employees, consultants, and advisors. When the securities are exercised the amount in the share-based payment reserve is transferred to share capital.

- (i) During the period, 104,000,000 performance rights relating to a prior year issue to directors converted into shares. Refer to Statement of Changes in Equity for reconciliation of the total movement.
- (ii) During the period, 21,244,846 performance rights relating to a prior year issue to employees converted into shares. Refer to Statement of Changes in Equity for reconciliation of the total movement.

Performance rights issued to Key Management Personnel

Following the adoption of the Employee Securities Incentive Plan at the Annual General Meeting held on 14 November 2022, 36,000,000 performance rights were granted to the Chief Executive Officer, Graham Arvidson.

The fair value of the performance rights for Tranche 14, 18 and 19 (the “non-market performance rights”) were valued using the share price at grant date. Tranche 15, 16 and 17 (the “market performance rights”) were valued using a Monte Carlo simulation. Key valuation inputs are outlined in the below table:

Tranche	Effective interest rate	Volatility	Number of Instruments	Share price at grant date	Expiry date	Fair Value per right	Total fair value
Tranche 14	3.256%	80%	6,000,000	\$0.030	6-Dec-27	\$0.0300	\$180,000
Tranche 15	3.256%	80%	6,000,000	\$0.030	6-Dec-27	\$0.0235	\$140,785
Tranche 16	3.256%	80%	6,000,000	\$0.030	6-Dec-27	\$0.0207	\$123,986
Tranche 17	3.256%	80%	6,000,000	\$0.030	6-Dec-27	\$0.0184	\$110,378
Tranche 18	3.256%	80%	6,000,000	\$0.030	6-Dec-27	\$0.0300	\$180,000
Tranche 19	3.256%	80%	6,000,000	\$0.030	6-Dec-27	\$0.0300	\$180,000

The vesting conditions relating to the performance rights issued are as follows:

Tranche	Vesting Conditions
Tranche 14	Continuous employment, as defined in the Plan, from the date of grant of the performance rights until 1 November 2023.
Tranche 15	The Company achieves a share price of at least \$0.10 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
Tranche 16	The Company achieves a share price of at least \$0.15 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
Tranche 17	The Company achieves a share price of at least \$0.20 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
Tranche 18	Final Investment Decision.
Tranche 19	Achievement of Nameplate Capacity of the Australian Vanadium Project.

The fair value of the performance rights granted is \$915,119 with the total amount recognised in equity over the vesting period to 31 December 2022 being \$62,050.

Performance rights issued to Employees

During the period, \$4,093 was recognised in relation to existing performance rights issued under the Employee Securities Incentive Plan.

8. 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 being:

1. **Exploration** – consisting of the Australian Vanadium Project and other exploration projects, and
2. **Energy Storage** - VSUN Energy Pty Limited's vanadium redox flow battery 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 benefits.

The following tables present revenue, expenditure and asset information regarding operating segments for the half-year ended 31 December 2022 and 31 December 2021.

December 2022	Exploration	Energy Storage	Unallocated	Total
	\$	\$	\$	\$
Sales to External Customers	-	30,500	-	30,500
Other Revenue	-	4,875	62,948	67,823
Total Segment Revenue	-	35,375	62,948	98,323
Total Segment Results	(29,391)	(245,102)	(2,092,941)	(2,367,434)
Total Segment Assets	39,713,859	446,571	29,795,297	69,955,727
Total Segment Liabilities	2,413,810	48,621	2,384,836	4,847,267
Exploration write off	(29,391)	-	-	(29,391)
Depreciation and Amortisation	-	(16,121)	(94,345)	(110,466)
Finance Costs	-	-	(24,789)	(24,789)
Interest Income	-	-	10,296	10,296

Dec 2021	Exploration \$	Energy Storage \$	Unallocated \$	Total \$
Sales to External Customers	-	-	-	-
Other Revenue	-	-	25,679	25,679
Total Segment Revenue	-	-	25,679	25,679
Total Segment Results	(523,490)	(109,976)	(1,730,166)	(2,363,632)
Total Segment Assets	33,477,784	274,994	755,582	34,508,360
Total Segment Liabilities	1,885,633	4,100	1,548,406	3,438,139
Exploration write off	(74,540)	-	-	(74,540)
Depreciation and Amortisation	-	(13,027)	(41,022)	(54,049)
Finance Costs	-	-	(5,403)	(5,403)
Interest Income	-	-	-	-

9. CONTINGENT ASSETS AND LIABILITIES

On 21 October 2019 the Company signed an option agreement with Wyalong Pastoral Co Pty Ltd to purchase a site of 1,334 acres (subject to survey) inland from Geraldton, which has been identified as a possible location for its vanadium processing plant. An extension was signed in November 2022. The purchase price for the land will be \$3,000 per acre, to be calculated on the surveyed area.

As at the date of this report a contingent asset existed in relation to an option agreement between the Company and Mining Green Metals Limited ("MG1") for the sale of tenements.

Under the terms of the agreement, MG1 will pay cash and MG1 shares comprised of the following:

- 5,000,000 fully paid ordinary shares of MG1.
- A 0.75% net smelter return royalty from the value of the minerals mined (Coates Project).
- \$100,000 cash payment.

Completion of the sale remains subject to and conditional on:

- MG1 advising AVL that it has completed its due diligence investigations on the tenements,
- MG1 having received listing approval from ASX for its shares to be admitted to the official list, and
- AVL either obtaining approval from its shareholders as is necessary to proceed or ASX providing written advice to AVL that such shareholder approval is not required.

10. COMMITMENTS

Exploration expenditure commitments represent tenement rentals and expenditure requirements that may be required to be met under the relevant legislation should the Group wish to retain tenure on all current tenements in which the Group has an interest. As at 31 December 2022, the Group holds 13 granted tenements (including 2 granted Mining Leases) and there are 7 tenement applications not yet granted.

Since the release of the 30 June 2022 Financial Statements there has been an increase in commitments due to an increase in activities related to the Australian Vanadium Project and the electrolyte plant project.

Mining Tenement Commitments	CONSOLIDATED	
	31 December 2022	30 June 2022
	\$	\$
Capital Commitments		
Electrolyte plant procurements	437,713	235,723
Electrolyte plant design	484,937	180,904
Australian Vanadium Project – ECI agreements	2,009,497	1,433,621
	2,932,147	1,850,248

11. EVENTS SUBSEQUENT TO REPORTING DATE

On 3 January 2023, 20,000,000 fully vested performance rights held by a director were exercised for nil consideration.

The Company announced the appointment of Ms Miriam Stanborough and Mr Peter Watson to the Board as Non-Executive Directors with effect from 13 February 2023.

Mr Leslie Ingraham resigned from his position as Executive Director effect 8 March 2023.

The Company appointed Mr Louis Mostert as Chief Legal and Commercial Officer and joint company secretary on 14 February 2023.

There are no further matters or circumstances that have arisen since the end of the half-year, which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods.

12. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

The Group engaged the following entity during the period on normal commercial terms:

- Streamline Capital Pty Ltd (a company wholly owned by Mr Leslie Ingraham) – expenses totalling \$67,468 (December 2021: \$54,299) paid for rental of storage facility (amount owing at 31 December 2022: nil).

Directors' Declaration

In the directors' opinion:

- a) the consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and
- b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Cliff Lawrenson
Non-Executive Chairman
Perth
9 March 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Vanadium Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australian Vanadium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to the audit of the annual 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 been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

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



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', with the 'BDO' logo written above it.

Glyn O'Brien

Director

Perth

9 March 2023

MINERAL RESOURCE

A summary of the Mineral Resources at The Australian Vanadium Project as at 31 December 2022 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:

- 239 million tonnes at 0.73% V₂O₅ containing 1,741,800 tonnes of V₂O₅;
- A discrete massive high-grade zone of 95.6 million tonnes at 1.07% V₂O₅ containing 1,017,500 tonnes of V₂O₅;
- Discrete low-grade zones of 128.5 million tonnes at 0.49% V₂O₅ containing 625,500 tonnes of V₂O₅, and
- Combined Measured and Indicated Mineral Resources of 93.7 million tonnes at 0.75% V₂O₅ in low and high-grade zones containing 704,800 tonnes of V₂O₅.

Table 1 The Australian Vanadium Project Mineral Resources Statement

Zone	Classification	MT	V ₂ O ₅ %	Fe %	TiO ₂ %	SiO ₂ %	Al ₂ O ₃ %	LOI %
HG	Measured	11.3	1.14	43.8	13.0	9.2	7.5	3.7
	Indicated	27.5	1.10	45.4	12.5	8.5	6.5	2.9
	Inferred	56.8	1.04	44.6	11.9	9.4	6.9	3.3
	Sub-total	95.6	1.07	44.7	12.2	9.1	6.8	3.2
LG 2-5	Measured	-	-	-	-	-	-	-
	Indicated	54.9	0.50	24.9	6.8	27.6	17.1	7.9
	Inferred	73.6	0.48	25.0	6.4	28.7	15.4	6.6
	Sub-total	128.5	0.49	24.9	6.6	28.2	16.1	7.2
Transported 6-8	Measured	-	-	-	-	-	-	-
	Indicated	-	-	-	-	-	-	-
	Inferred	14.9	0.66	29.0	7.8	24.5	15.1	7.8
	Sub-total	14.9	0.66	29.0	7.8	24.5	15.1	7.8
Total	Measured	11.3	1.14	43.8	13.0	9.2	7.5	3.7
	Indicated	82.4	0.70	31.7	8.7	21.2	13.5	6.2
	Inferred	145.3	0.71	33.0	8.7	20.7	12.0	5.4
	Sub-total	239.0	0.73	33.1	8.9	20.4	12.3	5.6