2019

ANNUAL REPORT

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ASX: AVL

Australian
VANADIUM
LIMITED

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Corporate Directory

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Securities Exchange Listing
Australian Vanadium Limited shares (AVL) are quoted on the Australian Securities Exchange (ASX).

Letter from The Chairman

Dear Fellow Shareholders,

On behalf of your Board of Directors, I have pleasure in presenting the 2019 Annual Report of Australian Vanadium Limited ("AVL" or the "Company") for the 30 June 2019 financial year.

The year saw big changes to the core markets for vanadium. Changes to Chinese steel standards which required more vanadium to be used in rebar steel, along with shortages of supply, saw vanadium prices increase to a peak of over US$29/lb V_2O_5 in 2018, before settling to nearer the long-term average price of US$8.50 by mid-2019. A new and ongoing level of higher pricing and demand seems to have commenced and is highly supportive of the Company's efforts to bring The Australian Vanadium Project into production.

The last 12 months have seen the Company achieve major milestones in its efforts to bring The Australian Vanadium Project in Western Australia closer to development, specifically the completion of a financially and technically robust Pre-Feasibility Study. The study showed that the Project could achieve an operating cost of US$4.15/lb, approaching that of the lowest cost primary vanadium mines around the world, with opportunities for further reduction.

This year has also seen another sale of a vanadium redox flow battery (VRFB) through VSUN Energy, highlighting the versatility of the resource through multiple applications. This sale will undoubtedly act as a catalyst for future sales and validates the Company's belief in VRFBs as a valuable technology in the renewable energy space.

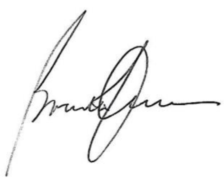
The Company has been actively upgrading the Project resource base, with drilling results incorporated into a Mineral Resource released in November 2018. The economically significant massive magnetite horizon underlying the Project was converted to a Maiden Ore Reserve, providing a high quality, low risk initial Reserve to support the Project's initial 17-year life.

AVL's highly experienced vanadium team, led by Managing Director Vincent Algar, has further advanced the Project through pilot studies, bench scale research, processing innovations and environmental approval progress. The Project received recognition of its potential with the grant of Federal Government Major Project status in September 2019.

The year ahead for AVL will continue to be focused and busy, as the team completes the Definitive Feasibility Study and submits final environmental approvals. These outcomes support ongoing offtake and finance discussions. AVL's aim is to cement the Project's status as a world-class vanadium resource, with excellent prospects for near-term development.

I wish to thank shareholders for their continuing support throughout the year and extend my sincere thanks to the Board, management and colleagues for their contributions and efforts.

Yours faithfully,



Brenton Lewis, Chairman

Director's Report

CORPORATE HIGHLIGHTS

The Australian Vanadium Project

- The Project was awarded Major Project Status by the Australian Federal Government in September 2019.
- The total Mineral Resource was updated in November 2018 to 183.6Mt at 0.76% V_2O_5 from massive and disseminated zones. The revised Mineral Resource included a distinct massive magnetite high-grade zone of 7Mt at 1.00% V_2O_5.
- A robust Pre-Feasibility Study was released in December 2018, including a Maiden Ore Reserve of 18.24Mt at 1.04% V_2O_5 comprised of a Proved Reserve of 9.82Mt at 1.07% V_2O_5 and a Probable Reserve of 8.42Mt at 1.01% V_2O_5.
- Infill drilling confirmed thickness and grade of the main vanadium magnetite horizon along strike of the existing Measured and Indicated Resources.
- A Pilot Study on 30 tonnes of material produced from drill work commenced in mid 2019.
- High-purity 99.4% V_2O_5 was produced from pre-pilot testwork. Roast-leach process testing demonstrated the dual benefits of pelletising and increased roasting temperatures.
- A new strategic tenement was pegged at the southern end of the vanadium deposit.
- An MOU was signed with Westgold Resources Limited to support mine water requirements.

VSUN Energy

- AVL and VSUN Energy are members of the successfully awarded Future Battery Industry Cooperative Research Centre. VSUN's role will revolve around vanadium redox flow battery (VRFB) expertise, AVL's interest is in processing vanadium for VRFB use.
- A Letter of Intent was signed with SCHMID to offer the EverFlow large scale and telecom VRFB to potential clients; AVL signed a letter of intent to explore the supply of V_2O_5 and/or electrolyte.
- An order was secured for a 20kW/80kWh VRFB for an orchard in Victoria.
- An MOU was signed with Nomads Charitable & Educational Foundation regarding the potential installation of a VRFB and solar PV system at Strelley Community School in the Pilbara.

Coates and Nowthanna Hill

- A Joint Venture Agreement was signed with Ultra Power Systems to evaluate AVL's Coates Vanadium Project.
- The Nowthanna Hill Mineral Resource estimate for uranium and titanium was updated to comply with JORC Code 2012 guidelines.

Corporate Matters

- Vanadium expert Todd Richardson was promoted to the role of Chief Operating Officer.
- In December 2018, \$5,927,871 was raised through an option conversion. In addition, 62,750,000 options were underwritten, raising and additional \$1,255,000 before costs for a total of \$7,182,871
- AVL received \$113,660 from the Australian Federal Government's Research and Development Tax Incentive Scheme for the 2016/2017 tax year.

- AVL received $249,643 from the Australian Federal Government's Research and Development Tax Incentive Scheme for the 2017/2018 tax year. This was received in September 2019
- In September 2019, $5,194,975 was raised through a Share Purchase Plan and $1,400,000 was raised through a Placement for a total of $6,594,975.
- The Company undertook a change of share registry to Automic Registry Services.

REVIEW OF OPERATIONS

The Australian Vanadium Project

The Australian Vanadium 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 (Figure 1).

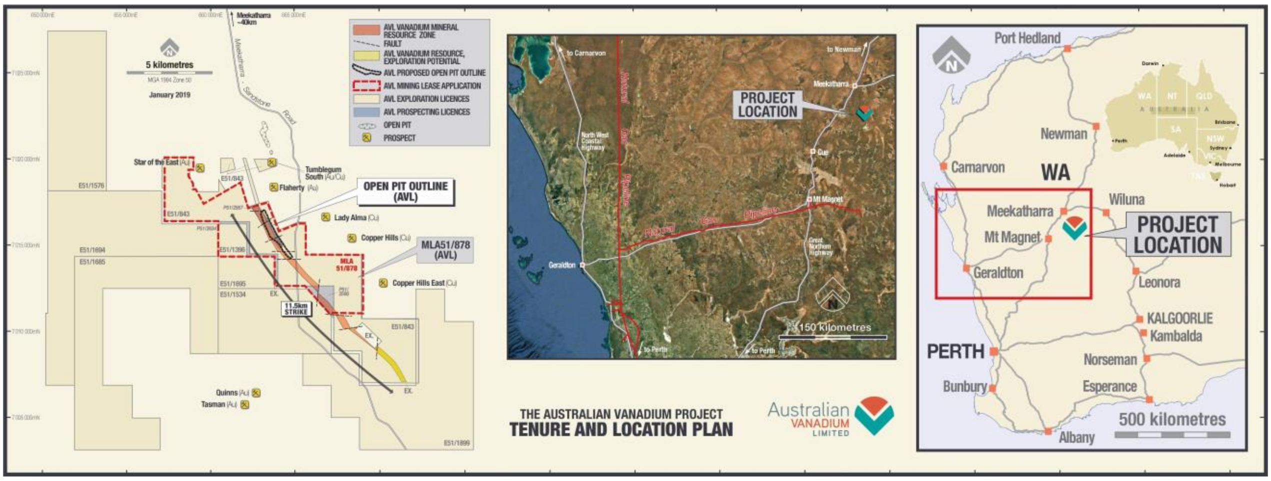


Figure 1 Location of The Australian Vanadium Project

The following is a summary of activities undertaken on The Australian Vanadium Project during the period to the date of this report.

Major Project Status

On 6 September 2019, The Australian Vanadium Project was awarded Major Project Status by the Federal Government. The award provides formal recognition of the national strategic significance of the Project, through its contribution to economic growth, employment and contribution to regional Western Australia. The award gives AVL a single point of contact for assistance with navigating the approval process and relevant Government legislation.

Major Project Status designation is expected to promote international investment by providing increased confidence in the permitting pathway. Major Project Status recognises the strategic significance of The Australian Vanadium Project to Australia, with only 15 other projects in Australia currently holding this status, none of which are vanadium projects.

Infill Drilling

On 30 October 2018, AVL announced that infill drilling had confirmed the thickness, grade and continuity of the main vanadium magnetite horizon along the strike of existing Measured and Indicated Resources. A consistent internal high-grade zone over 1.2% V_2O_5 was identified.

The best intersections included:

- 17m at 1.03% V_2O_5, 61.9% Fe_2O_3 from 38m in 18GERC003 including 7m at 1.29% V_2O_5 from 41m
- 17m at 1.14% V_2O_5, 66.5% Fe_2O_3 from 81m in 18GERC011 including 10m at 1.28% V_2O_5 from 82m
- 12m at 1.12% V_2O_5, 68.5% Fe_2O_3 from 47m in 18GERC010 including 8m at 1.24% V_2O_5 from 48m
- 26m at 0.94% V2O5, 59% Fe_2O_3 from 47m in 18GERC007 including 9m at 1.27% V_2O_5 from 58m

Mineral Resource Update

A Mineral Resource update was announced on 28 November 2018. The update brought the total Mineral Resource to 183.6Mt at 0.76% V_2O_5 from massive and disseminated zones consisting of:

- Measured Mineral Resource of 10.2Mt at 1.11% V_2O_5,
- Indicated Mineral Resource of 40.7Mt at 0.66% V_2O_5, and
- Inferred Mineral Resource of 132.7Mt at 0.77% V_2O_5.

The revised Mineral Resource included a distinct massive magnetite high-grade zone of 96.7Mt at 1.00% V_2O_5 consisting of:

- Measured Mineral Resource of 10.2Mt at 1.11% V_2O_5,
- Indicated Mineral Resource of 12.1Mt at 1.05% V_2O_5, and
- Inferred Mineral Resource of 74.5Mt at 0.97% V_2O_5.

Included in the Resource update was an estimation of cobalt, nickel and copper following drilling of diamond hole 18GEDH003, which successfully intersected a deep high-grade V_2O_5 and base metals intercept showing 18.6m at 1.10% V_2O_5, 220 ppm Co, 757 ppm Ni and 173 ppm Cu, from 168.5 metres down hole. The updated base metals Inferred Mineral Resource is 14.3Mt at 208 ppm Co, 666 ppm Ni and 217 ppm Cu.

Pre-Feasibility Study (PFS) and Maiden Ore Reserve

On 19 December 2018, AVL announced the Pre-Feasibility Study (PFS) results and the release of a Maiden Ore Reserve for The Australian Vanadium Project. The results of the PFS indicate a Project with a well-defined resource base, robust economics and utilising an industry standard, low-risk method of beneficiation and refining to produce a vanadium pentoxide (V_2O_5) flake product. The Maiden Ore Reserve of 18.24Mt at 1.04% V_2O_5 is comprised of a Proved Reserve of 9.82Mt at 1.07% V_2O_5 and a Probable Reserve of 8.42Mt at 1.01% V_2O_5.

Table 1 Ore Reserve Statement as at December 2018, at a cut-off grade of 0.8% V_2O_5

Reserve Classification	Tonnes	V_2O_5 %	Co ppm	Ni ppm	Cu ppm	S %	SiO_2 %	Fe_2O_3 %	V_2O_5 Produced t
Proved	9,820,000	1.08	172	571	230	0.06	9.47	58.7	65,000
Probable	8,420,000	1.01	175	628	212	0.08	10.07	59.5	56,000
Total	**18,240,000**	**1.04**	**173**	**597**	**222**	**0.07**	**9.75**	**59.1**	**121,000**

The Project is based on a proposed open pit mine; crushing, milling and beneficiation plant (CMB) and processing plant for final conversion and sale of high-quality V_2O_5 for use in steel, specialty alloys and energy storage markets. The PFS results highlight AVL's potential to become a new low-cost vanadium producer.

The Project consists of 11 tenements covering 760 sq km and is held 100% by Australian Vanadium Limited. Mining Lease Application M 51/878 is currently awaiting approval and covers about 70% of the Mineral Resource, with the balance of the Inferred Mineral Resource located on E 51/843, owned 100% by AVL.

Capital and operating cost estimates were developed to the level of accuracy of ±25% and include mine and processing circuit designs, a detailed financial model and supporting bodies of work. The additional work has identified a reduction in capital costs and confirmed the low, industry comparative, C1 operating costs with further opportunities identified.

The PFS consists of:

- A vanadium pentoxide (V_2O_5) refinery at the Australian Vanadium Project site with an annual production rate of approximately 22.5 million pounds of V_2O_5 per annum (5,600 MTV) with an initial mine life of 17 years based on existing Measured, Indicated and a portion of the Inferred Mineral Resources.
- An open pit mining and beneficiation operation producing an estimated 900,000t of magnetic concentrate at a planned grade of 1.4% V_2O_5 and a low 1.75% SiO_2 content.
- Average mass yield from the concentrator is estimated at 60% for the life of mine. This is exceptionally high versus other current operating vanadium operations, allowing for a compact and effective crushing and milling operation.
- Vanadium recovery from the refinery is 80.4% for an overall V_2O_5 recovery of 64.1%.
- A base metals circuit installed in year 3 will recover an estimated 1,775t/a sulphide concentrate containing cobalt, nickel, and copper in years 3-17. The Project viability is not dependent on the mining and sale of base metals contained in the schedule.
- Base metal sales account for less than 1% of estimated overall gross revenues for the life of the project.
- C1 operating expenses are currently estimated at US$4.15/lb V_2O_5 (±25%), assuring a low-cost operation that will be healthy throughout the vanadium business cycles.
- Initial indicative capital costs of US$354M (±25%) includes an investment in a natural gas pipeline to the site, that will be partially owned by AVL.
- The current Project scenario utilises 43% Measured Resources, 37% Indicated Resources, and 21% Inferred Resources. The Inferred Resources are not a determining factor for project viability.

In the PFS, the Net Present Value (NPV) and Internal Rate of Return (IRR) are reported at various V_2O_5 pricing assumptions, (see Table 2). Assuming a V_2O_5 price of US$13/lb, post-tax NPV is US$616M, with an IRR of 27.2%. Using US$8.67/lb V_2O, which is the current 15-year long-term average price, the post-tax NPV of US$125M highlights that the Project is robust and offers returns even at conservative pricing assumptions. The Project's fully allocated cost (C3) is US$6.05/lb V_2O_5 over the life of the Project.

Table 2 Key Financial Outcomes (US$)

	V_2O_5 Product Pricing Scenarios			
Pricing Year 1-5 **Pricing Year 7-17**	**$8.67/lb V2O5** **$8.67/lb V2O5**	**$13/lb V2O5** **$8.67/lb V2O5**	**$13/lb V2O5** **$13/lb V2O5**	**$20/lb V2O5** **$20/lb V2O5**
Pre-tax $NPV_{8\%}$	$230M	$444M	$912M	$2,013M
Post-tax $NPV_{8\%}$	$125M	$280M	$616M	$1,410M
IRR	12.4%	19.7%	27.2%	47.5%
Pre-tax UDCF	$1,232M	$1,634M	$3,166M	$6,292M
Post-tax UDCF	$867M	$1,148M	$2,221M	$4,409M

Geology and Mineral Resources

The overall geology of the Project formation is a layered sequence of granitoids, ultramafic rocks, gabbros and dolerites/amphibolites, felsic tuffs and banded iron and cherts.

The mineral deposit consists of a basal massive magnetite zone (10m - 15m in drilled thickness, >0.7% V_2O_5), overlain by up to five magnetite bearing banded gabbro units between 5 and 30m thick, separated by thin very low-grade mineralisation (<0.3% V_2O_5) waste zones. The westerly dipping sequence is overlain in places by a lateritic domain, a transported domain (occasionally mineralised) and a thin barren surface cover domain. The deposit is affected by a number of regional scale faults which break the deposit into a series of kilometre scale blocks. The larger blocks show relatively little sign of internal deformation, with strong consistency in the layering being visible in drilling and over long distances between drillholes.

Mining and Scheduling

Mining at the Project will be from an open pit that extends for 3,250m along strike. The mining sequence will include a first stage that extends 1,100m along strike. Due to the length of the pit, mining will be divided into 200 m wide benches along strike which are aimed at delivering a reasonable blend of oxidised, transitional and fresh ore to the processing plant.

The rate of mining will build up to about 550,000 Bank Cubic Metres (BCM)/month, equivalent to two or three excavators working on double shift depending on the size of the excavators. From year 1 to year 9 the mining rate will vary from around 480,000 BCM/month to 580,000 BCM/month, and then gradually reduce to the end of planned mining in year 14. The current estimated production schedule is 17 years, with mining taking place for the first 14 years.

The pit designs contain approximately 23.0Mt of ore at an average grade of 1.03% V_2O_5 and is expected to be mined along with 149Mt of waste for an overall strip ratio of 6.5. The optimisation of the pit shells uses a base vanadium price of US$8/lb. The pit design on which the base case is considered contains 43% Measured Resources, 37% Indicated Resources and 21% Inferred Resources.

The PFS flowsheet is based on standard industry proven processes and includes a magnetic beneficiation flowsheet (concentrator) and an alkaline roast leach and AMV extract refinery flowsheet. A notable difference for The Australian Vanadium Project PFS flowsheet design to other similar global vanadium projects is that the average LOM vanadium ore grade to the concentrator (1.03% V_2O_5) is high relative to the concentrate grade (1.4% V_2O_5), thereby realising a high concentrate mass yield; possibly the highest of all current operations worldwide. Average vanadium yield to concentrate over the mine schedule is 79.8%. Average refinery recovery of V_2O_5 from concentrate is 80.4%, giving an overall average LOM recovery of 64.1%. The other unique features are the elevated base metals sulphides associated with the main titaniferous magnetite horizon.

Infrastructure

The remote and greenfields nature of the Project requires all infrastructure will need to be constructed. The major non-process infrastructure required for the Project includes:
Natural gas supply via pipeline

- Power supply and distribution via island power station
- Water supply
- Regional road access
- Personnel accommodation

Social and Environmental Sustainability, Community, Heritage & External Relations

AVL is proactively managing sustainability of the Project through the prefeasibility phase, with consideration of potential risks and benefits relating to people (social), planet (environmental) and profit (economic) aspects. Outcomes from the study show that the proposed Project has a low likelihood of significant impacts to the social surroundings.

The proposed Project area is subject to the Yugunga-Nya native title claim (WC1999/46). A draft mining agreement has been developed between AVL and the Yugunga-Nya Native Title Claim Group and discussions are ongoing.

Key environmental baseline studies have been undertaken for the Project, including two-season detailed ecological surveys. There were no conservation-significant flora or vertebrate fauna species detected in the proposed Project area. Locations of potential short-range endemic (SRE) terrestrial invertebrates will be avoided by selective placement of infrastructure.

Potential SRE subterranean fauna (troglofauna and stygofauna) were detected within the study area. If these species are determined to be restricted in distribution and if the Project will significantly impact on their known habitat, the Project will require assessment by the Environmental Protection Authority (EPA).

Work programs have been undertaken regarding social surroundings and impact; Aboriginal heritage; external engagement; landforms; soil quality; inland waters; flora and vegetation; fauna – both terrestrial and sub-terranean vertebrates, invertebrates, troglofauna and stygofauna; air quality; energy use and greenhouse gas emissions and closure planning.

Pilot Scale Study

Between January and April 2019, AVL collected 30 tonnes of oxide, transitional and fresh core samples from the Project. The drilling was undertaken to provide samples for a pilot scale metallurgical test program and to support a resource update.

The pilot study has so far utilised one third of the allocated sample and results have been used to refine the process for the second phase of piloting. The benefits of undertaking such a study have already validated the decision to undertake this exercise. Crushing, milling, and beneficiation pilot work will provide magnetic concentrate for bench and pilot work downstream.

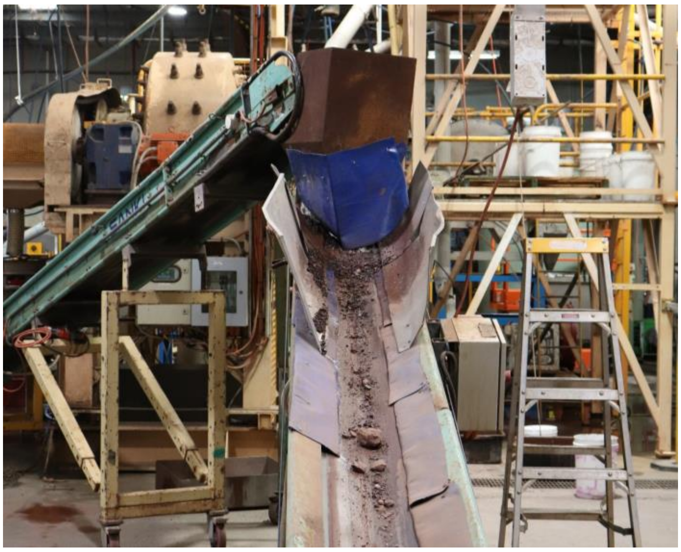


Figure 2 AVL's Pilot Scale Testwork

Pre-Pilot Testwork

High-purity 99.4% V_2O_5 was produced from pre-pilot testwork, confirming the outstanding quality of AVL's standard mine product when in operation.

The initial benchscale metallurgical testwork program was undertaken to optimise the refinery flowsheet for the Australian Vanadium Project. Results identified improvements to the PFS design and showed that higher vanadium recoveries and lower reagent usage can be anticipated in the planned pilot scale testing, which will be used to support the final DFS design.

Figure 3 AVL's V_2O_5 product (right hand side image of product under microscope)

The standard AVL process commences with physical crushing, milling and magnetic separation of ore to make a concentrated product, followed by a soda ash roast and further refining to produce a high quality V_2O_5 product. This constitutes typical alkaline roast leach refining for vanadium processing.

Roasting tests have been performed on pelletised magnetic concentrate. Roasting at optimised temperature and reagent conditions resulted in a vanadium roast leach extraction of 94%, a substantial increase from the previous figure of 88% applied in the PFS.

An alternative vanadium production route known as APV (ammonium polyvanadate) was tested on the leachate produced by roasting and generated a final product quality of 99.4% V_2O_5, which was independently verified by an accredited laboratory (see Figure 3). The APV process showed reduced reagent consumption and the potential to eliminate the desilication step required in the AMV (ammonium metavanadate) process which was the route chosen in the PFS.

These encouraging results are guiding the overall design of the refinery circuit and are expected to have positive impacts on project economics. AVL is currently undertaking refinery bench testwork to finalise changes to the flowsheet. Refinery piloting will begin in Q4 of 2019 based on parameters established in bench testing.

Definitive-Feasibility Study (DFS)

Further evaluation and exploration activities will be undertaken by the Company over the coming year as part of the DFS program, which will further refine the commercial and technical assumptions contained in the PFS. Once completed, the DFS will determine the development pathway in respect of the Project along with the Exploration Assets.

New Strategic Tenement

On 10 September 2018 AVL announced that it had pegged a new exploration licence adjacent to its vanadium mineral resource near Meekatharra, further strengthening the Company's dominant mineral rights position in the area. The new tenement covers an area of 49.7 square kilometres. AVL now holds over 240 square kilometres in 8 exploration licences over the area. The tenement is prospective for gold and copper, in extensions to the Gabanintha Gold-Copper trend on the east side of the licence; vanadium in potential extensions under cover of the Lady Alma layered mafic intrusion and uranium in Eastern extensions of the Lake Nowthanna sediments in the South West of the licence.

MoU with Westgold Resources

AVL entered into an agreement with Westgold Resources, announced on 25 June 2019, which serves to allow the two companies to co-operate on supply of Life-of-Mine (LOM) water requirements for The Australian Vanadium Project. The MOU paves the way for AVL and Westgold to enter into a formal and binding water access agreement within six months, subject to statutory conditions.

Accessing this water has the potential to streamline water abstraction approvals by providing reduced groundwater and environmental impacts. It also provides the potential for access to funding assistance from NAIF (Northern Australian Infrastructure Fund) during construction, by meeting their condition to provide community benefits.

VSUN Energy

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

VRFB Installation at Priest Bros Orchard, Victoria

VSUN Energy secured the sale of a 20kW/80kWh VRFB to be installed at an orchard in Pakenham, Victoria. The system will be attached to an existing 60kW solar array which will be expanded by a further 100kW of solar generation. The system will provide a minimum of four hours of stored renewable energy with its designed configuration and will allow the client to increase their onsite renewable generation and consumption, far in excess of what would be capable with a standalone solar array. The sale is subject to the award of the Victorian on-farm energy grant under the Agriculture Investment Energy Plan which has been applied for.

Solar and VRFB Installation at Strelley Community School

VSUN Energy signed an MOU for a period of 12 months with Nomads Charitable & Educational Foundation (Nomads). VSUN has applied for a grant from the Western Australian State Government to fund the installation of a renewable energy solution at Strelley Community School in the Pilbara region of Western Australia on behalf of Nomads.

SCHMID Letter of Intent

On 28 August 2018 AVL announced that it had signed a Letter of Intent with German VRFB manufacturer, SCHMID to explore the supply of vanadium and/or vanadium electrolyte. The letter has been signed on a non-binding basis and is subject to commercial competitiveness. In parallel, AVL's 100% owned subsidiary, VSUN Energy, has signed a Letter of Intent to offer SCHMID's EverFlow®'s large scale and telecom VRFB to its potential clients.

Future Battery Industry Research Centre

On 20th November 2018 AVL announced that the Company and its 100% owned subsidiary, VSUN Energy, had signed an agreement to offer in-kind services to the Future Batteries Industry Cooperative Research Centre (FBI CRC).

AVL's expertise in the extraction and processing of vanadium will help the group to leverage Australia's vast vanadium mineral resources. Having successfully produced vanadium electrolyte in Australia, the Company's pilot plant resource will be of great use to the FBI CRC. VSUN Energy's role will revolve around its vanadium redox flow battery expertise and connections.

In April 2019 the Federal Government named Western Australia as the host of the $53m FBICRC. Since then AVL and VSUN Energy have been involved in meetings and project proposals.

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.

In May 2019 AVL signed a Joint Venture Agreement with Ultra Power Systems (UPS) to evaluate the Coates Vanadium Project. UPS aims to produce vanadium electrolyte using a combination of a unique processing route and high-density vanadium electrolyte production. The JV will create shareholder value by monetising a secondary asset and testing processing technology focused on enhancing the uptake of VRFBs in Australia. The agreement allows UPS the exclusive right to earn a 49% legal and beneficial interest in the tenement on a $5,000 signing fee, followed by $50,000 being spent on exploration on the tenement within the first 12 months of the agreement and $150,000 being spent during the first 24 months. When the obligations outlined above have been fulfilled, the agreement allows for UPS to acquire AVL's Joint Venture interest for a sum of $500,000 or shares in UPS, at the election of AVL.

Nowthanna Hill Project

The Nowthanna Hill uranium-vanadium deposit is located 50km south of Meekatharra in Western Australia and is hosted within calcrete and clay deposits, formed within the inland drainage as a result of the weathering of granites containing high background radiation.

The deposit is similar to the Cogla Downs and Yeelirrie uranium deposits of the Murchison and Northern Goldfields.

The Nowthanna Hill Mineral Resource estimate was updated in 2018 to comply with JORC Code 2012 guidelines. SRK Consulting (Australasia) Pty Ltd completed the new mineral resource estimate for uranium (U_3O_8) and vanadium (V_2O_5) on AVL tenements M51/771 and E51/1899. The estimate was completed using all data on AVL's tenements as well as the adjacent and surrounding data from the latest Toro Energy 2011 resource (with permission). There has been no material change to the Toro database since the 2011 resource estimation.

Vanadium and uranium are co-mineralised at Nowthanna Hill. Using a 250 ppm V_2O_5 cut-off the project has an Inferred Mineral Resource of 3.60 million tonnes at 337ppm V_2O_5 (2Mlbs) on the AVL tenements and is not additive to the uranium mineral resource estimate. Using a 200ppm U_3O_8 cut-off the project has an Inferred Mineral Resource of 4.73 million tonnes at 404ppm U_3O_8 (4.2Mlbs) on the AVL tenements and is not additive to the vanadium mineral resource estimate.

The Nowthanna Hill project is available for sale or joint venture.

Table 3 V_2O_5 Inferred Mineral Resource by OK at Nowthanna (globally within AVL tenure)

U3O8 cut-off (ppm)	Metal (U3O8 t)	Metal (U3O8 klb)	Tonnes (Mt)
0	2559.4	5642.4	10.63
50	2533.1	5584.6	9.82
100	2399.0	5288.9	8.06
150	2169.3	4782.4	6.22
200	**1910.0**	**4210.8**	**4.73**
250	1654.2	3646.9	3.58
300	1418.0	3126.2	2.72

Note: The tonnages for the vanadium and uranium mineral resources are not additive in nature and are required to be reported separately.

Table 4 U_3O_8 Inferred Mineral Resources by Cutoff at Nowthanna Hill (globally within AVL tenure)

U3O8 cut-off (ppm)	Metal (U3O8 t)	Metal (U3O8 klb)	Tonnes (Mt)	U3O8 Grade (ppm)
0	2559.4	5642.4	10.63	241
50	2533.1	5584.6	9.82	258
100	2399.0	5288.9	8.06	297
150	2169.3	4782.4	6.22	349
200	**1910.0**	**4210.8**	**4.73**	**404**
250	1654.2	3646.9	3.58	462
300	1418.0	3126.2	2.72	521
350	1208.7	2664.7	2.07	583
400	1028.9	2268.3	1.59	646
450	878.2	1936.1	1.24	710
500	753.4	1660.9	0.97	773

Note: The tonnages for the vanadium and uranium mineral resources are not additive in nature and are required to be reported separately.

Bryah Resources Limited

AVL presently holds 7.5 million shares and 1.25 million listed options (expiry 31 October 2020, exercise price $0.30) in Bryah, which represents a 11.76% holding in that company.

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.

Name	Position
Vincent Algar	Managing Director
Leslie Ingraham	Executive Director
Brenton Lewis	Non-Executive Chairman
Daniel Harris	Non-Executive Director

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

Vincent Algar – BSC (Hons) Geology MAusIMM

Mr Vincent Algar is a geologist by profession with over 28 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.

During the past three years, Mr Algar was also a director of the following ASX listed companies: Nil.

Leslie Ingraham

Mr Ingraham has been in private business for over 25 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.

During the past three years, Mr Ingraham was also a director of the following ASX listed companies: Bryah Resources Limited – appointed 15 November 2017

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.

During the past three years, Mr Lewis was also a director of the following ASX listed companies: 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 - appointed 6 May 2016; Paladin Energy Limited – appointed 1 February 2018; QEM (Queensland Energy Minerals) – appointed 19 March 2018.

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.

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 Options Over Ordinary
Shares		
Vincent Algar [1]	7,663,436	-
Leslie Ingraham [2]	30,478,774	-
Brenton Lewis [3]	15,028,600	-
Daniel Harris [4]	-	-
Todd Richardson [5]	380,000	-

[1] Mr Algar also holds 21,000,000 performance rights. Refer to Remuneration Report for further details.

[2] Mr Ingraham also holds 21,000,000 performance rights. Refer to Remuneration Report for further details.

[3] Mr Lewis also holds 12,000,000 performance rights. Refer to Remuneration Report for further details.

[4] On 8 July 2019, Mr Harris acquired 2,500,000 AVL shares on market at 1.4 cents per share. Mr Harris also holds 6,000,000 performance rights. Refer to Remuneration Report for further details.

[5] Mr Richardson holds 1,219,512 performance rights. Refer to Remuneration Report for further details.

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:

	Number Eligible to Attend	Number Attended
Directors		
Vincent Algar	5	5
Leslie Ingraham	5	5
Brenton Lewis	5	5
Daniel Harris	5	5

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*.

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 exploration for vanadium/titanium and other economic resources, the 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 *Formerly Australian Vanadium Resources 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 $5,216,688 (2018: $2,486,071).

Financial Position

At 30 June 2019, the Group had cash reserves of $4,417,373 (2018: $5,152,782). The net assets of the Group have increased by $1,847,996. The increase is largely due to the following factors:

- the conversion of 359,143,538 listed options into new shares, raising $7,182,871;
- 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.

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

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 23 September 2019, the Company announced that a total of $6,594,975 had been raised from a successful Share Purchase Plan (SPP), first announced on 21 August 2019, and a supplementary placement of new shares at the same price as the SPP. Subsequently, 450,250,404 new shares were issued under the SPP and commenced trading on 27 September 2019. A further 123,226,087 new shares were issued for the Placement making it a combined total of 573, 476,491 new shares issued.

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 pursue its principal activity of exploration and evaluation, and associated activities as outlined in the Company's review of operations. The Company will also continue to pursue other potential investment opportunities to enhance shareholder value.

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 Committee

The full Board carries out the role and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Managing Director and any Executives.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice.

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 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. During the year the Company included a performance-based component of remuneration for the Directors.

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 options, 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. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate.

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.

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. LTI grants 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 LTI's 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 LTI 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

- 21,000,000 performance rights (granted on 12 July 2017) that will each convert into one ordinary share upon the satisfaction of certain milestones to advance the Blesberg Lithium Project in South Africa as follows:
  (a) In respect to one-third of the Performance Rights, upon certification by an independent competent person, on or before 19 December 2019, of a JORC Reported resource or reserve on the Blesberg Lithium-Tantalum Project of 2,000,000 tonnes at a grade of at least 0.8% Li_2O or Lithium equivalent in Beryl, Feldspar of Tantalum (reported in accordance with clause 50 of the JORC Code); and
  (b) In respect to one-third of the Performance Rights, upon certification by an independent competent person, on or before 19 December 2020, of a JORC Reported resource or reserve on the Blesberg Lithium-Tantalum Project of 4,000,000 tonnes at a grade of at least 0.8% Li_2O or Lithium equivalent in Beryl, Feldspar of Tantalum (reported in accordance with clause 50 of the JORC Code); and
  (c) In respect to one-third of the Performance Rights, upon certification by an independent competent person, on or before 19 December 2021, of a JORC Reported resource or reserve on the Blesberg Lithium-Tantalum Project of 6,000,000 tonnes at a grade of at least 0.8% Li_2O or Lithium equivalent in Beryl, Feldspar of Tantalum (reported in accordance with clause 50 of the JORC Code).

The performance rights contain standard terms and conditions relevant to lapse of entitlement or right to conversion on cessation of employment.

In respect to the 21,000,000 Performance Rights granted to Mr Algar, the Directors have taken the decision to fully impair the carrying value of AVLs investment in the Blesberg Project in the 2019 Financial Year. Accordingly, it is highly probable that the future vesting conditions pertaining to these rights will not materialise.

No expense has been recognised in the financial statements in relation to these performance rights.

Compensation Options Granted to Key Management Personnel

No options were granted to Directors or executives during the year ended 30 June 2019.

Shares Issued to Key Management Personnel on Exercise of Compensation Options

No shares were issued to Directors or executives on exercise of compensation options during the year.

Compensation Options Lapsed During the Year

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

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		
		Salary & Fees	Super-annuation	Options & Rights	Total	Performance Based Remun-eration
Directors	**Year**	**$**	**$**	**$**	**$**	**%**
Vincent Algar [1]	**2019**	**254,167**	**24,146**	**-**	**278,313**	**0**
	2018	239,583	22,760	205,000	467,343	44
Leslie Ingraham [2]	**2019**	**180,000**	**17,100**	**-**	**197,100**	**0**
	2018	180,330	15,675	205,000	401,005	51
Brenton Lewis [3]	**2019**	**62,000**	**5,890**	**-**	**67,890**	**0**
	2018	59,500	5,652	82,000	147,152	56
Daniel Harris [4]	**2019**	**70,000**	**-**	**-**	**70,000**	**0**
	2018	58,485	-	-	58,485	0
Total Directors	**2019**	**566,167**	**47,136**	**-**	**613,303**	**0**
	2018	537,898	44,087	492,000	1,073,985	46
Executives						
Todd Richardson (Project Manager)	**2019**	**254,167**	**24,146**	**34,146**	**312,459**	**11**
	2018	30,000	-	-	30,000	0
Iain Ross (Exploration Manager)	**2019**	-	-	-	-	0
	2018	18,750	1,781	-	20,531	0
Total Executives	**2019**	**254,167**	**24,146**	**34,146**	**312,459**	**11**
	2018	48,750	1,781	-	50,531	0
Key Management Personnel	**2019**	**820,334**	**71,282**	**34,146**	**925,762**	**4**
	2018	586,648	45,868	492,000	1,124,516	44

1 Mr Algar was granted 21,000,000 performance rights on 12 July 2017, which may convert into ordinary shares upon the satisfaction of operating milestones. Refer to his employment contract details in this Remuneration Report for further information (Note 13). Refer to Remuneration Report for further details.

2 Mr Ingraham was granted 21,000,000 performance rights on 12 July 2017, which may convert into ordinary shares upon the satisfaction of operating milestones (Refer to Note 13)

3 Mr Lewis was granted 12,000,000 performance rights on 12 July 2017, which may convert into ordinary shares upon the satisfaction of operating milestones (Refer to Note 13).

4 Mr Harris was granted 6,000,000 performance rights on 12 July 2017, which may convert into ordinary shares upon the satisfaction of operating milestones (Refer to Note 13)

5 Mr Richardson was granted 1,219,512 performance rights, which vested on 31 March 2019 upon satisfying the vesting condition, being continuous employment from grant date to 31 March 2019.

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.

Share holdings of Key Management Personnel

	Balance 1 July 2018	Received as Remuneration	Options Exercised	Acquired/ (Disposed)	Net Change/ Other	Balance 30 June 2019
Directors						
Vincent Algar [1]	10,571,129	-	692,307	(3,600,000)	(2,907,693)	7,663,436
Leslie Ingraham [2]	30,478,774	-	-	-	-	30,478,774
Brenton Lewis [3]	12,028,600	-	-	3,000,000	-	15,028,600
Daniel Harris [4]	-	-	-	-	-	-
Todd Richardson [5]	-	-	-	380,000	-	380,000

1 Mr Algar holds 21,000,000 performance rights (2018: 21,000,000) which may convert into ordinary shares upon the satisfaction of operating milestones.

2 Mr Ingraham holds 21,000,000 performance rights (2018: 21,000,000) which may convert into ordinary shares upon the satisfaction of operating milestones.

3 Mr Lewis holds 12,000,000 performance rights (2018: 4,000,000) which may convert into ordinary shares upon the satisfaction of operating milestones. On 13 February 2018, Mr Lewis converted 2,000,000 performance rights into ordinary shares following the satisfaction of operating milestones.

4 On 8 July 2019, Mr Harris acquired 2,500,000 AVL shares on market at 1.4 cents per share. Mr Harris also holds 6,000,000 performance rights (2018: 6,000,000) which may convert into ordinary shares upon the satisfaction of operating milestones.

5 Mr Richardson holds 1,219,512 performance rights, which expire on 31 December 2019.

Option Holdings of Key Management Personnel

	Balance 1 July 2018	Granted as Remuneration	Options Exercised	Options Expired/ Cancelled	Net Change/ Other	Balance 30 June 2019	Number Vested & Exercisable
Directors							
Vincent Algar	692,307	-	692,307	-	(692,307)	-	-
Leslie Ingraham	-	-	-	-	-	-	-
Brenton Lewis	-	-	-	-	-	-	-
Daniel Harris	-	-	-	-	-	-	-
Todd Richardson	-	-	-	-	-	-	-

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.

SHARE OPTIONS

At the date of this report options were outstanding for the following unissued ordinary shares:

- Nil listed options.

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.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2019, 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.

Brenton Lewis
Chairman
27 September 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 $	Consolidated 2018 $
Other income	2(a)	**232,940**	219,325
Impairment of exploration and evaluation asset	9	**(3,296,846)**	-
Depreciation	8(a)	**(62,661)**	(44,426)
Share-based payments	2(b)	**(206,466)**	(630,680)
Directors' fees and benefits expenses		**(137,890)**	(1,073,986)
Other expenses	2(c)	**(1,745,765)**	(956,304)
Loss before income tax expense		**(5,216,688)**	(2,486,071)
Income tax expense	3	-	-
Net loss for year		**(5,216,688)**	(2,486,071)
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	(240,000)	(562,500)
Total comprehensive loss attributable to members of Australian Vanadium Limited		**(5,456,688)**	(3,048,571)
		Cents	Cents
Basic/diluted earnings per share	5	**(0.29)**	(0.17)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2019

		CONSOLIDATED	
		2019	**2018**
	Note	**$**	**$**
ASSETS			
Current assets			
Cash and cash equivalent	6	**4,417,373**	5,152,782
Trade and other receivables	7	**374,678**	192,901
Total current assets		**4,792,051**	5,345,683
Non-current assets			
Plant and equipment	8	**278,477**	278,288
Exploration and evaluation expenditure	9	**21,750,919**	17,940,501
Investments	10	**457,500**	697,500
Total non-current assets		**22,486,896**	18,916,289
TOTAL ASSETS		**27,278,947**	24,261,972
LIABILITIES			
Current liabilities			
Trade and other payables	11	**1,286,637**	140,271
Provisions	12	**53,885**	31,273
Total current liabilities		**1,340,522**	171,544
NON-LIABILITIES		**1,340,522**	171,544
NET ASSETS		**25,938,425**	24,090,428
EQUITY			
Issued capital	13	**83,411,527**	76,177,333
Reserves	13	**(732,009)**	(562,500)
Accumulated losses		**(56,741,093)**	(51,524,405)
TOTAL EQUITY		**25,938,425**	24,090,428

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

				CONSOLIDATED
	Issued Capital $	Accumulated Losses $	Other Reserves $	Total $
Balance as at 1 July 2017	**67,960,815**	**(49,038,334)**	-	**18,922,481**
Loss for the year	-	(2,486,071)	-	(2,486,071)
Total loss for the year	-	(2,486,071)	-	(2,486,071)
Movement in fair value of investments recognised in equity	-	-	(562,500)	(562,500)
Total comprehensive loss				**(3,048,571)**
Shares issued pursuant to placements	5,505,000	-	-	5,505,000
Shares issued on conversion of options	1,256,439	-	-	1,256,439
Shares issued as consideration	500,000	-	-	500,000
Securities issued on conversion of performance rights	1,382,860	-	-	1,382,860
Share based payments	-	-	-	-
Capital raising costs	(427,781)	-	-	(427,781)
Balance as at 30 June 2018	**76,177,333**	**(51,524,405)**	**(562,500)**	**24,090,428**
Loss for the year	-	**(5,216,688)**	-	**(5,216,688)**
Total loss for the year	-	**(5,216,688)**	-	**(5,216,688)**
Movement in fair value of investments recognised in equity	-	-	**(240,000)**	**(240,000)**
Total comprehensive loss				**(5,456,688)**
Securities issued pursuant to placements	-	-	-	
Shares issued on conversion of options	**7,182,871**	-	-	**7,182,871**
Shares issued as consideration	**105,000**	-	-	**105,000**
Securities issued on conversion of performance rights	**30,975**	-	-	**30,975**
Share based payments	-	-	**70,491**	**70,491**
Capital raising costs	**(84,652)**	-	-	**(84,652)**
Balance as at 30 June 2019	**83,411,527**	**(56,741,093)**	**(732,009)**	**25,938,425**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	CONSOLIDATED 2019 $	2018 $
Cash flows from operating activities			
Payments to suppliers and employees		**(1,894,039)**	(1,669,080)
Interest received		**124,991**	44,526
Research and development and other receipts		**124,547**	159,795
Net cash provided by/ (used) in operating activities	6(a)	**(1,644,501)**	(1,464,759)
Cash flows from investing activities			
Expenditure on mining interests		**(6,126,233)**	(724,769)
Payment for Investments		**-**	(500,000)
Payment for property plant & equipment		**(62,850)**	(18,443)
Net cash (used) in investing activities		**(6,189,083)**	(1,243,212)
Cash flows from financing activities			
Proceeds from issue of shares		**7,182,871**	6,761,439
Payment of capital raising costs		**(84,696)**	(424,857)
Net cash provided by financing activities		**7,098,175**	6,336,582
Net increase in cash held		**(735,409)**	3,628,611
Cash at beginning of the financial year		**5,152,782**	1,524,171
Cash at end of financial year		**4,417,373**	5,152,782

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 2019.

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*. 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 and equity funding. For the year ended 30 June 2019 the Group incurred a net loss of $5,216,688 (2018: $2,486,071) and had a working capital surplus of $3,451,529 at 30 June 2019. The Group has a listed investment of $457,500 (Note 10) that can be sold to generate further funds. On 23rd September 2019 the Group raised $6,594,975 in funds before costs via capital raising (Refer to subsequent events Note 22). The Group also has the ability to cut back and reduce discretionary costs as necessary.

Based on the working capital surplus at 30 June 2019, the cash flow forecast prepared by management, the $6,594,975 in funds raised on 23 September 2019 and the Group’s ability to reduce discretionary costs, the directors consider the going concern basis of preparation to be appropriate.

1(c) Adoption of New and Revised Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The following new standards came into effect on 1 July 2018:

AASB 15 Revenue from Contracts with Customers

AASB 15 came into effect from 1 July 2018. AASB 15 stipulates how and when revenue is recorded, requiring entities to provide users of financial statements with more information and reporting disclosures. Its core principle is the recognition of revenue for the transfer of goods or services, at a value that reflects the consideration to which the entity expects to be entitled, in return for meeting performance obligations. The Group did not have any revenue from contracts with customers and hence AASB 15 did not have a material impact on the Group's financial report in Current and prior years.

AASB 9 Financial Instruments

The adoption of AASB 9 has resulted in changes in accounting policies and disclosures in the financial statements but has had no significant impact on the financial statements. Refer below for the new financial instruments accounting policy. The Company has adopted AASB 9 with a date of initial application of 1 July 2018 and has elected not to restate its comparatives. As a result, the Company has changed its accounting policy for financial instruments from 1 July 2018 as detailed below. Financial assets are classified according to their business model and the characteristics of their contractual cash flows and are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

The Group applied the standard effective 1 July 2018 being the date of initial application The Company financial instruments include Cash at Bank, Trade Debtors and Trade Payables. These financial instruments are measured and reported at amortised cost under AASB 9. There is no change to the classification and measurement of these instruments from the previous AASB 139 Financial Instruments.

The Group has an equity investment in listed shares (Not held for trading) classified at fair value. The Group has elected to classify the equity instrument at FVTOCI (Refer to Note 1(k). All gains and losses (except dividend income) will be presented in equity. Refer to Note 10 for further disclosure.

1(d) Statement of Compliance

The financial report was authorised for issue on 27 September 2019.
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 (IFRS).

1(e) 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(f) Other Income
Interest earned is recognised as it accrues, taking into account the effective yield on the financial asset. Income derived from successful R&D claims is recognised on receipt of payment.

1(g) 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(h) 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(i) 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.

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.

1(j) Other Taxes

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.

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

1(k) Financial Assets

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset.

(i) *Financial Assets at Fair Value*

Financial assets classified as held for trading are included in the category ‘financial assets at fair value through profit or loss’. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. The Group classifies financial assets that meet the definition of equity instruments (and not held for trading) at Fair Value through Other Comprehensive Income (FVOTCI). All gains and losses are recognised in equity. Dividend income is recognised in statement of profit and loss.

(ii) *Loans and Receivables*

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Company's trade and most other receivables fall into this category of financial instruments. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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) 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.

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).

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.

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.

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) 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.

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) *Share-Based Payment Transactions*
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined from market value.

1(v) New Standards Not Yet Effective

AASB 16 Leases
AASB 16 Leases became mandatorily effective for annual reporting periods beginning on or after 1 July 2019 and brings significant change to lease accounting for lessees as most leases will now need to be recognised on a lessee's balance sheet in the form of right-of-use assets with corresponding lease liabilities. Management are currently assessing the impact of this standard.

2. REVENUE AND EXPENSES

	CONSOLIDATED	
	2019	2018
	$	$
2(a) Other Income		
Interest received	**108,392**	59,065
Gain/(loss) on asset sale	**4,545**	-
Lease income	**6,343**	1,601
R&D concession	**113,660**	158,659
	232,940	219,325
2(b) Share-Based Payments		
Conversion of performance rights to shares during the period	**30,975**	492,000
Shares issued as consideration to a third party	**105,000**	-
Performance rights issued fully vested during the period	**70,491**	-
Options exercised during the period	**-**	138,680
	206,466	630,680
2(c) Other Expenses		
Salaries and wages	**431,977**	292,316
Superannuation	**130,257**	24,725
Stock exchange and registry fees	**111,512**	113,156
Rent and office facility expenses	**85,408**	83,586
Legal fees	**23,845**	2,208
Auditor’s fees	**15,300**	15,000
Travel and accommodation	**192,113**	122,008
Other corporate and administrative expenses	**755,353**	303,305
	1,745,765	956,304

3. INCOME TAX

3(a) Income Tax Expense

Major components of income tax expense for the Years ended 30 June 2019 and 30 June 2018 are:

	CONSOLIDATED	
	2019	**2018**
	$	**$**
Income statement		
Current income		
Current income tax charge (benefit)	**2,681,786**	639,143
Current income tax not recognised	**(2,681,786)**	(639,143)
Research and development concession	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	**14,310,355**	523,260
Deferred tax benefit not recognised	**(14,310,355)**	(523,260)
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 2019 and 30 June 2018 is as follows:

	CONSOLIDATED	
	2019	**2018**
	$	**$**
Accounting profit (loss before tax from continuing operations	**(5,216,688)**	(2,486,071)
Accounting profit (loss before income tax	**(5,216,688)**	(2,486,071)
At the statutory income rate of 30% (2018: 27.5%)	**(1,565,006)**	(683,669)
Add:		
Non-deductible expenses	**393,798**	311,420
Temporary differences and losses not recognised	**1,205,306**	415,880
Less:		
R&D tax offset	**(34,098)**	(43,631)
At effective income tax rate of 0% (2018: 0%)	-	-
Income tax expense reported in income statement	-	-
Total income tax expense	-	-

3(b) Deferred Tax Assets

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

	CONSOLIDATED	
	2019	**2018**
	$	**$**
Liabilities:		
Receivables	**(419)**	(4,949)
Capitalised exploration expenditure	**(6,259,922)**	(166,206)
	(6,260,341)	(171,155)
Assets:		
Investments	**240,750**	-
Trade and other payables	**13,616**	2,750
Provisions	**20,930**	9,382
Business related costs	**114,885**	253,827
Tax losses	**23,140,375**	2,853,507
	23,530,556	3,119,466
Net Deferred Tax	**17,270,215**	2,948,311

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	
	2019	**2018**
	$	**$**
Audit and review	**15,300**	15,000
	15,300	15,000

5. EARNINGS PER SHARE

	CONSOLIDATED	
	Cents	**Cents**
Basic earnings per share	**(0.29)**	(0.17)
The earnings and weighted average number of ordinary shares used in the calculated of basic earnings per share is as follows:		
Net loss for the year	**(5,216,688)**	(2,486,071)
Weighted average number of ordinary shares used in the calculation of basic EPS	**1,807,558,351**	1,444,996,859

6. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2019	2018
	$	$
Cash at bank	**3,503,605**	96,425
Short-term deposits	**913,768**	5,056,357
	4,417,373	5,152,782

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 from Operating Activities

Loss for the year	**(5,216,688)**	(2,486,071)
Non-cash flows in profit/loss		
Depreciation	**62,661**	44,426
Impairment of exploration and evaluation	**3,296,846**	-
Gain/loss on sale of asset	**(4,545)**	-
Share based payments	**206,466**	1,122,680
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**(197,658)**	(87,289)
Increase/(decrease) in trade and other payables	**169,924**	(58,505)
Increase/(decrease) in provisions	**38,493**	-
Net cash flows from operating activities	**(1,644,501)**	(1,464,759)

6(b) Non-Cash Financing and Investing Activities

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

7. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2019	2018
	$	$
Current		
GST receivable	**237,493**	50,411
Other receivables	**33,499**	53,833
Trade debtors	**103,686**	88,657
	374,678	192,901

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 & EQUIPMENT

	CONSOLIDATED 2019 $	2018 $
Plant and equipment		
At cost	**386,550**	357,300
Accumulated depreciation	**(141,275)**	(89,968)
	245,275	267,332
Motor vehicles		
At cost	**60,600**	27,000
Accumulated depreciation	**(27,398)**	(16,044)
	33,202	10,956
Total		
At cost	**447,150**	384,300
Accumulated depreciation	**(168,673)**	(106,012)
	278,477	278,288

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 2017	290,362	13,909	304,271
Additions	18,443	-	18,443
Depreciation expense	(41,473)	(2,953)	(44,426)
Balance at 30 June 2018	**267,332**	**10,956**	**278,288**
Additions	29,250	33,600	62,850
Depreciation expense	(51,307)	(11,354)	(62,661)
Balance at 30 June 2019	**245,275**	**33,202**	**278,477**

9. DEFERRED EXPLORATION EXPENDITURE

		CONSOLIDATED
	2019	2018
	$	$
Expenditure brought forward[1]	**17,940,501**	**17,071,746**
Less expenditure recouped on sale of asset	-	(600,000)
Add expenditure incurred on purchase of asset	-	760,000
Expenditure incurred during the year	7,107,264	708,755
Impairment during the period[*]	**(3,296,846)**	-
Expenditure carried forward	**21,750,919**	**17,940,501**

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.

* The Directors have taken the decision to fully impair the carrying value of AVLs investment in the Blesberg Project in the 2019 Financial Year. The directors considered that there is limited potential for the carrying amount to be fully recoverable as the resource potential of this area of interest is very limited.

10. FINANCIAL ASSETS

		CONSOLIDATED
	2019	2018
	$	$
Purchase Price of Investment in Bryah Resources	**1,260,000**	1,260,000
Fair value movement	**(802,500)**	(562,500)
Investments at fair value	**457,500**	697,500

Name	**Principal Activities**	**Country of Incorporation**	**Shares**	**Ownership Interest**		**Carrying Amount of Investment**	
				2019	**2018**	**2019**	**2018**
				%	**%**	**%**	**%**
Bryah Resources Limited [2]	Mineral Exploration	Australia	Listed: Ordinary	**11.76**	13.31	457,500	697,500

1 South African exploration assets of 1,649,171 represented acquisition of mining tenements and not investments in associates, These costs were shown as Investments in Associates at 30 June 2018 have subsequently been reclassified to Exploration Assets and have been fully impaired at 30 June 2019.

2 Investments in Bryah Resources Limited has been classified as an equity instrument at FVTOCI in accordance with *AASB 9 Financial Instruments*. The movements are presented Other Comprehensive Income. The fair value movement of $240,000 has been recognised in Equity in accordance with AASB 9 Financial Instruments.

11. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2019	**2018**
	$	**$**
Current		
Trade payables and accruals	**1,137,811**	140,271
Payroll tax	**117,618**	-
Fringe benefits tax	**31,208**	-
	1,286,637	140,271

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	
	2019	**2018**
	$	**$**
Current		
Employee entitlements	**53,885**	31,273
	53,885	31,273

13. ISSUED CAPITAL AND RESERVES

13(a) Issued and Paid Up Capital

	CONSOLIDATED	
	2019	**2018**
	$	**$**
Ordinary shares – fully paid	**84,641,896**	77,323,050
Ordinary shares – partly paid	**8,000**	8,000
Share issue costs written off against issued capital	**(1,238,369)**	(1,153,717)
	83,411,527	76,177,333

13(b) Movement in Ordinary Shares on Issue

	2019 Number	**2019 $**	2018 Number	2018 $
(i) Ordinary shares – fully paid				
Balance at beginning of year	**1,609,123,019**	**77,323,050**	1,215,734,216	68,678,931
Issue of ordinary shares on conversion of listed options	**359,143,538**	**7,182,871**	81,196,803	1,256,439
Issue of ordinary shares via placements	**-**	**-**	242,000,000	5,505,000
Issue of ordinary shares as consideration to third party	**5,000,000**	**105,000**	15,000,000	500,000
Issue of ordinary shares on conversion of performance rights	**577,320**	**30,975**	55,192,000	1,382,680
Balance at end of year	**1,973,843,877**	**84,641,896**	1,609,123,019	77,323,050
(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	**2,053,843,877**	**84,649,896**	1,689,123,019	77,331,050

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.

13(d) Share Options

At 30 June 2019, the following options over unissued ordinary shares were outstanding: Nil

13(e) Performance Rights

At 30 June 2019, the following performance rights were outstanding:

	CONSOLIDATED	
	2019	2018
Opening performance rights	**100,769,548**	40,000,000
Performance rights expiring 19 December 2019[1]	-	20,000,000
Performance rights expiring 19 December 2020[1]	-	20,000,000
Performance rights expiring 19 December 2021[1]	-	20,000,000
Performance rights expiring 30 June 2019[2]	**(577,230)**	769,548
Performance rights expiring 31 December 2019[3]	**2,517,550**	-
Closing performance rights	**102,709,868**	**100,769,548**

1 Operational hurdles in respect of 60,000,000 rights granted to directors in 2018 are detailed below

(a) In respect to one-third of the Performance Rights, upon certification by an independent competent person, on or before 19 December 2019, of a JORC Reported resource or reserve on the Blesberg Lithium-Tantalum Project of 2,000,000 tonnes at a grade of at least 0.8% Li2O or Lithium equivalent in Beryl, Feldspar of Tantalum (reported in accordance with clause 50 of the JORC Code); and

(b) In respect to one-third of the Performance Rights, upon certification by an independent competent person, on or before 19 December 2020, of a JORC Reported resource or reserve on the Blesberg Lithium-Tantalum Project of 4,000,000 tonnes at a grade of at least 0.8% Li2O or Lithium equivalent in Beryl, Feldspar of Tantalum (reported in accordance with clause 50 of the JORC Code); and

(c) In respect to one-third of the Performance Rights, upon certification by an independent competent person, on or before 19 December 2021, of a JORC Reported resource or reserve on the Blesberg Lithium-Tantalum Project of 6,000,000 tonnes at a grade of at least 0.8% Li2O or Lithium equivalent in Beryl, Feldspar of Tantalum (reported in accordance with clause 50 of the JORC Code).

The performance rights contain standard terms and conditions relevant to lapse of entitlement or right to conversion on cessation of employment. The Directors have taken the decision to fully impair the carrying value of AVLs investment in the Blesberg Project in the 2019 Financial Year. Accordingly, it is highly probable that the future vesting conditions pertaining to these rights will not materialise. No expense has been recognised to date as it is not probable that the conditions pertaining to these rights will be satisfied.

2 Converted to ordinary shares during the period.

3 Vesting condition in respect of rights granted to staff required continuous employment from grant date of rights to 31 March 2019.

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.*

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	CONSOLIDATED	
	2019	2018
Fair value reserve	**(802,500)**	(562,500)
	(802,500)	(562,500)

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	
	2019	2018
Share-based payment reserve	**70,491**	-
	70,491	-

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 option reserve is transferred to share capital.

On the 17 December 2018, following Board approval, a total of 2,517,550 Performance Rights were granted to certain eligible employees of the Company. The securities can be exercised for nil consideration and have the following vesting conditions: (i) Performance Rights vest on completion of continuous employment with the Company on vesting date being 31 March 2019.

The performance right issued have been valued using a Black-Scholes model with the following parameters:

- Underlying Share Price at issue: $0.028
- Option Exercise Price: $nil
- Volatility: 97%
- Effective Interest Rate: 1.52%
- Expiry date: 31 December 2019

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.

		CONSOLIDATED
14(a) Exploration Commitments	**2019**	**2018**
	$	**$**
Minimum expenditure commitment on the tenements is:		
Payable no later than 1 year	**329,460**	254,460
Payable between 1 year and 5 years	**1,687,840**	295,400
	2,017,300	549,860

14(b) Operating Lease Commitments

Minimum lease payments payable for non-cancellable operating leases contracted for but not recognised in the financial statements:		
Payable no later than 1 year	**57,685**	93,410
Payable between 1 year and 5 years [1]	**-**	57,685
	57,685	151,095

The non-cancellable lease is for office premises.

[1] The current office lease is due to expire on 29 February 2020. Management expects that the lessor will agree to an extension of the current lease arrangements on reasonable commercial terms. However, at the date of this report the lease rental terms have not been concluded and therefore, the future financial obligation is uncertain.

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.

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 2019 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 tables present revenue, expenditure and asset information regarding operating segments for the year ended 30 June 2019.

	Exploration Consolidated $	**Energy Storage $**	**Unallocated $**	**$**
Sales to external customers	-	942	-	942
Other revenue	123,606	-	108,392	231,998
Total segment revenue	**123,606**	**942**	**108,392**	**232,940**
Total segment results	**(231,563)**	**(110,389)**	**(4,874,736)**	**(5,216,688)**
Total segment assets	**21,750,922**	**141,823**	**5,386,202**	**27,278,947**
Total segment liabilities	**1,197,681**	**9,421**	**133,420**	**1,340,522**
Impairment of assets	(3,296,846)	-	-	(3,296,846)
Depreciation and amortisation	-	(23,695)	(38,966)	(62,661)
Interest income	-	-	108,392	108,392

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 2019 %	Holding 2018 %	Principal Activities
Australian Uranium Pty Ltd	Australia	100	100	Mineral exploration
Cabe Resources Ltd	Australia	100	100	Mineral exploration
VSUN Energy Pty Ltd [1]	Australia	100	100	Energy storage
South African Lithium Pty Ltd	South Africa	100	100	Mineral exploration

[1] Formerly Australian Vanadium Resources Pty Ltd.

17(b) Director-Related Entities

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

18. PARENT ENTITY DISCLOSURES

18(a) Summary Financial Information

	2019 $	PARENT 2018 $
Assets		
Current assets	**4,566,572**	5,289,132
Non-current assets	**22,481,343**	19,186,217
Total assets	**27,047,915**	24,475,349
Liabilities		
Current liabilities	**1,109,490**	129,834
Total Liabilities	**1,109,490**	129,834
Equity		
Issued capital	**83,411,483**	76,177,289
Reserves	**(732,009)**	(562,500)
Accumulated losses	**(56,741,049)**	(51,269,274)
Total equity	**25,938,425**	24,345,515
Financial performance		
Loss for the year	**(4,011,043)**	(2,401,874)
Other comprehensive income	**(240,000)**	(562,500)
Total comprehensive loss	**(4,251,043)**	(2,964,374)

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 and operating lease commitments as described in Note 14. It has no contingent liabilities other than those discussed in Note 15.

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
	2019	**2018**
	$	**$**
Director and executive disclosures		
Compensation of key management personnel		
Short-term personnel benefits	**820,334**	586,648
Post-employment benefits	**71,282**	45,868
Share based payments	**34,146**	492,000
	925,762	1,124,516

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

20(a) Share-Based Payments Expensed

A total of $206,466 was expensed as share-based payments for the period ended 30 June 2019 (30 June 2018: $630,680). Refer to Note 2(b) for an analysis of the beneficiaries in respect of rights granted during the period. Refer to Note 13(e) for disclosure of the vesting conditions and Note 13(g) for disclosure on the method of valuing the rights.

20(b) Summary of Options Granted as Share-Based Payments

No options were issued as share-based payments during the year ended 30 June 2019 (30 June 2018: nil).

20(c) Performance Rights

No Performance Rights were granted to Directors during the year ended 30 June 2019 (30 June 2018: nil). Refer to the Remuneration Report for the terms and conditions of previously issued rights.

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.

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
	2019	**2018**
	$	**$**
Financial assets		
Cash and cash equivalents (interest bearing accounts)	**4,417,373**	5,152,782
	4,417,373	5,152,782

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	
	2019	**2018**
	$	**$**
Estimates of reasonably possible movements:		
Post tax profit – higher/(lower)		
+0.5%	**24,739**	13,133
-0.5%	**(24,739)**	(13,133)
Equity – higher/(lower)		
+0.5%	**24,739**	13,133
-0.5%	**(24,739)**	(13,133)

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.

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 23 September 2019, the Company announced that a total of $6,594,975 had been raised from a successful Share Purchase Plan (SPP), first announced on 21 August 2019, and a supplementary placement of new shares at the same price as the SPP. Subsequently, 450,250,404 new shares were issued under the SPP and commenced trading on 27 September 2019. A further 123,226,087 new shares were issued for the Placement making it a combined total of 573, 476,491 new shares issued.

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:

1. the financial statements and notes set out on pages 25 to 54 are in accordance with *the Corporations Act 2001* including:
    a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
    b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of the performance for the year ended on that date, and;
2. 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.

The Directors have been given the declarations by the Managing Director and chief financial officer pursuant to Section 295A of the *Corporations Act 2001*.

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

Brenton Lewis, Chairman
27 September 2019

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**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 2019 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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ARMADA AUDIT & ASSURANCE PTY LTD

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Director

Dated this 27th day of September 2019

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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 2019, 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 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

- gives a true and fair view of the Group's financial position as at 30 June 2019, and its financial performance 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 Entity in accordance with the auditor independence requirements in accordance with independence requirements of the Corporations Act 2001 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 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.

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Key Audit Matters

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

Key Audit Matter	How our audit addressed the 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 funded via equity raisings as the Group does not yet have any revenue generating activities. As disclosed in Note 1 (b) the Group reported a working capital surplus of $3,451,529 at 30 June 2019 and reported a net loss of $5,216,688 for the year then ended. Furthermore, on 23rd September 2019 the Group raised $6,594,975 in funds before costs via a capital raising. 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.	Our Procedures, amongst others, included: • We obtained management's cash flow forecast. We evaluated the reliability and completeness of management's forecasts by comparing them to the group's future plans and operating conditions; • We checked the ability of the Group to reduce their discretionary costs; • We checked the ability of the Group to meet its mandatory exploration commitments. • We obtained ASX Announcements subsequent to year end to assess the impact of any additional facts or information on management's assumptions and; • We verified the funding received from the capital raise completed 23rd September 2019 to the share registry and directly with the manager/broker of the placement.

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Exploration and Evaluation Assets - Note 9

At 30 June 2019, the Group's carrying value of Exploration and Evaluation Assets was $21,750,919

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 facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, and then consequently in measuring any impairment loss.

Our Procedures, amongst others, included:

- We checked that the period for the right to explore the areas of interest have not expired or will not expire in the near future without an expectation of renewal;
- We obtained evidence of the future intention for the relevant areas of interest including checking future budgeted expenditure and related work programmes;
- We checked whether any data exists that indicates the exploration for and evaluation of mineral resources in the specific area of interest have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- Tested the related financial statement disclosures relating to impairment of exploration assets.

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 2019 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.

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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, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Entity 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 http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of auditor's report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Australian Vanadium Limited for the year ended 30 June 2019 complies with section 300A of the Corporations Act 2001.

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strength in numbers

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

AAA

ARMADA AUDIT & ASSURANCE PTY LTD

N. Dias

Nigel Dias
Director

Perth, 27 September 2019

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 2019 is shown in Table 5 below.

The updated Mineral Resource estimation was carried out Trepanier Pty Ltd, resulting in the estimation of Measured, Indicated, and Inferred Mineral Resources. All mineralised domains, are reported above 0.4% V_2O_5 for the low-grade ore zones and above 0.7% V_2O_5 within the high-grade zones.

The Mineral Resource estimate consists of:

- 183.6 million tonnes at 0.76% V_2O_5 containing 1,399,900 tonnes of V_2O_5;
- A discrete massive high-grade zone of 96.7 million tonnes at 1.00% V_2O_5 containing 964,300 tonnes of V_2O_5;
- Discrete low-grade zones of 82.5 million tonnes at 0.49% V_2O_5 containing 407,200 tonnes of V_2O_5, and
- Combined Measured and Indicated Mineral Resources of 50.8 Million tonnes at 0.75% V_2O_5 in low and high-grade zones containing 382,400t V_2O_5.

Table 5 The Australian Vanadium Project Mineral Resources Statement (as at 30 June 2019)

Zone	Classification	MT	V_2O_5 %	Fe %	TiO_2 %	SiO_2 %	Al_2O_3 %	LOI %
HG 10	Measured	10.2	1.11	42.7	12.6	10.2	8.0	3.9
	Indicated	12.1	1.05	43.8	11.9	10.6	7.6	3.5
	Inferred	74.5	0.97	42.1	11.2	11.6	7.6	3.4
	Sub-total	**96.7**	**1.00**	**42.4**	**11.4**	**11.3**	**7.7**	**3.5**
LG 2-5	Measured	-	-	-	-	-	-	-
	Indicated	28.6	0.50	24.6	6.9	27.5	17.9	8.6
	Inferred	53.9	0.49	25.3	6.7	27.5	16.4	7.3
	Sub-total	**82.5**	**0.49**	**25.1**	**6.8**	**27.5**	**16.9**	**7.7**
Transported 6-8	Measured	-	-	-	-	-	-	-
	Indicated	-	-	-	-	-	-	-
	Inferred	4.4	0.65	28.2	7.2	24.7	16.7	8.5
	Sub-total	**4.4**	**0.65**	**28.2**	**7.2**	**24.7**	**16.7**	**8.5**
Total	Measured	10.2	1.11	42.7	12.6	10.2	8.0	3.9
	Indicated	40.7	0.66	30.3	8.3	22.5	14.8	7.1
	Inferred	132.7	0.77	34.8	9.2	18.5	11.5	5.1
	Sub-total	**183.6**	**0.76**	**34.3**	**9.2**	**18.9**	**12.1**	**5.5**

2. MATERIAL CHANGES AND RESOURCE STATEMENT COMPARISON

A comparison between the 2018 and 2019 Mineral Resource Estimates for The Australian Vanadium Project is shown in Table 2 below.

Table 6 The Australian Vanadium Project Comparison Between 2018 and 2019 Mineral Resource Estimates

JORC Resource Class	Tonnes Million	V_2O_5 %	Fe %	TiO_2 %	SiO_2 %	Al_2O_3 %	LOI %
Estimate as at 30 June 2019							
Measured	10.2	1.11	42.7	12.6	10.2	8.0	3.9
Indicated	40.7	0.66	30.3	8.3	22.5	14.8	7.1
Inferred	132.7	0.77	34.8	9.2	18.5	11.5	5.1
Total	**183.6**	**0.76**	**34.3**	**9.2**	**18.9**	**12.1**	**5.5**
Estimate as at 30 June 2018							
Measured	10.1	1.11	42.7	12.6	10.3	8.0	4.0
Indicated	24.0	0.63	27.9	8.0	24.2	16.0	7.7
Inferred	141.4	0.77	35.0	9.2	18.5	11.5	5.2
Total	**175.5**	**0.77**	**34.5**	**9.3**	**18.8**	**11.9**	**5.5**

The updated estimation represented a 4.6% increase in the overall Resource, a 1% increase in the Measured Resource, a 69% increase in the Indicated Resource and a 6% decrease in the Inferred Resource categories for the Project compared to the 2018 estimation.

The revised estimate was produced following a further drill campaign of 19 RC holes for 1,863m and three diamond holes for 368.2m of HQ diamond core.

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 Davis is a shareholder of Australian Vanadium Limited. 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 – Metallurgical Results

The information in this announcement 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 the announcement 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 23 SEPTEMBER 2019

Project	Tenement	Area	Equity	Annual Expenditure Commitment
Australian Vanadium	E51/843	18 blocks	100%[1]	$70,000
Australian Vanadium	E51/1396	1 block	100%[1]	$20,000
Australian Vanadium	E51/1534	8 blocks	100%[1]	$30,000
Australian Vanadium	E51/1576	10 blocks	100%[1]	$30,000
Australian Vanadium	E51/1685	15 blocks	100%[1]	$20,000
Australian Vanadium	E51/1694	14 blocks	100%[1]	$20,000
Australian Vanadium	E51/1695	2 blocks	100%[1]	$15,000
Australian Vanadium	P51/2566	147.66 ha	100%[1]	$5,920
Australian Vanadium	P51/2567	111.66 ha	100%[1]	$4,480
Australian Vanadium	P51/2634	171.85 ha	100%[1]	$3,960
Australian Vanadium	MLA 51/878	3,563.0 ha	100%[1]	Application
Australian Vanadium	E51/1899	16 blocks	100%	Application
Coates	E70/4924	1 block	100%	$15,000
Nowthanna Hill	M51/771	301.0 ha	100%	$30,100
Blesberg	(NC) 940 PR	887 ha	Nil [2]	-
Total				**$264,460**

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.

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 23 September 2019.

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	154	31,328
1,001 – 5,000	165	500,847
5,001 – 10,000	300	2,737,033
10,001 – 100,000	3,624	166,772,960
100,001+	2,395	1,803,801,619
Total	**6,639**	**1,973,843,787**

	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 2,316 holders of less than a marketable parcel of ordinary shares.

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 23 September 2019.

4. SUBSTANTIAL SHAREHOLDERS

There were no substantial holders as at 23 September 2019.

5. CORPORATE GOVERNANCE

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

6. TOP 20 SHAREHOLDERS AS AT 30 JUNE 2019

	Name	Number of Shares	% of Shares
1	J P Morgan Nominees Australia Limited	70,132,718	3.55
2	Pinny Pty Ltd	50,500,000	2.56
3	Citicorp Nominees Pty Ltd	43,626,176	2.21
4	HSBC Custody Nominees (Australia) Limited	43,283,059	2.19
5	Mr Peter James Muir	28,768,066	1.46
6	Mr Neale Parsons	26,000,000	1.32
7	BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient DRP>	25,895,089	1.31
8	Sunarp Pty Ltd <Whittle Investment A/C>	25,000,000	1.27
9	Pet FC Pty Ltd <Pet FC A/C>	21,000,000	1.06
10	Jalein Pty Ltd <Elbaja A/C>	20,000,000	1.01
11	CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	18,203,757	0.92
12	Mr Robert Glyn Salathiel + Mrs Danielle Louise Salathiel <RD Salathiel S/F A/C>	13,966,424	0.71
13	Mr Charles Michael Higgins	13,750,000	0.70
14	Machlo Nominees Pty Ltd	11,642,500	0.59
15	Mr Thomas Lovendahl Sorensen	11,395,000	0.58
16	Mr Nigel Charles Redvers Duffey <Trading Account A/C>	11,000,000	0.56
17	Mr Brenton James Lewis	10,778,600	0.55
18	Mr Brenton David Witcombe	10,426,399	0.53
19	Ms Anne Maree Endean	10,200,000	0.52
20	Mr Cal Douglas Tostevin	10,000,000	0.51
20	Mr Leslie James Ingraham	10,000,000	0.51
	Total	**485,567,788**	**24.6**
	Total Remaining Holders Balance	**1,488,275,999**	**75.4**