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# Australian VANADIUM LIMITED

ACN 116 221 740

## Half Year Report

31 December 2018

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# Corporate Directory

## Directors

Brenton Lewis (Non-Executive Chairman)  
Vincent Algar (Managing Director and CEO)  
Leslie Ingraham (Executive Director)  
Daniel Harris (Non-Executive Director)

## Secretary

Neville Bassett

## Registered and Principal Office

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West Perth WA 6005

## Telephone

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## Facsimile

08 6268 2699

## Share Registry

Automic Registry Services Pty Ltd  
Level 2  
267 St George's Terrace  
Perth WA 6000  
Telephone 1300 288 664

## Auditors

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

Telephone: 08 6165 4090

## Australian Securities Exchange

Australian Vanadium Limited shares (AVL) are listed on the Australian Securities Exchange.

## Directors' Report

Your directors submit the financial report of Australian Vanadium Limited (the Company) and its subsidiaries (the consolidated entity) for the half-year ended 31 December 2018. This report should be read in conjunction with the 2018 Annual Report and announcements to the Australian Securities Exchange. In order to comply with the provisions of the Corporations Act 2001, the directors' report as follows:

### DIRECTORS

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

Brenton Lewis (Non-executive Chairman)

Vincent Algar (Managing Director and CEO)

Leslie Ingraham (Executive Director)

Daniel Harris (Non-executive Director)

### REVIEW OF OPERATIONS

The net loss for the half-year attributed to members of Australian Vanadium Limited was \$1,456,912 (31 December 2017 - loss of \$613,762).

### HIGHLIGHTS

The Company's operations during the half-year were focused on advancing its high-grade Australian Vanadium Project located in central Western Australia. The vertical integration strategy which is focused on energy storage via the marketing and sales of Vanadium Redox Flow Batteries through subsidiary VSUN Energy Pty Ltd also continued.

A summary of the main activities included:

#### The Australian Vanadium Project

The Company's focus in the period was the completion of its Pre-Feasibility Study (PFS) into the Australian Vanadium Project located south of Meekatharra.

As part of the PFS a programme of resource drilling was completed during the period and the Company announced an upgraded mineral resource in November 2018.

The Measured, Indicated and Inferred Mineral Resource is contained within a massive magnetite high-grade horizon and overlying lower grade disseminated magnetite horizons for a total of **183.6 million tonnes (Mt) at 0.76% V<sub>2</sub>O<sub>5</sub>**. This figure includes a 70% increase to the Indicated Mineral Resource from the previous resource update in July 2018.

The revised Mineral Resource estimate includes a geologically distinct massive vanadium bearing magnetite high-grade zone that is the focus of the PFS. The Measured, Indicated and Inferred Mineral Resource estimate for the massive magnetite high-grade zone (HG10 in Table 1) is **96.7Mt at 1.00% V<sub>2</sub>O<sub>5</sub>** which includes 10.2Mt at 1.11% V<sub>2</sub>O<sub>5</sub> in the Measured category, 12.1Mt at 1.05% V<sub>2</sub>O<sub>5</sub> in the Indicated category and 74.5Mt at 0.97% V<sub>2</sub>O<sub>5</sub> in the Inferred category (see Table 1).

There is significant potential to convert further Inferred Resources located along the Company's 11.5km of strike length at the Australian Vanadium Project (see Figure 1) to the Measured and Indicated categories, with additional targeted low-cost drilling programs.

In addition, an Inferred Base Metals Mineral Resource of 14.3Mt containing 208ppm Cobalt, 666ppm Nickel, 217ppm Copper<sup>1</sup> and 0.16% Sulphur was estimated in November 2018. The Inferred Mineral Resource is contained exclusively within the fresh massive high-grade zone (HG10) in Fault Block 20 of the resource model, (see Figure 1) and is considered to be potentially economically recoverable following metallurgical test work conducted by the Company. The base metal sulphide mineralisation has consistently reported to the non-magnetic fraction during the separation of the vanadium bearing magnetite. This has effectively concentrated sulphide minerals enabling further concentration by flotation methods.

The mineral resource model is based on information from 191 drillholes (18 diamond, 173 reverse circulation) for 17,530m drilled by the Company during 2008, 2009, 2015 and 2018.

Table 1 The Australian Vanadium Project – Mineral Resource estimate by domain and resource classification using a nominal 0.4% V<sub>2</sub>O<sub>5</sub> wireframed cut-off for low grade and nominal 0.7% V<sub>2</sub>O<sub>5</sub> wireframed cut-off for high grade (total numbers may not add up due to rounding)

Zone	Classification	Mt	V <sub>2</sub> O <sub>5</sub> %	Fe %	TiO <sub>2</sub> %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	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
	<b>Sub-total</b>	<b>96.7</b>	<b>1.00</b>	<b>42.4</b>	<b>11.4</b>	<b>11.3</b>	<b>7.7</b>	<b>3.5</b>
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
	<b>Sub-total</b>	<b>82.5</b>	<b>0.49</b>	<b>25.1</b>	<b>6.8</b>	<b>27.5</b>	<b>16.9</b>	<b>7.7</b>
Transported 6-8	Measured	-	-	-	-	-	-	-
	Indicated	-	-	-	-	-	-	-
	Inferred	4.4	0.65	28.2	7.2	24.7	16.7	8.5
	<b>Sub-total</b>	<b>4.4</b>	<b>0.65</b>	<b>28.2</b>	<b>7.2</b>	<b>24.7</b>	<b>16.7</b>	<b>8.5</b>
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
	<b>Sub-total</b>	<b>183.6</b>	<b>0.76</b>	<b>34.3</b>	<b>9.2</b>	<b>18.9</b>	<b>12.1</b>	<b>5.5</b>

As part of the PFS completion, the Company announced in December 2018 a maiden Ore Reserve of **18.24Mt at 1.04% V<sub>2</sub>O<sub>5</sub>** comprised of a Proved Reserve of 9.82Mt at 1.07% V<sub>2</sub>O<sub>5</sub> and a Probable Reserve of 8.42Mt at 1.01% V<sub>2</sub>O<sub>5</sub>.

The ore reserve statement in Table 2 is based on the Measured and Indicated Mineral Resources, included within the final pit design and after taking into account all modifying factors as detailed in the PFS study report. This ore reserve is based on the November 2018 mineral resource model.

Table 2 Ore Reserve Statement as at November 2018, at a cut-off grade of 0.8% V<sub>2</sub>O<sub>5</sub>

Reserve classification	t	V <sub>2</sub> O <sub>5</sub> %	Co ppm	Ni ppm	Cu ppm	S %	SiO <sub>2</sub> %	Fe <sub>2</sub> O <sub>3</sub> %	V <sub>2</sub> O <sub>5</sub> produced t
Proved	9,820,000	1.07	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
<b>Total</b>	<b>18,240,000</b>	<b>1.04</b>	<b>173</b>	<b>597</b>	<b>222</b>	<b>0.07</b>	<b>9.75</b>	<b>59.1</b>	<b>121,000</b>

The cut-off grade is significantly higher than theoretically calculated to reduce metallurgical and economic risk, without resulting in a major decrease in ore tonnes.

<sup>1</sup> Nickel and Copper credits to Bryah Resources Limited (ASX:BYH)

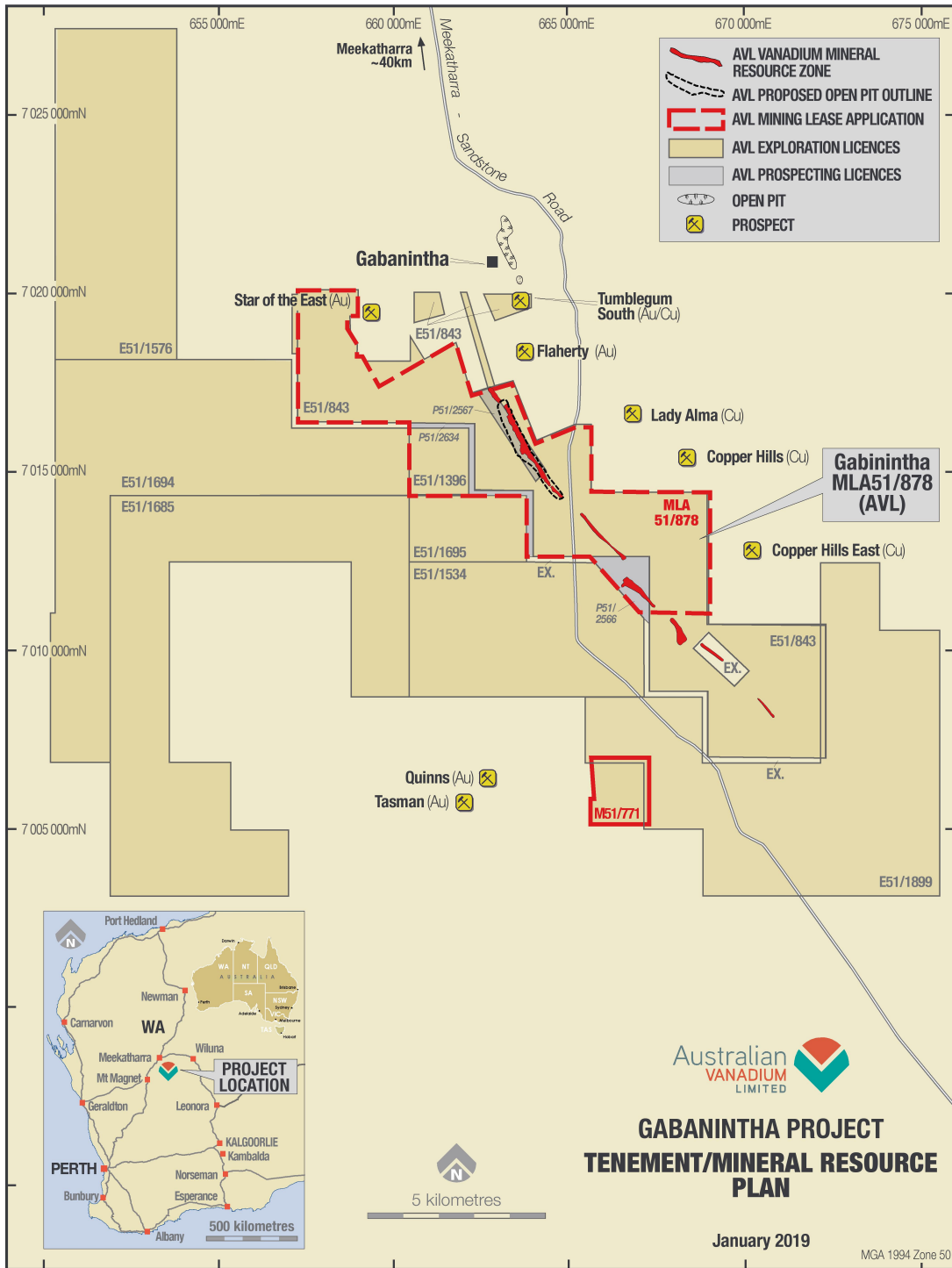


Figure 1 Location Diagram of the Australian Vanadium Project.

In December 2018 (see ASX announcement dated 18 December 2018 for full details) the Company announced the results of the PFS, which 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. Capital and operating cost estimates have been developed to the level of accuracy of  $\pm 25\%$  and include mine and processing circuit designs, a detailed financial model and supporting bodies of work.

The Project is based on a proposed open pit mine; crushing, milling and beneficiation plant (CMB) and refining plant for final conversion and sale of high quality vanadium pentoxide ( $V_2O_5$ ) 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.

Due to the level of detail of many study aspects undertaken in the PFS, several areas are now at an advanced stage and work in 2019 will focus on optimisation and further refinement.

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.

The key financial outcomes are shown in Table 3 below. NPV and IRR are reported at various V<sub>2</sub>O<sub>5</sub> pricing assumptions.

Assuming a V<sub>2</sub>O<sub>5</sub> price of US\$13/lb, pre-tax NPV is US\$912M, with an IRR of 27.2%. Using US\$8.67/lb V<sub>2</sub>O<sub>5</sub>, the post-tax NPV of US\$125M highlights that the Project is robust and offers attractive returns even at conservative pricing assumptions.

At V<sub>2</sub>O<sub>5</sub> prices of US\$20/lb V<sub>2</sub>O<sub>5</sub>, NPV is US\$2.01bn. The Project fully allocated costs (C<sub>3</sub><sup>2</sup>) is US\$6.05/lb for the life of the project.

Table 3 Key Financial Outcomes (US\$)

Pricing Year 1-5	V <sub>2</sub> O <sub>5</sub> Product Pricing Scenarios			
	\$8.67/lb V <sub>2</sub> O <sub>5</sub>	\$13/lb V <sub>2</sub> O <sub>5</sub>	\$13/lb V <sub>2</sub> O <sub>5</sub>	\$20/lb V <sub>2</sub> O <sub>5</sub>
Pricing Year 6-17	\$8.67/lb V <sub>2</sub> O <sub>5</sub>	\$8.67/lb V <sub>2</sub> O <sub>5</sub>	\$13/lb V <sub>2</sub> O <sub>5</sub>	\$20/lb V <sub>2</sub> O <sub>5</sub>
pre-tax NPV <sub>8%</sub>	\$230M	\$444M	\$912M	\$2,013M
post-tax NPV <sub>8%</sub>	\$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

#### Energy Storage

The Company's subsidiary, VSUN Energy Pty Ltd (VSUN) continues to market vanadium redox flow batteries (VRFB) with a particular focus on projects within Australia. VSUN offers VRFB from a variety of manufacturers with a wide range of sizes. Target markets include utility, agricultural and industrial. VSUN is involved in the Future Battery Industry Cooperative Research Centre application.

#### Blesberg Project

Results from drilling at the historic Blesberg Mine located approximately 80km north of Springbok in the remote Northern Cape Province of South Africa, were reported in 2017. Drilling successfully intersected the pegmatite zone in all holes with high quality (clean white) feldspar visible in all holes.

The Company is currently examining the opportunity presented by the high quality and high-volume feldspar mineralisation and potential by-product extraction of lithium, beryl and tantalum minerals. The Company has renegotiated the terms of the agreement and an off-take for feldspar is being sought.

#### Nowthanna Hill Uranium Project

The Company was granted a mining lease (M51/771) over this uranium deposit in 2017. Due to recent government restrictions on uranium mining in the State of Western Australia, the Company is unable to progress this project at this time.

#### Bryah Resources Limited (ASX: BYH)

AVL previously executed an agreement to sell the precious and base metal rights in the Australian Vanadium Project, as well as its 100% equity in its Peak Hill Project to Bryah Resources Limited. Under the deal, the Company retains all mineral rights to vanadium, titanium, cobalt, chromium, uranium, lithium, tantalum, iron ore and manganese within the Australian Vanadium Project area and retains primary title over the licenses.

The Company holds a 12.3% stake in Bryah Resources Limited.

<sup>2</sup> C<sub>3</sub> includes all direct production costs, all capital costs, depreciation and amortisation, and all other indirect costs including taxes, royalties and estimates for overhead staffing and administrative G&A.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the half-year are detailed under the heading 'Review of Operations' of this report.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the half-year under review not otherwise disclosed in this report or in the financial report.

## AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year ended 31 December 2018 is included within this financial report.

Signed on behalf of the Directors



**Brenton Lewis**

CHAIRMAN

Perth, 14 March 2019

## Competent Person Statement — Mineral Resource Estimation

The information in this report that relates to Mineral Resources 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 Mr Davis is a member of the Australian Institute of Geoscientists and both 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 — Ore Reserves

The scientific and technical information in this report that relates to ore reserves estimates for the Project is based on information compiled by Mr Roselt Croeser, an independent consultant to AVL. Mr Croeser is a member of the Australasian Institute of Mining and Metallurgy. Mr Croeser has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a competent person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Croeser consents to the inclusion in the report of the matters related to the ore reserve estimate in the form and context in which it appears.

## Competent Person Statement – Metallurgical Results

The information in this report that relates to Metallurgical Results is based on information compiled by independent consulting metallurgist Brian McNab (CP. B.Sc Extractive Metallurgy), Mr McNab is a Member of The Australasian Institute of Mining and Metallurgy. 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McNab consents to the inclusion in the report of the matters based on the information made available to him, in the form and context in which it appears.





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*strength in numbers*

**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 31 December 2018 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.

This Declaration is in respect of Australian Vanadium Limited and the entities it controlled during the financial Period.

ARMADA AUDIT SERVICES PTY LTD

ZHENGLI FU CPA

A handwritten signature in black ink that reads "Zhenlei Fu". The signature is written in a cursive style and is positioned above a horizontal line.

Registered Company Auditor No. 491515

Dated this 14 day of March 2019

TAX & ACCOUNTING | AUDITING | BUSINESS MANAGEMENT | BUSINESS CONSULTING | FINANCIAL PLANNING | LENDING

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# Statement of Comprehensive Income

For the half year ended 31 December 2018

	Notes	Consolidated	
		31 December 2018	31 December 2017
		\$	\$
<b>Revenue</b>			
Revenue		46,853	176,616
		46,853	176,616
<b>Expenses</b>			
Exploration and evaluation expenditure		(171,884)	(3,246)
Depreciation		(25,279)	(22,531)
Share Based Payments		(135,975)	(90,000)
Directors fees and benefits expenses		(304,370)	(371,021)
Other corporate and administrative expenses		(866,257)	(303,581)
<b>Loss before income tax expense from continuing operation</b>		<b>(1,456,912)</b>	<b>(613,762)</b>
Income Tax Expense		-	-
<b>Loss after income tax expense for the half year</b>		<b>(1,456,912)</b>	<b>(613,762)</b>
<b>Other Comprehensive Income</b>			
Other Comprehensive Income for the half year, net of tax		-	-
<b>Total Comprehensive Loss for the half year</b>		<b>(1,456,912)</b>	<b>(613,762)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Basic/ diluted earnings per share</b>		<b>(0.09)</b>	<b>(0.05)</b>

The accompanying notes form part of these financial statements.

# Statement of Financial Position

As at 31 December 2018

	Notes	Consolidated	
		31 December 2018	30 June 2018
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalent		9,544,265	5,152,782
Trade and other receivables		233,927	192,901
<b>Total Current Assets</b>		<b>9,778,192</b>	<b>5,345,683</b>
<b>Non-Current Assets</b>			
Plant and equipment		296,214	278,288
Deferred exploration expenditure	2	17,907,446	16,291,330
Investments		2,249,170	2,346,671
<b>Total Non-Current Assets</b>		<b>20,452,830</b>	<b>18,916,289</b>
<b>Total Assets</b>		<b>30,231,022</b>	<b>24,261,972</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables		554,038	140,271
Share Application Funds held in trust		3,564,996	-
Provisions		36,475	31,273
<b>Total Current Liabilities</b>		<b>4,155,509</b>	<b>171,544</b>
<b>Total Liabilities</b>		<b>4,155,509</b>	<b>171,544</b>
<b>Net Assets</b>		<b>26,075,513</b>	<b>24,090,428</b>
<b>Equity</b>			
Issued capital	3	79,716,831	76,177,333
Reserves		(660,000)	(562,500)
Accumulated Losses		(52,981,318)	(51,524,405)
<b>Total Equity</b>		<b>26,075,513</b>	<b>24,090,428</b>

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity

For the half year ended 31 December 2018

	Consolidated			
	Issued Capital	Accumulated Losses	Other Reserves	Total
	\$	\$	\$	\$
<b>Balance as at 1 July 2017</b>	<b>67,960,815</b>	<b>(49,038,335)</b>	-	<b>18,922,480</b>
Loss for the period	-	(613,762)	-	(613,762)
<b>Total comprehensive loss for the period</b>	-	<b>(613,762)</b>	-	<b>(613,762)</b>
Shares issued as consideration	2,595,000	-	-	2,595,000
Shares issued on conversion of options	372,837	-	-	372,837
Asset Revaluation Reserve	-	-	(35,000)	(35,000)
Capital Raising Cost	(205,631)	-	-	(205,631)
<b>Balance as at 31 December 2017</b>	<b>70,723,021</b>	<b>(49,652,097)</b>	<b>(35,000)</b>	<b>21,035,924</b>
<b>Balance as at 1 July 2018</b>	<b>76,177,333</b>	<b>(51,524,405)</b>	<b>(562,500)</b>	<b>24,090,428</b>
Loss for the period	-	(1,456,912)	-	(1,456,912)
<b>Total comprehensive loss for the period</b>	-	<b>(1,456,912)</b>	-	<b>(1,456,912)</b>
Shares issued as consideration	105,000	-	-	105,000
Shares issued on conversion of options	3,412,875	-	-	3,412,875
Shares issued on conversion of Performance Rights	30,975	-	-	30,975
Asset Revaluation Reserve	-	-	(97,500)	(97,500)
Capital Raising Cost	(9,352)	-	-	(9,352)
<b>Balance as at 31 December 2018</b>	<b>79,716,831</b>	<b>(52,981,318)</b>	<b>(660,000)</b>	<b>26,075,513</b>

The accompanying notes form part of these financial statements.

# Statement of Cash Flow

For the half year ended 31 December 2018

	Notes	Consolidated	
		31 December 2018 \$	31 December 2017 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,122,285)	(765,189)
Interest received		50,702	176,616
Expenditure on mining interests		(9,395)	(3,246)
<b>Net cash proved by / (used) in operating activities</b>		<b>(1,080,978)</b>	<b>(591,819)</b>
<b>Cash flows from investing activities</b>			
Payments for exploration and mining interests		(1,448,532)	(415,181)
Payments for investments		-	(527,090)
Payments for property plant and equipment		(47,526)	(4,806)
<b>Net cash used in investing activities</b>		<b>(1,496,057)</b>	<b>(947,077)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		3,412,875	2,967,837
Share application funds held in trust		3,564,996	649,933
Payment of capital raising costs		(9,352)	(205,631)
<b>Net cash provided by financing activities</b>		<b>6,968,519</b>	<b>3,412,139</b>
Net Increase/(decrease) in cash held		4,391,484	1,873,243
Cash at beginning of the period		5,152,782	1,524,171
<b>Cash at end of the period</b>		<b>9,544,265</b>	<b>3,397,414</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Australian Vanadium Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied with those of the previous financial periods and corresponding interim reporting period, except in relation to the matters disclosed below.

### New and Revised Accounting Standards

In the current half-year, the consolidated entity 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 adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

## 2. DEFERRED EXPLORATION EXPENDITURE

	31 December 2018	30 June 2018
Notes	\$	\$
<b>Deferred exploration expenditure</b>		
Expenditure brought forward	16,291,330	15,422,575
Less expenditure recouped on sale of asset	-	(600,000)
Add expenditure incurred on purchase of asset	-	760,000
Expenditure incurred during the period	1,779,459	708,755
Expenditure written off during period	(163,343)	-
<b>Expenditure carried forward</b>	<b>17,907,446</b>	<b>16,291,330</b>

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

## Notes to the Financial Statements

### 3. ISSUED CAPITAL

	Notes	31 December 2018 \$	30 June 2018 \$
<b>Issued Capital</b>			
<b>Issues and paid up capital</b>			
Ordinary shares - fully paid	3(i)	80,871,900	77,323,050
Ordinary shares - partly paid	3(ii)	8,000	8,000
Share issue costs written off against issued capital		(1,163,069)	(1,153,717)
		<b>79,716,831</b>	<b>76,177,333</b>
<b>Movement in ordinary share in issue</b>			
(i) Ordinary share - fully paid		<b>No.</b>	<b>\$</b>
Balance at beginning of period		1,609,123,019	77,323,050
Movement			
- Issue of ordinary shares on conversion of performance rights		577,230	30,975
- Issue of ordinary shares on conversion of options		170,643,737	3,412,875
- Issue of ordinary shares in lieu of cash consideration		5,000,000	105,000
<b>Balance at end of Period</b>		<b>1,785,343,986</b>	<b>80,871,900</b>
(ii) Ordinary share - partly paid (\$0.0389 unpaid)			
Balance at beginning of period		80,000,000	8,000
Movement		-	-
<b>Balance at end of Period</b>		<b>80,000,000</b>	<b>8,000</b>

### 4. 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 2018 being:

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

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

## Notes to the Financial Statements

The following tables present revenue, expenditure and asset information regarding operating segments for the half-year ended 31 December 2018.

	Exploration \$	Energy Storage \$	Unallocated \$	Total \$
Sales to External Customers	-	592	-	592
Other Revenue	-	-	46,261	46,261
<b>Total Segment Revenue</b>	<b>-</b>	<b>592</b>	<b>46,261</b>	<b>46,853</b>
<b>Total Segment Results</b>	<b>(171,884)</b>	<b>(44,817)</b>	<b>(1,240,212)</b>	<b>(1,456,912)</b>
<b>Total Segment Assets</b>	<b>17,907,446</b>	<b>169,335</b>	<b>12,154,242</b>	<b>30,231,023</b>
<b>Total Segment Liabilities</b>	<b>399,842</b>	<b>64</b>	<b>3,755,604</b>	<b>4,155,509</b>
Impairment of Assets	-	-	-	-
Depreciation and Amortisation	-	(8,232)	(17,047)	(25,279)
Interest Income	-	-	46,261	46,261

### 5. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

### 6. DIVIDENDS

No dividends have been declared or paid during the half-year ended 31 December 2018 or in the prior period, and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2018.

### 7. EVENTS SUBSEQUENT TO REPORTING DATE

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



## Directors' Declaration

In the opinion of the directors of Australian Vanadium Limited ('the Company'):

1. The financial statements and notes thereto of the consolidated entity, as set out within this financial report, are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year then ended.
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.

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



**Brenton Lewis**  
CHAIRMAN

Perth, 14 March 2019



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*strength in numbers*

## Independent Auditor's Review Report to the Members of Australian Vanadium Limited

We have reviewed the accompanying half-year financial report of Australian Vanadium Limited, which comprises the balance sheet as at 31<sup>st</sup> December 2018, the income statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### *Directors' Responsibility for the half-year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Australian Vanadium Limited's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Australian Vanadium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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***Independence***

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

***Conclusion***

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

giving a true and fair view of the Australian Vanadium Limited's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001* accordance with the *Corporations Act 2001*

ARMADA AUDIT SERVICES PTY LTD

ZHENGLI FU CPA



Registered Company Auditor No. 491515

Dated this 14 day of March 2019

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