

Interim Financial Report

Interim Consolidated Financial Report
for the half-year ended 31 December 2023

ACN 116 221 740 and its controlled entities



Contents

Corporate Information	2
Directors' Report	4
Interim Consolidated Statement of Comprehensive Income	15
Interim Consolidated Statement of Financial Position	16
Interim Consolidated Statement of Changes in Equity	17
Interim Consolidated Statement of Cash Flows	18
Notes to the Interim Consolidated Financial Statements	19
Directors' Declaration	27
Independent Auditor's Review Report	28

Corporate Information

ABN 90 116 221 740

Directors

Mr Cliff Lawrenson
Non-Executive Chair

Mr Daniel Harris
Non-Executive Director

Ms Miriam Stanborough AM
Non-Executive Director

Mr Peter Watson
Non-Executive Director

Ms Anna Sudlow
Non-Executive Director

Mr Vincent Algar
Managing Director (resigned 14 July 2023)

Ms Jo Gaines
Non-Executive Director (appointed 1 February 2024)

Chief Executive Officer

Mr Graham Arvidson

Chief Financial Officer

Mr Tom Plant

Joint Company Secretaries

Mr Neville Bassett
Mr Louis Mostert

Registered Office and Principal Place of Business

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Share Registry

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Auditors

BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street, Perth WA 6000
Telephone: +61 8 6382 4600

Stock Exchange Listings

Australian Securities Exchange
ASX Code: AVL

OTCQB Code: ATVVF

**Berlin, Munich, Stuttgart and Frankfurt Stock
Exchanges Code:** JT71

Competent Person Statement

Mineral Resource Estimation

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

Exploration Results and Exploration Targets

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

Ore Reserves

The technical information in this report that relates to the Ore Reserve estimate for the Project is based on information compiled by Mr Ross Cheyne, an independent consultant to AVL. Mr Cheyne is a Fellow of the Australasian Institute of Mining and Metallurgy. He is an employee and director of Orelogy Mine Consulting Pty Ltd. Mr Cheyne has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a competent person as defined in the 2012 Edition of the *Joint Ore Reserves Committee (JORC) Australasian Code for*

Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Cheyne consents to the inclusion in the report of the matters related to the Ore Reserve estimate in the form and context in which it appears.

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 and is employed by Wood Mining and Metals. Mr McNab has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken, to qualify as a Competent Person as defined in the JORC 2012 Edition of the *Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*. Mr McNab consents to the inclusion in this report of the matters based on the information made available to him, in the form and context in which it appears.

Forward-Looking Statements

This document includes forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Technology Metals Australia Limited's planned exploration programs, corporate activities, and any, and all, statements that are not historical facts. When used in this document, words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should" and similar expressions are forward-looking statements. Australian Vanadium Limited believes that it has a reasonable basis for its forward-looking statements; however, forward-looking statements involve risks and uncertainties, and no assurance can be given that actual future results will be consistent with these forward-looking statements. Unless otherwise indicated, all figures presented in this document are unaudited. This document does not contain any forecasts of profitability or loss.

Directors' Report

Your directors present their report on the consolidated entity consisting of Australian Vanadium Limited (AVL or the Company) and its subsidiaries (the “Consolidated Entity” or “Group”) for the half-year ended 31 December 2023. Pursuant to 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:

Mr Cliff Lawrenson	Non-Executive Chair
Mr Daniel Harris	Non-Executive Director
Ms Miriam Stanborough AM	Non-Executive Director
Mr Peter Watson	Non-Executive Director
Ms Anna Sudlow	Non-Executive Director
Mr Vincent Algar	Managing Director (resigned 14 July 2023)
Ms Jo Gaines	Non-Executive Director (appointed 1 February 2024)





Review Of Operations

The Australian Vanadium Project

AVL is developing each stage of its 'pit to battery' strategy in parallel, including mining activities, vanadium processing and vanadium flow battery (VFB) market growth.

The Company's operations during the half-year were focused on progressing the Australian Vanadium Project (the Project) towards production and progressing the construction of its vanadium electrolyte manufacturing facility.

The Project is one of the most advanced vanadium development projects in the world, with a Bankable Feasibility Study (BFS) published in April 2022 which highlighted the following key metrics¹:

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

In 2022, AVL was awarded a \$49 million Australian Government grant towards Project funding under the Modern Manufacturing Initiative Collaboration stream. The Company received the first payment under the grant of \$9.8 million in June 2023.

¹ Note that the following information relates only to The Australian Vanadium Project on a standalone basis. It does not include any benefit or contribution that may arise from integrating the Project with Technology Metals Australia's (TMT) Murchison Technology Metals Project following the implementation of the merger between the Company and TMT. This is discussed in further detail below.



Figure 1 – Location of The Australian Vanadium Project

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

Merger with Technology Metals Australia

On 25 September 2023, AVL and Technology Metals Australia Limited (TMT) announced their agreement to a proposed merger by Scheme of Arrangement (Scheme) under which AVL would acquire 100% of the TMT shares on issue to create a leading Australian vanadium developer focussed exclusively on Western Australia. TMT shareholders received 14 new AVL shares for each TMT share held. On 16 January 2024, TMT shareholders voted to approve the Scheme and the merger was implemented on 1 February 2024.

The wholly owned Murchison Technology Metals Project (MTMP) is TMT's primary asset. The MTMP, which adjoins the Australian Vanadium Project and shares the same orebody, is approximately 40 kilometres south-southeast of Meekatharra. The MTMP has a Mineral Resource Estimate of 153.7Mt at 0.8% V_2O_5 and comprises the Gabanintha and Yarrabubba deposit. The MTMP has a Proven and Probable Reserve of 44.48Mt at 0.89% V_2O_5 . The Yarrabubba deposit also includes a maiden Ilmenite Ore Reserve.

The merger has provided a unique opportunity to realise tangible benefits, including:

- realising synergies through a single integrated project;
- creating a leading Australian vanadium developer;
- increased scale, which will improve the ability to raise equity finance and secure project financing and improve access to government, export credit agencies and private sector financing;
- increased market relevance and liquidity and a strong balance sheet to position the combined group strongly for the next phase of development activities;
- opportunity to leverage compelling market fundamentals and improved investor sentiment; and
- the combination of industry-leading expertise across AVL and TMT, providing the combined group with the right skill set to drive future value creation.

Australian Vanadium Project

Approvals

Key Project approvals at the mine site and processing plant site are progressing.

On 7 September 2023, the Company announced that a new option agreement had been signed with the landowner of its proposed vanadium processing plant for the Project at Tenindewa, 60km east of Geraldton in Western Australia. The agreement relates to an area of 1,334 acres, with a purchase price of \$4,000 per acre, reflecting current market prices in the region. The purchase price is payable in either cash or shares in the Company, or a combination, at the landowner's election. The number of AVL shares to be issued, if any, will be determined by using the 5-day VWAP immediately preceding the date of payment. This agreement expires on 31 August 2024 with an option for a further 12 months to 31 August 2025. The Company also received approval for a water licence to extract groundwater at the site.

In January 2024, a development approval application was finalised with the assistance of the Special Development Assessment Unit (SDAU) of the Department of Planning, Lands and Heritage (DPLH). At the same time, the final scheme amendment report was accepted by the City of Greater Geraldton. This allowed for both processes to be simultaneously advertised for public consultation through a single portal of the DPLH website, which went live on 14 February 2024. This will allow the City of Greater Geraldton and the SDAU to collect and collate feedback and submissions for both the development approval and scheme amendment under the one DPLH portal, reducing duplication and confusion and effectively streamlining both processes.

AVL's application for Miscellaneous Licence L51/116 was granted by the Government of Western Australia's Department of Energy, Mines, Industry Regulation and Safety in December 2023. The licence has been granted for the purpose of building a road from the Great Northern Highway to the Project, along with a water pipeline for water supply from the neighbouring Westgold Resources Limited (ASX: WGX) Reedy's pit.

Early Contractor Involvement for Crushing, Milling and Beneficiation Plant

In the reporting period, AVL finalised the competitive Early Contractor Involvement (ECI) phase scope with Primero Group Ltd and GR Engineering Services Ltd for the engineering, procurement and construction (EPC) of the Gabanintha crushing, milling and beneficiation (CMB) plant and associated infrastructure.

Processing improvements

AVL pursued ongoing optimisation test work during the reporting period on its grate kiln design, focusing on simplification and improved heat rate, while maintaining or improving leach extraction and improving energy efficiency, thereby reducing gas consumption.

FeTi coproduct

Management visited several potential customers and steel mills in China during October 2023 to further explore offtake opportunities for AVL's FeTi coproduct. The visit was effective in advancing offtake discussions with target customers.

Neometals Term Sheet

AVL signed a term sheet with Neometals Limited (ASX: NMT and AIM: NMT) in January 2023 to investigate opportunities for AVL to purchase and further process the co-product vanadium and iron concentrate generated from Neometals' Barrambie Project; and for AVL and Neometals to co-locate and/or share infrastructure near AVL's processing plant site. The term for the investigation was extended in October 2023 to 23 October 2024.

Vanadium Electrolyte Facility

AVL was awarded a \$3.69 million Federal Government grant in 2021, with the majority of the funding allocated to building and operating a commercial vanadium electrolyte manufacturing facility in Western Australia to support the commercialisation of vanadium flow batteries (VFBs). Construction of the facility has been successfully and safely completed in December 2023 and the facility was officially opened by the Federal Resources Minister, Hon. Madeleine King MP in January 2024.

VSUN Energy

AVL's 100% owned subsidiary, VSUN Energy, is involved in the market growth of VFBs across mining, agriculture, utilities, commercial and industrial projects. Its activities in the reporting period included:

Horizon Power Kununurra Project

In July 2023, VSUN Energy signed an agreement with Western Australia's regional energy provider, Horizon Power, to purchase a 220kWh VFB for a long duration energy storage pilot in regional Western Australia. The VFB has been sourced from leading global VFB manufacturer Invinity Energy Systems plc, which is listed on the London Stock Exchange's AIM market (AIM: IES). The battery arrived in Western Australia in early January 2024 and is currently undergoing factory acceptance testing.

Residential VFB

VSUN Energy has been working to develop a residential version of the VFB. This product is of interest to many people who are looking for an alternative to a lithium-ion battery. The company is currently working with industrial process automation solution provider Improve IO and engineering solution provider Qetra to develop a prototype product. The battery is a 5kW/15kWh size, which will provide enough power to supply an average house through the evening and into the morning when solar power begins to generate energy.

Coates and Nowthanna Hill Projects

During the reporting period, AVL received notification that the option agreement the Company entered into with Mining Green Metals (MG1) for it to acquire a 100% interest in the Coates and Nowthanna Hill projects was not exercised and the proposed listing of MG1 on the ASX did not proceed.

AVL will continue to consider all options to maximise shareholder value for the non-core Coates Nickel-Copper-PGE and Nowthanna Hill Uranium projects.



Figure 2 – Prototype residential VFB



Tenements

As at 31 December 2023, the Group held interests in the following tenements:

Location	Project	Tenements	Economic Interest	Notes
Western Australia	The Australian Vanadium Project	E 51/843	100% Granted ²	
		E 51/1534	100% Granted ²	
		E 51/1899	100% Granted	
		E 51/1943	100% Granted	
		E 51/1944	100% Granted	
		E 51/2067		100% on Application
		L 51/116	100% Granted	
		L 51/119		100% on Application
		L 51/130		100% on Application
		L 51/131		Withdrawn
		L51/132		100% on Application
		L51/133		100% on Application
		M 51/878	100% Granted ²	
		M 51/897		100% on Application ²
		P 51/3073	100% Granted	
		P 51/3074	100% Granted	
		P 51/3075	100% Granted	
		P 51/3076	100% Granted	
P 51/3248		Withdrawn		
P 51/3298		100% on Application		
Western Australia	Nowthanna Hill	M 51/771	100% Granted	
Western Australia	Peak Hill	E 52/3349	0.75% NSR Production Royalty	
Western Australia	Tumblegum South	M 51/888	0.75% NSR Production Royalty	
Western Australia	Coates	E 70/4924-I	100% Granted	
		E 70/5588	100% Granted	
		E 70/5589		100% on Application

² Australian Vanadium Limited retains 100% rights in V/U/Co/Cr/Ti/Li/Ta/Mn and iron ore on The Australian Vanadium Project. Bryah Resources Limited holds the mineral rights for all other minerals.

Dividends

No dividends were paid or declared for the half-year ended 31 December 2023 and the directors have not recommended the payment of a dividend.

Financial Results and Position

The interim consolidated financial statements of the Group for the half-year ended 31 December 2023 have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

For the half-year ended 31 December 2023, the Group recorded an after-tax loss of \$5,924,000 (31 December 2022: loss of \$2,367,000) and cash outflows from operating and investing activities of \$17,808,000 (31 December 2022: \$6,821,000). Cash inflows from financing activities reflect the successful completion of a \$15.7 million institutional placement announced on 26 September 2023, with Resource Capital Fund VII LP committing \$15 million, and other institutional investors committing a further \$0.7 million.

At 31 December 2023, the Group held cash and cash equivalents of \$24,190,000 (30 June 2023: \$26,874,000) and had net working capital (excluding grant liability) of \$22,635,000 (30 June 2023: \$23,415,000 million). On 1 February 2024, the Scheme between the Company and TMT was formally implemented. On this date, TMT had cash and cash equivalents of \$7,586,000.

The Group had outstanding commitments at 31 December 2023 of \$1,810,000 relating to the Australian Vanadium Project and \$648,000 of exploration obligations, all due within 12 months (refer note 12).

Significant Events Since the End of the Half-Year

Other than disclosed below, the directors are not aware of any other matter or circumstance since the end of the half-year not otherwise dealt with in this report that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the Interim Financial Report for the half-year ended 31 December 2023:

- On 8 January 2024, AVL announced that the Horizon Power VFB arrived in Fremantle, Western Australia. This VFB is destined for a Horizon Power site in Kununurra, Western Australia. Factory acceptance testing is currently being undertaken, in conjunction with Horizon Power, at AVL's vanadium electrolyte facility.
- On 25 September 2023, AVL and Technology Metals Australia Limited (TMT) announced their agreement to a proposed merger by Scheme under which AVL would acquire 100% of the TMT shares on issue to create a leading Australian vanadium developer focussed exclusively on Western Australia. The merger was implemented on 1 February 2024 with 3,614,953,776 new AVL shares issued to TMT shareholders, whereby they received 14 new AVL shares for each TMT share held. A further 11,050,926 new AVL shares were issued to holders of Class E TMT options in connection with their cancellation.
- The Company announced the appointment of Ms Joanne Gaines to the Board as Non-Executive Director, effective 1 February 2024.
- On 15 February 2024, performance rights were converted for nil consideration into 13,791,667 fully paid ordinary shares in AVL, of which 13,500,000 were issued to Key Management Personnel. In addition, 30,000,000 performance rights were issued to non-executive directors (Ms Miriam Stanborough, Mr Peter Watson and Ms Anna Sudlow) following shareholder approval received at the Company's 2023 Annual General Meeting on 16 November 2023 and 6,400,000 performance rights were issued to employees.

Auditor's Declaration of Independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

Rounding of Amounts

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument, unless otherwise indicated.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.



Cliff Lawrenson

Non-Executive Chair
Perth
12 March 2024





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

As lead auditor for the review of Australian Vanadium Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth

12 March 2024

Interim Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2023

	Notes	31 December 2023 \$'000	31 December 2022 \$'000
Revenue from contracts with customers		-	31
Cost of sales		-	(23)
Gross profit		-	8
Other income		13	68
Interest revenue		221	-
Exploration and evaluation expenditure		(38)	(29)
Depreciation		(55)	(40)
Amortisation of lease liability		(204)	(70)
Finance costs		(76)	(25)
Share based payments	10	(603)	(66)
Directors' fees and benefits expense		(186)	(50)
Employee benefits expense	4	(2,728)	(757)
General and administrative expenses		(2,268)	(1,406)
Loss before income tax expense		(5,924)	(2,367)
Income tax expense		-	-
Net loss after income tax expense for the half-year		(5,924)	(2,367)
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss			
Movement in fair value of investment classified as fair value through OCI (FVOCI)		(56)	(48)
Total comprehensive loss for the half-year attributable to owners of Australian Vanadium Limited		(5,980)	(2,415)
		Cents	Cents
Basic and diluted earnings per share		(0.12)	(0.06)

The above interim consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Consolidated Statement of Financial Position

As at 31 December 2023

		31 December 2023 \$'000	30 June 2023 \$'000
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents		24,190	26,874
Trade and other receivables		1,275	1,671
Inventories		567	182
Total current assets		26,032	28,727
Non-current assets			
Plant and equipment	5	5,773	1,856
Exploration and evaluation expenditure	6	46,718	44,731
Financial assets		240	296
Right-of-use assets		1,614	1,815
Total non-current assets		54,345	48,698
TOTAL ASSETS		80,377	77,425
LIABILITIES			
Current liabilities			
Trade and other payables		2,827	4,867
Provisions		214	110
Grant liability	7	5,195	9,959
Lease liabilities		356	335
Total current liabilities		8,592	15,271
Non-current liabilities			
Provisions		26	129
Lease liabilities		1,363	1,536
Total non-current liabilities		1,389	1,665
TOTAL LIABILITIES		9,981	16,936
NET ASSETS		70,396	60,489
EQUITY			
Issued capital	8	150,853	135,569
Reserves	9	453	(150)
Accumulated Losses		(80,910)	(74,930)
TOTAL EQUITY		70,396	60,489

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Interim Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2023

	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Other Reserves	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2022	127,026	(67,690)	(1,073)	2,270	60,533
Total loss for the period	-	(2,367)	-	-	(2,367)
Movement in fair value of investments recognised in equity	-	-	(48)	-	(48)
Total comprehensive loss for the period	-	(2,367)	(48)	-	(2,415)
Shares issued as consideration	-	-	-	-	-
Shares issued on exercise of options	6,938	-	-	-	6,938
Shares issued on conversion of performance rights – directors ¹	1,009	-	-	(1,009)	-
Shares issued on conversion of performance rights – employees ¹	382	-	-	(382)	-
Recognition of share-based payments – KMP ¹	-	-	-	62	62
Recognition of share-based payments – employees ¹	-	-	-	4	4
Share issue costs	(14)	-	-	-	(14)
Balance as at 31 December 2022	135,341	(70,057)	(1,121)	945	65,108
Balance as at 1 July 2023	135,569	(74,930)	(1,273)	1,123	60,489
Total loss for the period	-	(5,924)	-	-	(5,924)
Movement in fair value of investments recognised in equity	-	(56)	-	-	(56)
Total comprehensive loss for the period	-	(5,980)	-	-	(5,980)
Shares issued as consideration	15,671	-	-	-	15,671
Recognition of share-based payments – Directors ¹	-	-	-	(29)	(29)
Recognition of share-based payments – KMP and employees ¹	-	-	-	632	632
Share issue costs	(387)	-	-	-	(387)
Balance as at 31 December 2023	150,853	(80,910)	(1,273)	1,726	70,396

1. Refer to note 10 Share Based Payments

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Consolidated Statement of Cash Flows

For the half-year ended 31 December 2023

Notes	31 December 2023 \$'000	31 December 2022 \$'000
Cash flows from operating activities		
Payments to suppliers and employees	(8,761)	(2,954)
Interest paid on leases	(73)	(22)
Interest received	221	10
Payments for exploration and mining interests	(38)	(29)
Net receipts from other entities	65	88
Net cash used in operating activities	(8,586)	(2,907)
Cash flows from investing activities		
Expenditure on mining interests	(4,144)	(3,742)
Receipts from Government grants	-	656
Receipts from Research and Development Tax Incentives	436	-
Payments for investments	-	(71)
Payments for property plant and equipment	(5,514)	(757)
Net cash used in investing activities	(9,222)	(3,914)
Cash flows from financing activities		
Proceeds from issue of shares	15,671	571
Proceeds from conversion of options	-	6,947
Payment of capital raising costs	(387)	(37)
Repayment of lease liabilities	(160)	(43)
Net cash provided by financing activities	15,124	7,438
Net (decrease) / increase in cash and cash equivalents	(2,684)	617
Cash and cash equivalents at the beginning of the period	26,874	26,444
Cash and cash equivalents at the end of the period	24,190	27,061

The above interim consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Consolidated Financial Statements

1. GENERAL INFORMATION

The interim consolidated financial statements of Australian Vanadium Limited and its subsidiaries (collectively, the Group) for the six months ended 31 December 2023 were authorised for issue in accordance with a resolution of directors on 12 March 2024.

Australian Vanadium Limited (the Company) is a for-profit company, limited by shares, incorporated and domiciled in Australia, whose shares are listed on the ASX in Australia. The Company also trades on the OTCQB market in the United States of America and the Berlin, Munich, Stuttgart and Frankfurt Stock Exchanges in Germany. Its registered office is located at 50 Kings Park Road, West Perth in Western Australia.

The principal activities of the Group are the:

- exploration and development of vanadium resources in Western Australia, namely the Australian Vanadium Project;
- development of vanadium electrolyte production capacity; and
- sale of VFB systems.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The interim consolidated financial statements are general purpose financial statements prepared in accordance with the *Corporations Act 2001* and AASB 134 *'Interim Financial Reporting'*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *'Interim Financial Reporting'*.

The interim consolidated financial statements do not include notes of the type normally included in the annual financial statements and should be read in conjunction with the Company's most recent annual financial report and any public announcements made by it during the half-year period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Basis of preparation

The interim consolidated financial statements have been prepared on a historical cost basis, except for the financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment, and investment property measured at fair value or revalued amount. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those adopted and disclosed in the Company's 2023 annual financial report for the financial year ended 30 June 2023 except as discussed in note (c) below New and amended standards and interpretations adopted.

(c) New standards, interpretations and amendments adopted by the Group

The Group has adopted all of the new or amended accounting standards or interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new or amended standards has not resulted in any change to the entity's accounting policies.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

3. SEGMENT INFORMATION

AASB 8 'Operating Segments' 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 to allocate resources to the segment and to assess its performance.

The Group has identified three operating segments being:

1. **Exploration** – consisting of the Australian Vanadium Project and other exploration projects;
2. **Energy Storage** – VSUN Energy Pty Limited's vanadium flow battery sales activities; and
3. **Electrolyte Plant** – AVL's vanadium electrolyte manufacturing facility in Western Australia.

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

The following tables present revenue, expenditure and asset information regarding operating segments for the half-year ended 31 December 2023 and 31 December 2022.

31 December 2023	Exploration \$'000	Energy Storage \$'000	Electrolyte Plant \$'000	Unallocated \$'000	Total \$'000
Sales to External Customers	-	-	-	-	-
Other Revenue	-	12	-	1	13
Interest Received	-	1	-	220	221
Total Segment Revenue	-	13	-	221	234
Total Segment Results	(38)	(233)	(323)	(5,330)	(5,924)
Total Segment Assets	46,718	707	5,298	27,654	80,377
Total Segment Liabilities	1,707	139	526	7,609	9,981
Exploration write off	-	-	-	-	-
Depreciation and Amortisation	-	(14)	(59)	(186)	(259)
Finance Costs	-	-	(22)	(54)	(76)

31 December 2022	Exploration \$'000	Energy Storage \$'000	Electrolyte Plant \$'000	Unallocated \$'000	Total \$'000
Sales to External Customers	-	30	-	-	30
Other Revenue	-	5	-	63	68
Interest Received	-	-	-	11	11
Total Segment Revenue	-	35	-	74	109
Total Segment Results	(29)	(245)	-	(2,093)	(2,367)
Total Segment Assets	39,714	447	-	29,795	69,956
Total Segment Liabilities	2,414	48	-	2,385	4,847
Exploration write off	(29)	-	-	-	(29)
Depreciation and Amortisation	-	(16)	-	(94)	(110)
Finance Costs	-	-	-	(25)	(25)

4. EMPLOYEE BENEFITS EXPENSE

	31 December 2023 \$'000	31 December 2022 \$'000
Salaries and wages	2,321	619
Superannuation	207	138
Payroll tax	200	-
	2,728	757

5. PLANT AND EQUIPMENT

	31 December 2023 \$'000	30 June 2023 \$'000
<i>Plant and equipment</i>		
At cost	600	574
Accumulated depreciation	(353)	(312)
	247	262
<i>Motor vehicles</i>		
At cost	231	231
Accumulated depreciation	(75)	(61)
	156	170
<i>Assets under construction</i>		
At cost	5,370	1,424
	5,370	1,424
<i>Total</i>		
At cost	6,201	2,229
Accumulated depreciation	(428)	(373)
	5,773	1,856

5 (a) Movements in Carrying Amounts

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

	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000
Balance at 1 July 2022	398	106	117	621
Additions	139	88	1,307	1,534
Transfer to inventory	(207)	-	-	(207)
Disposals	(2)	-	-	(2)
Depreciation expense	(67)	(23)	-	(90)
Balance at 30 June 2023	261	171	1,424	1,856
Additions	30	-	3,945	3,975
Disposals	(3)	-	-	(3)
Depreciation expense	(41)	(14)	-	(55)
Balance at 31 December 2023	247	157	5,369	5,773

6. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2023 \$'000	30 June 2023 \$'000
Deferred exploration expenditure		
Expenditure brought forward	44,731	35,627
Receipts for exploration and evaluation activities*	(436)	(1,736)
Expenditure incurred during the period	2,423	11,091
Impairment during period	-	(251)
Expenditure carried forward	46,718	44,731

* Relates to the receipt of \$436,000 in Research and Development Tax Incentive, which is deducted from the cost of the asset in accordance with AASB 12 Government Grants.

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. The directors have assessed the carrying value of the projects for impairment triggers under AASB 6 'Exploration for and Evaluation of Mineral Resources' considering all available information and no impairment triggers were identified.

7. GRANT LIABILITY

The Company is the beneficiary of a grant from the Australian Government under the Modern Manufacturing Initiative – Manufacturing Collaboration Stream for the Australian Vanadium Project. No payment was received or due during the period under the grant agreement.

	31 December 2023 \$'000	30 June 2023 \$'000
Carrying amount at the beginning of the year	9,959	2,582
Grant funds received	-	9,800
Eligible expenditure recognised	(4,764)	(2,423)
	5,195	9,959

ISSUED CAPITAL

	Notes	31 December 2023 \$'000	30 June 2023 \$'000
Issued and paid-up capital			
Ordinary shares – fully paid	8(i)	155,753	140,082
Ordinary shares – partly paid	8(ii)	7	7
Share issue costs written off against issued capital		(4,907)	(4,520)
		150,853	135,569
Movement in ordinary share in issue			
(i) Ordinary shares – fully paid		No.	\$'000
Balance at beginning of period		4,364,911,176	140,082
Movement:			
– Issue of ordinary shares via placements		602,746,809	15,671
Balance at end of period		4,967,657,985	155,753
(ii) Ordinary shares – partly paid (\$0.0389 unpaid)			
Balance at beginning of period		68,000,000	7
Balance at end of period		68,000,000	7
Total issued shares		5,035,657,985	155,760

9. RESERVES

	31 December 2023 \$'000	30 June 2023 \$'000
Share based payment reserve	1,726	1,123
Fair value reserve	(1,273)	(1,273)
Balance at end of period	453	(150)

10. SHARE BASED PAYMENTS

	31 December 2023 \$'000	30 June 2023 \$'000
Share based payment reserve		
Balance at beginning of period	1,123	2,270
Fair value of performance rights converted to shares	-	(1,584)
Share-based payment expense following the issue of performance rights – directors	(29)	39
Share-based payment expense following the issue of performance rights – KMP and employees	632	398
Balance at end of period	1,726	1,123

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

Performance rights issued to Directors

Following the shareholder approval for the issue of performance rights to non-executive directors at the Company's Annual General Meeting on 16 November 2023, 10,000,000 performance rights were granted to each of the following non-executive directors: Mr Peter Watson, Ms Miriam Stanborough and Ms Anna Sudlow.

Tranche 15, 16 and 17 (the "market performance rights") were valued using a Monte Carlo simulation. Key valuation inputs are outlined in the below table:

Tranche	Effective interest rate	Volatility	Number of Instruments	Share price at grant date	Expiry date	Fair Value per right	Total fair value
Tranche 15	4.148%	80%	3,333,333	\$0.023	16-Nov-28	\$0.0164	\$54,758
Tranche 16	4.148%	80%	3,333,333	\$0.023	16-Nov-28	\$0.0140	\$46,778
Tranche 17	4.148%	80%	3,333,334	\$0.023	16-Nov-28	\$0.0123	\$41,106

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

Tranche	Vesting Conditions
Tranche 15	The Company achieves a share price of at least \$0.10 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
Tranche 16	The Company achieves a share price of at least \$0.15 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.
Tranche 17	The Company achieves a share price of at least \$0.20 VWAP over 20 consecutive trading days on which the Company's shares have actually traded.

The fair value of the performance rights granted is \$142,642, with the total amount recognised in equity over the vesting period to 31 December 2023 being \$29,000.

Performance rights issued to employees and Key Management Personnel

During the period, 61,950,000 performance rights were issued to employees (33,450,000), and Key Management Personnel (28,500,000). The performance rights issued to Key Management Personnel were agreed to be issued in the year ended 30 June 2023 and were set out in the audited Remuneration Report within the Directors' Report section of the Group's 2023 Annual Report.

11. CONTINGENT LIABILITIES

In September 2023, AVL entered into an agreement with consultants for the provision of financial advisory services in relation to the Scheme. The fees associated with this agreement are payable on the successful completion of the Scheme and amount to \$2,250,000. In addition, the directors estimate that stamp duty of approximately \$3,655,000 will be payable in due course as a result of the successful implementation of the Scheme on 1 February 2024.

There are no other contingent liabilities at the end of the period.

12. 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.

Mining Tenement Commitments	31 December 2023 \$'000	30 June 2023 \$'000
<i>Minimum expenditure commitment on the tenements is:</i>		
Payable no later than 1 year	648	633
Payable between 1 year and 5 years	3,728	2,746
	4,376	3,379
The Group has the following commitments in relation to the Australian Vanadium Project.		
Payable no later than 1 year	1,810	874
Payable between 1 year and 5 years	-	-
	1,810	874

13. EVENTS SUBSEQUENT TO REPORTING DATE

Other than disclosed below, the directors are not aware of any other matter or circumstance since the end of the half-year not otherwise dealt with in this report that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the Interim Financial Report for the half-year ended 31 December 2023:

- On 8 January 2024, AVL announced that the Horizon Power VFB arrived in Fremantle, Western Australia. This VFB is destined for a Horizon Power site in Kununurra, Western Australia. Factory acceptance testing is currently being undertaken, in conjunction with Horizon Power, at AVL's vanadium electrolyte facility.
- On 25 September 2023, AVL and Technology Metals Australia Limited (TMT) announced their agreement to a proposed merger by Scheme of Arrangement under which AVL would acquire 100% of the TMT shares on issue to create a leading Australian vanadium developer focussed exclusively on Western Australia. The merger was implemented on 1 February 2024 with 3,614,953,776 new AVL shares issued to TMT shareholders, whereby they received 14 new AVL shares for each TMT share held. A further 11,050,926 new AVL shares were issued to holders of Class E TMT options in connection with their cancellation.
- The Company announced the appointment of Ms Jo Gaines to the Board as Non-Executive Director, effective 1 February 2024.
- On 15 February 2024, performance rights were converted for nil consideration into 13,791,667 fully paid ordinary shares in AVL, of which 13,500,000 were issued to Key Management Personnel. In addition, 30,000,000 performance rights were issued to non-executive directors (Ms Miriam Stanborough, Mr Peter Watson and Ms Anna Sudlow) following shareholder approval received at the Company's 2023 Annual General Meeting on 16 November 2023 and 6,400,000 performance rights were issued to employees.

14. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Disclosure of the remuneration arrangements and equity holdings of Key Management Personnel set out in the audited Remuneration Report within the Directors' Report section of the Group's 2023 Annual Report. Key Management Personnel continue to receive compensation in the form of post-employment benefits and share-based payments.

Mr Vincent Algar retired from the Board on 14 July 2023. Mr Algar continued in a transitional role until 31 August 2023. In addition to his salary, on termination Mr Algar was paid a gross lump sum of \$332,547.

Following the approval for the issue of performance rights to directors at the Annual General Meeting held on 16 November 2023, 10,000,000 performance rights were granted to each of the following non-executive directors: Mr Peter Watson, Ms Miriam Stanborough and Ms Anna Sudlow on 15 February 2024. (See Note 10 – Share based payments for further details).

Directors' Declaration

In the opinion of the Directors of Australian Vanadium Limited:

- a) the consolidated financial statements and notes of the Company and its subsidiaries (collectively the Group) set out of pages 15 to 26, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the six months ended on that date, and
 - (ii) complying with Australian Accounting Standards, the *Corporate Regulations 2001* and other mandatory reporting requirements, and
- b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Non-Executive Chair

Perth

12 March 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Vanadium Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australian Vanadium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- ii) Complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulation 2001*

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

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

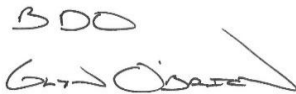


Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulation 2001*.

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

BDO Audit (WA) Pty Ltd

BDO


Glyn O'Brien

Director

Perth, 12 March 2024



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