

## Prospectus

**Australian Vanadium Limited**  
**ACN 116 221 740**

For:

- a non-renounceable pro rata offer to Eligible Shareholders of 1 New Share for every 3 Existing Shares held at an issue price of \$0.013 per New Share with 1 free attaching New Option (exercisable at \$0.02 on or before 31 December 2018) for every New Share issued to raise up to \$3,320,254 before issue costs (**Offer**); and
- an offer of Shortfall Securities on the terms set out in section 8.7 (**Shortfall Offer**).

Lead Manager and Underwriter - CPS Capital Group Pty Ltd

ASX Code:           AVL

This Prospectus provides important information about the Company. You should read the entire document including the Entitlement and Acceptance Form. If you have any questions about New Shares being offered under this Prospectus, or any other matter relating to an investment in the Company, you should consult your professional adviser. An investment in the New Shares offered under this Prospectus is highly speculative.

This Prospectus is not for publication or distribution, directly or indirectly, in or into the United States of America (including its territories and possessions, any state of the US and the District of Columbia). This Prospectus is not an offer of securities for sale into the United States or to, or for the account or benefit of, US Persons. The securities referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons. No public offering of securities is being made in the United States.

**Important Notice:** This Prospectus is dated 9 March 2016 and was lodged with ASIC on that date. Application will be made to ASX for quotation of the New Shares offered under this Prospectus within 7 days of this date.

Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

**Nature of this Prospectus:** The New Shares offered under this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 12 months prior to the date of this Prospectus.

This Prospectus is a 'transaction specific prospectus' to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities in a class which has been continuously quoted by ASX in the 3 months prior to the date of the prospectus. In general terms 'transaction specific prospectuses' are only required to contain information in relation to the effect of the offer on the issuing company and the rights and liabilities attaching to the securities offered. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus contains information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in it. It does not include all of the information that would be included in a prospectus for an initial public offer.

**Prospectus availability:** Eligible Shareholders can obtain a copy of this Prospectus during the offer period on the Company's website at [www.australianvanadium.com.au](http://www.australianvanadium.com.au) or by contacting the Company. If you access an electronic copy of this Prospectus, you should ensure that you download and read the entire Prospectus.

The electronic copy of this Prospectus available from the Company's website will not include a personalised Entitlement and Acceptance Form. Eligible Shareholders will only be able to accept the Offer by completing the personalised Entitlement and Acceptance Form which accompanies this Prospectus or by making payment using BPAY® (refer to section 7.5 of this Prospectus for further information).

**Foreign jurisdictions:** The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are residents in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

**Disclaimer of representations:** No person is authorised to provide any information or make any representation in connection with the Offer which is not contained in this Prospectus.

**Forward looking statements:** This Prospectus contains forward looking statements that, despite being based on the Company's current expectations about future events, are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors. These known and unknown risks, uncertainties and assumptions, could cause actual results, performance or achievements to materially differ from future results, performance or achievements expressed or implied by forward-looking statements in this Prospectus. These risks, uncertainties and assumptions include, but are not limited to, the risks outlined in section 6 of this Prospectus. Forward-looking statements include those containing such words as 'anticipate', 'estimate', 'believe', 'should', 'will', 'may' and similar expressions.

**Privacy:** Eligible Shareholders should read the privacy information located in section 8.16 of this Prospectus. By submitting an Entitlement and Acceptance Form for the Offer, you consent to the matters outlined in that section.

**Definitions:** Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary.

**Enquiries:** If you have any questions please call the Company Secretary on +61 8 9228 3333 at any time between 9.00am and 5.00pm (WST time) Monday to Friday until the Closing Date. Alternatively, consult your broker, accountant or other professional adviser.

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## Corporate Directory

### Directors

Mr Brian Davis (Non-Executive Chairman)  
Mr Leslie Ingraham (Executive Director)  
Mr Brenton Lewis (Non-Executive Director)

### Company Secretary

Mr Neville Bassett

### Registered and Principal Office

129 Edward Street  
Perth WA 6000  
Tel: +61 8 9228 3333  
Fax: +61 8 9486 8066  
Email: [info@australianvanadium.com.au](mailto:info@australianvanadium.com.au)

### Share Registry\*

Computershare Investor Services Pty  
Limited  
Level 11, 172 St Georges Terrace  
PERTH WA 6000  
Tel: 1300 850 505  
Fax: +61 3 9473 2500

### Lead Manager and Underwriter

CPS Capital Group Pty Ltd  
Level 45  
108 St Georges Terrace  
Perth WA 6000

### Solicitors to the Offer

Kings Park Corporate Lawyers  
Level 2, 45 Richardson Street  
West Perth WA 6005

### Auditor\*

Abbott Audit Services Pty Ltd  
3 Alvan Street  
Mount Lawley WA 6050

### Website

[www.australianvanadium.com.au](http://www.australianvanadium.com.au)

\*This party is named for informational purposes only and was not involved in the preparation of this Prospectus.

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## 1 TIMETABLE TO THE OFFER

Prospectus lodged with ASIC and ASX	9 March 2016
Ex Date - Shares trade ex Entitlement	16 March 2016
Record date to determine Entitlement ( <b>Record Date</b> )	17 March 2016
Prospectus with Entitlement and Acceptance Form dispatched	21 March 2016
Offer opens for receipt of Applications	21 March 2016
Closing date for acceptances ( <b>Closing Date</b> )	1 April 2016
Deferred settlement trading commences	4 April 2016
Notify ASX of Shortfall	6 April 2016
Issue of New Shares	7 April 2016
Deferred settlement trading ends	8 April 2016
Dispatch of shareholding statements	8 April 2016
Normal trading of New Shares expected to commence	11 April 2016
Last date to issue Shortfall Securities	1 July 2016

The Directors may extend the Closing Date by giving at least 3 business days' notice to ASX prior to the Closing Date, subject to such date being no later than 3 months after the date of this Prospectus. As such the date the New Shares are expected to commence trading on ASX may vary.

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## 2 KEY OFFER TERMS AND CAPITAL STRUCTURE

Fully Paid Shares currently on issue <sup>1</sup>	766,212,294
Partly Paid Shares currently on issue (\$0.0389 unpaid)	80,000,000
Options currently on issue <sup>1 and 2</sup>	258,347,718
New Shares offered under this Prospectus at \$0.013 per New Share (approx.) <sup>1</sup>	255,404,098
New Options offered under this Prospectus exercisable at \$0.02 on or before 31 December 2018 (approx.) <sup>3</sup>	255,404,098
Maximum amount raised under the Offer <sup>1</sup> (before costs)	\$3,320,254

<sup>1</sup> This assumes no further Shares are issued (including by way of exercise of Options) prior to the Record Date.

<sup>2</sup> See section 5.4 for a list of the Company's Options on issue.

<sup>3</sup> See section 9.2 for full terms and conditions of the New Options.

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### 3 CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of Australian Vanadium Limited, I am pleased to invite you to participate in the 1 for 3 non-renounceable pro-rata entitlement offer at an issue price of \$0.013 per New Share to raise approximately \$3,320,254 (before costs).

The Company will apply the funds raised to execute activities focused on the vertical integration of the Company's vanadium resources with the emergent vanadium battery and grid energy storage market. This will include the establishment of vanadium battery sales and market development structures (through an MOU with GILDMEISTER energy storage GmbH for the import and joint marketing of large-scale energy storage units); advancing a feasibility study on the construction of a vanadium electrolyte plant and advancing economic and metallurgical studies and approvals at the flagship Gabanintha vanadium project in Western Australia.

The Company will use existing Working Capital to fund Company administration activities.

Over the past 12 months the Company has completed a significant resource drilling program and finalised a major resource upgrade as well as progressing geotechnical, mining, environmental and heritage studies at Gabanintha. Significant drill results were achieved during the drilling, from both core and RC, with grades exceeding 1.0% V<sub>2</sub>O<sub>5</sub> over the whole distance of the infill resource drilling area (about 2 kilometres).

The recent Mineral Resource estimate complies with the JORC 2012 Code and includes 11.3 Mt grading 1.1% V<sub>2</sub>O<sub>5</sub> in Measured and Indicated Mineral Resource categories, as part of a total 91.4Mt total Measured, Indicated and Inferred Mineral Resource grading 0.8% V<sub>2</sub>O<sub>5</sub> (refer to ASX announcement on 10 November 2015). This gives the Company strong foundations to build a project with low costs and strong margins. The resource and grade rank Gabanintha as one of the world's most significant vanadium deposits currently being advanced.

A Mining Lease (MLA51/878) has been applied for to cover the vanadium resource and we look forward to advancing the project into the Feasibility stage with further metallurgical tests, plant and process studies, resource estimation and mining optimisation.

The focus on high quality vanadium has led AVL to engage with end-user consumers, particularly in the Vanadium Redox Flow Battery (VRB) market and AVL has established strong links with a global leader in the vanadium battery market and a leading Australian commercial solar installer. AVL has also established a 100% owned subsidiary company, VSUN Pty Ltd to operate in the VRB and electrolyte market.

The investor should be aware of a number of risk factors when considering taking up their right, these include offer specific risks, such as dilution and control, Company and Industry specific risks such as future capital needs; exploration risks; resource estimate risks; title and tenement risks; native title and environmental risks and the overall risk of commodity price movements.

This Prospectus and personalised Entitlement and Acceptance Form should be read carefully and in their entirety before deciding whether to participate in this Offer. In particular Eligible Shareholders should consider the key risk factors outlined in section 6 of this Prospectus.

On behalf of your Board, I invite you to consider this investment opportunity and thank you for your ongoing support for the Company.

Yours faithfully,



Brian Davis

#### 4 INVESTMENT OVERVIEW AND KEY RISKS

This information is a selective overview only. Prospective investors should read the Prospectus in full before deciding to invest in New Shares.

Question	Response	Where to find more information						
What is the Offer?	<p>1 New Share for every 3 Existing Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.013 per New Share.</p> <p>1 free attaching New Option for every New Share issued exercisable at \$0.02 on or before 31 December 2018.</p> <p>Application will be made for the New Shares to be quoted on ASX.</p> <p>The Offer will raise up to \$3,320,254 (before costs) if fully subscribed.</p>	Section 5						
Can I apply for Shortfall Securities?	<p>Any New Shares under the Offer that are not applied for by the Closing Date will become Shortfall Securities. The Shortfall Offer is an offer to issue Shortfall Securities and is a separate offer under this Prospectus.</p> <p>Eligible Shareholders may apply for Shortfall Securities in excess of their Entitlement by following the instructions in section 7.3. There is no guarantee that any Shortfall Securities will be issued to Eligible Shareholders under the Shortfall Offer.</p>	Section 7.3						
Am I an Eligible Shareholder?	<p>The Offer is only made to Shareholders who:</p> <p>(a) are the registered holders of Shares as at 7.00pm (AEDT) on the Record Date; and</p> <p>(b) have a registered address in Australia or New Zealand.</p>	Section 8.4						
How will the proceeds of the Offer be used?	<p>The Company intends to use the funds raised from the Offer broadly as follows:</p> <table border="1"> <thead> <tr> <th>Use of funds</th> <th>Underwritten Amount (\$500,000)</th> <th>Full Subscription (\$3,320,254)</th> </tr> </thead> <tbody> <tr> <td>Gabanintha Project Mining and Processing Studies</td> <td>\$100,000</td> <td>\$664,051</td> </tr> </tbody> </table>	Use of funds	Underwritten Amount (\$500,000)	Full Subscription (\$3,320,254)	Gabanintha Project Mining and Processing Studies	\$100,000	\$664,051	Section 5.2
Use of funds	Underwritten Amount (\$500,000)	Full Subscription (\$3,320,254)						
Gabanintha Project Mining and Processing Studies	\$100,000	\$664,051						

Vanadium Battery Market Development and Sales	\$225,000	\$1,494,114
Feasibility Study - Vanadium Electrolyte Plant	\$100,000	\$664,051
Environmental Approvals	\$10,000	\$66,405
General Working Capital	\$65,000	\$431,633
<b>Total</b>	<b>\$500,000</b>	<b>\$3,320,254</b>

What are the key risks of a subscription under the Offer?	<p>An investment in the Company has risks that you should consider before making a decision to invest. These risks include:</p> <ul style="list-style-type: none"> <li>• The Company’s projects include Measured and Indicated Mineral Resources but detailed economic studies have not yet been completed on them.</li> <li>• The Company also has projects which are early stage exploration tenements with significant exploration risk.</li> <li>• The Company’s future capital needs and additional funding may be required to complete the proposed feasibility study program.</li> <li>• As a junior explorer/developer with no production or income, the Company is exposed to general market and economic condition risks.</li> <li>• The Company proposes to generate revenue from the commission attached to the sale of large Vanadium Flow Batteries in Australia, but that revenue is uncertain.</li> </ul> <p>Please carefully consider these risks and additional risks contained in section 6 and the information contained in other sections of this Prospectus before deciding whether or not to apply for New Shares.</p>	Section 6
Is the Offer underwritten?	<p>The Offer is partially underwritten by CPS Capital for up to \$500,000 or 38,461,539 New Shares.</p> <p>The underwriting is conditional upon certain conditions and terminating events customarily found in underwriting agreements for issuers in the Company’s circumstances.</p>	Section 8.5

Is the Offer subject to any Conditions?	No, although the Company reserves the right to withdraw the Offer at any time, in which case all application monies received will be returned without interest.	Section 8.2
What will be the effect of the Offer on control of the Company?	No person will acquire voting power of over 20% as a result of the Offer.	Section 5.5
How do I apply for New Shares and Shortfall Securities under the Offer?	Applications for New Shares and Shortfall Securities can be made by Eligible Shareholders completing the relevant sections of the personalised Entitlement and Acceptance Form and sending it to the Share Registry together with payment by cheque or BPAY in the amount of Entitlement and Shortfall Securities applied for.	Section 7
How will the Shortfall Securities be allocated?	<p>The Underwriter has the sole right to nominate and determine who is to receive the Underwritten Shortfall Securities, following reasonable consultation with, and due consideration of any comments provided by, the Company.</p> <p>The Directors have absolute discretion to allocate Shortfall Securities that are not Underwritten Shortfall Securities.</p>	Section 8.7
How can I obtain further advice?	Contact the Company Secretary on +61 8 9228 3333 at any time between 9.00am and 5.00pm (WST time) Monday to Friday until the Closing Date. Alternatively, consult your broker, accountant or other professional advisor.	

## 5 PURPOSE AND EFFECT OF THE OFFER

### 5.1 Introduction

The Company is seeking to raise up to \$3,320,254 before issue costs under a non-renounceable pro rata offer to Eligible Shareholders at a price of \$0.013 per New Share on the basis of 1 New Share for every 3 Existing Shares held as at the Record Date with 1 free attaching New Option (exercisable at \$0.02 on or before 31 December 2018) for every New Share issued.

The Offer is underwritten for up to \$500,000 or 38,461,539 New Shares by CPS Capital.

### 5.2 Purpose of the Offer

The Company was listed on ASX in 2007 with the objective of exploring and developing Uranium and Base metal deposits. The Company has since acquired the rights to the



Gabanimtha Vanadium Iron Titanium Deposit and has focused its activities on the project's exploration and development.

The Company believes an opportunity exists to complete a detailed feasibility study at the Gabanimtha Project to develop a stand-alone vanadium mine and processing facility. This is based on recent detailed work including the release a Mineral Resource estimate including Measured and Indicated Resources in compliance with the JORC CODE 2012, which form a solid foundation for the project's development.<sup>1</sup> The Company is also following an active strategy to be involved with the Vanadium Redox Flow Battery value chain.

1 See ASX Announcements 'Substantial High Grade Vanadium Resource at Gabanimtha' on 10 November 2015 and 'Metallurgical Results - Gabanimtha Vanadium' on 7 December 2015.

The Directors intend to apply the proceeds from the Offer as follows:

<b>Use of funds (approximately)<sup>1</sup></b>	<b>Underwritten Amount \$500,000</b>	<b>Full Subscription \$3,320,254</b>
Gabanimtha Project Mining and Processing Studies	\$100,000	\$664,051
Vanadium Battery Market Development and Sales; including formalising MOUs with GILDMEISTER energy storage GmbH and Sun Connect Pty Limited and working capital to pursue and secure sales leads for GILDMEISTER CellCube energy storage systems and other Vanadium Redox Flow Battery (VRB) products.	\$225,000	\$1,494,114
Feasibility Study - Vanadium Electrolyte Plant	\$100,000	\$664,051
Environmental Approvals	\$10,000	\$66,405
General working capital	\$65,000	\$431,633
<b>Total</b>	<b>\$500,000</b>	<b>\$3,320,254</b>

**Notes:**

- 1 This table is a statement of the proposed application of the funds raised as at the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the Company's decisions. The Company reserves the right to vary the way funds are applied.
- 2 General working capital includes but is not limited to corporate administration and operating costs and may be applied to directors' fees, ASX and share registry fees, legal, tax and audit fees, insurance and travel costs.
- 3 Costs of the Offer will be met from existing cash reserves. See section 10.5 for further details relating to the estimated expenses of the Offer, including fundraising expenses.

In the event that the amount raised under this Prospectus is more than the Underwritten Amount but less than the Full Subscription, it is intended that the additional amount raised will be applied broadly proportionately to the table in this section.

### 5.3 Statement of financial position

Set out in section 13 is the un-audited Consolidated Statement of Financial Position of the Company and the Consolidated Pro-Forma Statement of Financial Position, as at 31 December 2015 and prepared on the basis of the following adjustments and assumptions:

- (a) the Offer was effective on 31 December 2015;
- (b) no further Shares are issued (including by way of exercise of Options) other than all Shares offered under this Prospectus;
- (c) take up of the Offer:
  - (i) Underwritten Amount;
  - (ii) Full Subscription; and
- (d) the costs of the Offer are \$125,000 (Underwritten Amount) and \$160,000 (Full Subscription);

The significant accounting policies upon which the Statement of Financial Position and the Pro-Forma Statement of Financial Position are based are contained in the audited financial report for year ended 30 June 2015.

### 5.4 Effect of the Offer on the Company's securities

Assuming that Entitlements are taken up in full and that no Options are exercised or Shares issued prior to the Record Date, at the close of the Offer, the capital structure of the Company following the Offer will be:

Shares	Underwritten Amount Number	%	Full Subscription Number	%
Existing Fully Paid Shares	766,212,294	86.61	766,212,294	69.55
New Shares offered under this Prospectus	38,461,539	4.35	255,404,098	23.19
Existing Partly Paid Shares	80,000,000	9.04	80,000,000	7.26
<b>Total Shares</b>	<b>884,673,833</b>	<b>100.0</b>	<b>1,101,616,392</b>	<b>100.0</b>

Options	Underwritten Amount	Full Subscription
Unlisted Options (exercise price \$0.015 expiry 31 December 2017)	258,347,718	258,347,718
New Options offered under this Prospectus (exercise price \$0.02 on or before 31 December 2018)	38,461,539	255,404,098
<b>Total Options</b>	<b>296,809,257</b>	<b>513,751,816</b>

- 1 The terms of the Options on issue provide that following a rights issue, the exercise price of Options will change in accordance with the formula in Listing Rule 6.22. The new exercise price for those Options will be announced following the ex date of the Offer.

2 See section 9.2 for full terms and conditions of the New Options offered.

## 5.5 Effect on control

There will be no effect on control of the Company if all Shareholders take up their Entitlement.

### (a) Underwriter

The Underwriter has agreed to underwrite the Offer for up to \$500,000 or 38,461,539 New Shares.

The Underwriter, nor any of its associates, does not currently have a relevant interest in any Shares, and will not, as a result of the Offer, have voting power of 20% or more in the Company.

### (b) Others

No person's voting power in the Company may increase to 20% or more as a result of the issue of the New Shares.

### (c) Dilution

Shareholders who do not participate in the Offer will have their holdings diluted. Following is a table which sets out the dilutionary effect, assuming the full amount is raised and no further Shares are issued or Options exercised:

Holder	Holding at Record Date		Entitlement	Holding following the Offer if no Entitlement taken up	
	Number	%		Number	%
1	100,000,000	11.82	33,333,334	100,000,000	9.08
2	50,000,000	5.91	16,666,667	50,000,000	4.54
3	25,000,000	2.95	8,333,334	25,000,000	2.27
4	5,000,000	0.59	1,666,667	5,000,000	0.45

## 6 RISK FACTORS

The New Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below and together with information contained elsewhere in this Prospectus and to consult with your professional advisers before deciding whether to apply for New Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business and circumstances. In addition, there are general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the New Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

## 6.1 Risk specific to the Offer

### (a) Dilution

Shareholders who do not take up their Entitlement will have their holding in the Company diluted. Details of dilution are set out in section 5.5(c) above.

### (b) Control

The Directors have taken reasonable steps to help ensure a reasonable distribution of voting power under the Offer, including the appointment of CPS Capital as Lead Manager and Underwriter. However, assuming some shareholders take up their Entitlement and others do not, there is a risk that voting power may be consolidated among fewer shareholders and the interests of these Shareholders may not align with other Shareholders' interests.

## 6.2 Company and industry specific risks

The risks outlined below are specific to the Company's operations and to the resource exploration industry in which the Company operates.

### (a) Future capital needs and additional funding

The funds raised by the Offer will primarily be used to fund AVL's vanadium battery market development and sales, as well as a feasibility study for a vanadium electrolyte plant. Funds will also focus on the next stages of evaluation at AVL's rapidly emerging Gabanintha vanadium project near Meekatharra in WA and for general working capital (refer section 5.2). There is a risk that these funds will not be sufficient to complete the proposed work and that further funding will be required.

The Company's ability to raise further capital (equity or debt) within an acceptable time, of a sufficient amount and on terms acceptable to the Company will vary according to a number of factors, including prospectivity of projects (existing and future), the results of exploration, subsequent feasibility studies, development and mining, stock market and industry conditions and the price of relevant commodities and exchange rates.

No assurance can be given that future funding will be available to the Company on favourable terms (or at all). If adequate funds are not available on acceptable terms the Company may not be able to further develop its projects and it may impact on the Company's ability to continue as a going concern.

### (b) Exploration risks

No assurance can be given that exploration will be successful or that a commercial mining operation will eventuate.

The ultimate success and financial viability of the Company depends on the discovery and delineation of economically recoverable Ore Reserves, design and construction of efficient mining and processing facilities, and competent operational and managerial performance.

There is no assurance that exploration and development of the mineral interests held by the Company, or any other projects that may be acquired by the Company in the future, will result in the discovery of an economic deposit. Even if an

apparently viable deposit is identified, there is no guarantee that it can be profitably exploited.

Development of a commercial mining operation is also dependent on the Company's ability to obtain necessary titles and governmental and other regulatory approvals.

(c) Resource estimates

The Company has announced a Mineral Resource Estimate reported in compliance with the JORC code 2012 for its Gabanintha Vanadium Project.

These are expressions of judgement based on knowledge, experience and industry practice (refer to the JORC Code for further information on resource estimation). Estimates that were valid when originally made may alter significantly when new information or techniques become available.

In addition, by their very nature, resource estimates are imprecise and depend on interpretations which may prove to be inaccurate, and whilst the Company will employ industry-standard techniques including compliance with the JORC Code to reduce the resource estimation risk, there is no assurance that this approach will alter the risk. As further information becomes available, resource estimates may change. This may result in alterations to mining and development plans which may in turn adversely affect the Company.

(d) Title risk

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that the current or future tenements will be approved or maintained. Renewal of the term of a granted tenement is at the discretion of the relevant government authority. Renewal conditions may include increased expenditure or work commitments or compulsory relinquishment of the areas comprising the Company's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

The Company has recently lodged with the WA Department of Mines and Petroleum an Application for a Mining Lease to cover the Gabanintha deposit.

(e) Tenement holding costs and expenditure commitments

Tenements carry with them various obligations in regard to minimum expenditure levels. There is a risk that failure to meet statutory expenditure requirements may result in the forfeiture of a tenement.

Interests in tenements in Western Australia are governed by the *Mining Act 1978* (WA) and regulations that are current in Western Australia and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in the tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

(f) Native title and access risk

The Company's activities in Australia are subject to the *Native Title Act 1993* (Cth) and associated law relating to Native Title and Aboriginal land. The Company's exploration and mining activities can be affected by land claim compensation considerations. It is possible that aboriginal sacred sites may be found within tenements held by the Company and which may preclude exploration and mining activities and the Company may also experience delays with respect to obtaining permission from the traditional owners to explore and extract Mineral Resources.

The Company must also comply with Aboriginal heritage legislation requirements and access agreements which require heritage survey work to be undertaken ahead of the commencement of exploration and mining activities.

Native Title discussions are continuing with the Yugunga Nya and the Wutha groups through the Yamatji Marlpa Aboriginal Corporation in respect of the grant of MLA 51/878.

(g) Commodity prices

As an explorer for gold, copper, vanadium, uranium and potentially other minerals, any earnings of the Company are expected to be closely related to the price of these commodities.

Commodities prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include worldwide and regional supply and demand for commodities, general world economic conditions and the outlook for interest rates, inflation and other economic factors on both a regional and global basis. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities, together with the ability to fund those plans and activities.

(h) Environmental risks

The operations and proposed activities of the Company are subject to State and Federal laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceed. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or mining activities.

(i) Joint venture, acquisitions or other strategic investments

The Company may in the future become a party to joint venture agreements governing the exploration and development of its projects. There is a risk that one of the Company's joint venture partners may default in their joint venture obligations or not act in the best interests of the joint venture. This may have an adverse effect on the interests and prospects of the Company.

The Company may enter into strategic investments in complementary businesses, or enter into strategic alliances or partnerships with third parties in order to enhance its business. Such arrangements involve a wide range of risks.

(j) Key people

The responsibility of overseeing the Company's operations and strategic management depends substantially on its Directors and key personnel. There can be no assurance that there will not be a detrimental impact on the Company if one or more of these persons cease their employment or involvement with the Company.

(k) Vanadium Battery market risk

The Company is becoming involved in the developing vanadium redox flow battery market, initially through MOUs with GILDMEISTER energy storage GmbH and Sun Connect Pty Limited. These MOUs provide non-binding strategic frameworks for the parties to collaborate on commercial opportunities to, amongst other things, market GILDMEISTER's range of CellCube VRB. These relationships are at an early stage and there is a risk that they may not result in commercial returns favourable to the Company or at all. Furthermore, and like all new technology markets aligned with primary resources (such as Lithium or Graphite), risks exist that the market will not develop as predictions anticipate. The Company is mitigating potential risk by working with GILDMEISTER and Sun Connect and others, and spreading expenditure of funds across all parts of the vanadium battery value chain.

### 6.3 General investment risks

The risks outlined below are some of the general risks that may affect an investment in the Company.

(a) Securities investments and share market conditions

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for exploration and mining companies may experience extreme price and volume fluctuations that may

be unrelated or disproportionate to the operating performance of such companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

(b) Liquidity risk

The market for the Company's Shares may be illiquid. As a consequence investors may be unable to readily exit or realise their investment.

(c) Economic risk

Changes in Australia and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, exchange rates, industrial disruption and economic growth may impact on future operations and earnings. The Company's possible revenues and price of its securities can be affected by these factors which are beyond the control of the Company and its Directors.



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## **7 ACTIONS REQUIRED BY ELIGIBLE SHAREHOLDERS FOR THE OFFER**

### **7.1 What you may do**

As an Eligible Shareholder, you may:

- (a) subscribe for all or part of your Entitlement (see section 7.2);
- (b) subscribe for all of your Entitlement and apply for Shortfall Securities (see section 7.3); or
- (c) allow all or part of your Entitlement to lapse (see section 7.47.4).

### **7.2 Subscribe for all or part of your Entitlement**

Applicants should read this Prospectus in its entirety in order to make an informed decision on the prospects of the Company and the rights attaching to the New Shares offered by this Prospectus before deciding to apply for New Shares. If you do not understand this Prospectus you should consult your stockbroker, accountant or other professional adviser in order to satisfy yourself as to the contents of this Prospectus.

If you wish to subscribe for all or part of your Entitlement, complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form. The Entitlement and Acceptance Form sets out the number of New Shares you are entitled to subscribe for.

### **7.3 Subscribe for all of your Entitlement and apply for Shortfall Securities**

Eligible Shareholders who take up their Entitlement in full may, in addition to their Entitlement, apply for Shortfall Securities regardless of the size of their present holding by completing the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form. See section 8.7 for details of the manner in which Shortfall Securities will be allocated.

Surplus application moneys will be returned to Applicants as soon as practicable following the close of the Offer.

### **7.4 Allow all or part of your Entitlement to lapse**

If you are an Eligible Shareholder and do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

If you take no action, your Entitlement will lapse. You will receive no benefit or New Shares and your Entitlement will become Shortfall Securities.

If you wish to receive a benefit, you must take action to accept your Entitlement in accordance with the instructions above and on the accompanying personalised Entitlement and Acceptance Form.

The number of Existing Shares you hold as at the Record Date and the rights attached to those Existing Shares will not be affected if you choose not to accept any of your Entitlement.

## 7.5 Payment methods

### **BPAY**

If you are paying by BPAY, refer to your personalised instructions on your Entitlement and Acceptance Form. Shareholders who wish to pay by BPAY must ensure that payment is received by no later than 5pm AEDT on the Closing Date.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY are received by 5pm AEDT on the Closing Date.

If you have more than one shareholding and consequently receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those shareholdings only use the Customer Reference Number specific to that shareholding as set out in the applicable Entitlement and Acceptance Form. Do not use the same Customer Reference Number for more than one of your shareholdings. This can result in your application moneys being applied to your Entitlement in respect of only one of your shareholdings (with the result that any application in respect of your remaining shareholdings will not be recognised as valid).

The Company will not be responsible for any postal or delivery delays or delay in the receipt of the BPAY payment.

### ***Cheque, bank draft or money order***

The completed Entitlement and Acceptance Form must be accompanied by a cheque, bank draft or money order made payable to 'Australian Vanadium Limited' and crossed 'Not Negotiable' for the appropriate application money in Australian dollars calculated at \$0.013 per New Share accepted. Your cheque, bank draft or money order must be paid in Australian currency and be drawn on an Australian branch of an Australian financial institution. The Company will present the cheque or bank draft on the day of receipt of the Entitlement and Acceptance Form. You must ensure that your cheque account has sufficient funds to cover your payment, as your cheque will be presented for payment on receipt. If your bank dishonours your cheque your application will be rejected. Dishonoured cheques will not be represented.

If the amount of your cheque(s), bank draft(s) or money order(s) for application money (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is insufficient to pay for the number of New Shares you have applied for in your Entitlement and Acceptance Form, you may be taken to have applied for such lower number of New Shares as your cleared application money will pay for (and to have specified that number of New Shares in your Entitlement and Acceptance Form) or your Application may be rejected.

The Entitlement and Acceptance Form must be received at the following addresses by no later than 7pm AEDT on the Closing Date:

<b>By Post To:</b>	<b>By Hand To:</b>
Computershare Investor Services Pty Limited GPO Box 505 Melbourne Victoria 3001 Australia	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street Abbotsford Victoria 3067 Australia

## 7.6 Entitlement and Acceptance Form is binding

Receipt of a completed and lodged Entitlement and Acceptance Form together with a cheque, bank draft or money order for the application moneys, or by making a payment in respect of an Application by BPAY, constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Prospectus and, once lodged, cannot be withdrawn.

By completing and returning your Entitlement and Acceptance Form with the requisite application monies, or by making a payment in respect of an Application by BPAY, you will be deemed to have represented that you are an Eligible Shareholder. In addition, you will also be deemed to have represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given the Prospectus, does not prohibit you from being given the Prospectus and that you:

- (a) agree to be bound by the terms of the Offer;
- (b) declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- (c) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- (d) authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Company's share registry upon using the contact details set out in the Entitlement and Acceptance Form;
- (e) declare that you are the current registered holder of Shares and are an Australian or New Zealand resident, and you are not in the United States or a US Person, or acting for the account or benefit of a US Person;
- (f) acknowledge that the information contained in, or accompanying, the Prospectus is not investment or financial product advice or a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs; and
- (g) acknowledge that the New Shares have not, and will not be, registered under the securities laws in any other jurisdictions outside Australia and New Zealand and accordingly, the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of applicable securities laws in particular the US Securities Act.

The Entitlement and Acceptance Form does not need to be signed to be a valid application. An Application will be deemed to have been accepted by the Company upon issue of the New Shares.

If the Entitlement and Acceptance Form is not completed correctly or if the accompanying payment of the application moneys is for the wrong amount, it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the application moneys.

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## 8 DETAILS OF THE OFFER

### 8.1 Shares offered for subscription

By this Prospectus the Company makes a non-renounceable pro rata Offer to Eligible Shareholders of 1 New Share for every 3 Existing Shares held as at the Record Date at a price of \$0.013 per New Share with 1 free attaching New Option (exercisable at \$0.02 on or before 31 December 2018) for every New Share issued, to raise approximately \$3,320,254 before issue costs. Fractional entitlements will be rounded up to the nearest whole number.

The Offer is only open to Eligible Shareholders. The Company reserves the right to reject any application that it believes comes from a person who is not an Eligible Shareholder.

Details of how to apply for New Shares are set out at section 7.

All New Shares offered under this Prospectus will rank equally with Existing Shares. The rights and liabilities of the New Shares are summarised in section 9.1.

The terms and conditions of the New Options are outlined in section 9.2.

### 8.2 Minimum subscription

There is no minimum subscription in relation to this Offer.

### 8.3 Acceptances

This Offer may be accepted in whole or in part prior to the Closing Date subject to the rights of the Company to extend the offer period or close the Offer early.

Instructions for accepting your Entitlement are set out in section 7 and on the Entitlement and Acceptance Form which accompanies this Prospectus.

### 8.4 Entitlement to Offer

The Offer is made to Eligible Shareholders, who are those Shareholders that:

- (a) are the registered holder of Shares as at 7pm (AEDT) on the Record Date; and
- (b) have a registered address in Australia or New Zealand.

### 8.5 Lead manager and underwriting

CPS Capital is acting as lead manager and will partially underwrite the issue for up to 38,461,539 Shortfall Securities or \$500,000 (**Underwritten Amount**) in accordance with the Underwriting Agreement. All Valid Applications received by the Company will, at the Underwriter's election, go to relieve the Underwriter of its obligations under the Underwriting Agreement.

CPS Capital will be paid a fee for underwriting the Offer, details of which are set out in sections 10.3 and 10.5.

The Company will also be required to reimburse the Underwriter for all of the reasonable costs incurred in relation to the Offer.

The underwriting is conditional upon satisfaction or waiver by the Underwriter of the certain conditions ordinarily found in an agreement of this type, including that:

- For personal use only
- (a) the Company has (subject to certain limitations, including where the loss arises through the Underwriter performing its underwriting obligation) agreed to indemnify the Underwriter, its officers, employees, advisers and related bodies corporate, and the officers, employees and advisers of any of its related bodies corporate against losses suffered or incurred in connection with the Offer;
  - (b) the Company and the Underwriter have given representations, warranties and undertakings in connection with (among other things) the conduct of the Offer;
  - (c) the Underwriter may (in certain circumstances, including having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from its obligations under it on the occurrence of certain events, including (but not limited to) where any of the following events has a material adverse effect or could give rise to a liability of the Underwriter under the Corporations Act or otherwise:
    - (i) the S&P ASX 200 Index is at any time after the date of this Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
    - (ii) an event occurs which gives rise to a material adverse effect or any adverse change or any development including a likely material adverse effect after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any relevant company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
    - (iii) any of the material contracts described in this Prospectus (other than the Underwriting Agreement) or disclosed to ASX are terminated or substantially modified;
    - (iv) there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Russia, the United Kingdom, the United States of America, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
    - (v) the closing price of Shares as quoted by the ASX on any day prior to the allotment of New Shares is less than \$0.013; or
    - (vi) a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

## **8.6 Rights trading**

The Offer is non-renounceable. This means that the entitlements of Eligible Shareholders to subscribe for New Shares under this Prospectus are not transferable and there will be no trading of rights on ASX. Eligible Shareholders who choose not to take up their entitlement will receive no benefit and their shareholding in the Company will be diluted as a result.

## **8.7 Shortfall**

Entitlements not taken up will become available as Shortfall Securities. The Directors reserve the right to issue any Shortfall Securities at their discretion within 3 months after the Closing Date (**Shortfall Offer**).

The Shortfall Offer is, to the extent it is made in Australia, made under this Prospectus. To the extent the Shortfall Offer is made outside Australia, the Shortfall Offer is made without disclosure, a prospectus, lodgement, filing or registration, or other requirements of any applicable securities law, and only in circumstances where it is lawful to do so (such as to institutional or sophisticated investors).

Eligible Shareholders may, in addition to their Entitlement, apply for Shortfall Securities by completing the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form. Other investors who are not Eligible Shareholders may apply for Shortfall Securities by completing the Shortfall Application Form attached to this Prospectus. Persons outside Australia doing so represent to the Company that they can apply for Shortfall Securities in circumstances which do not require the offer of Shortfall Securities or this Prospectus to be registered.

It is possible that there may be few or no Shortfall Securities available for issue, depending on the level of take up of Entitlements by Eligible Shareholders. The Underwriter has the sole right to nominate and determine who is to receive the Underwritten Shortfall Securities, following reasonable consultation with, and due consideration of any comments provided by, the Company.

Subject to the above, the Directors reserve the right at their absolute discretion to reject any application for Shortfall Securities and it is an express term of the Shortfall Offer that applicants for Shortfall Securities will be bound to accept a lesser number of Shortfall Securities allocated to them than applied for. If a lesser number is allocated, excess application money will be refunded without interest as soon as practicable after the Closing Date.

## **8.8 Offer outside Australia and New Zealand**

Recipients may not send or otherwise distribute this Prospectus or the Entitlement and Acceptance Form to any person outside Australia and New Zealand.

## **8.9 Treatment of Ineligible Shareholders**

Given the small number of Ineligible Shareholders and the cost of complying with applicable regulations in those jurisdictions, the Company has decided that it would be unreasonable to extend the Offer to Ineligible Shareholders. The Prospectus will not be sent to those Shareholders.

(a) New Zealand

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares. This Prospectus has not been registered, filed or approved by any New Zealand regulatory authority. This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

(b) Elsewhere

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. No action has been taken to register or qualify the New Shares or the Offer or otherwise to permit an offering of the New Shares in any jurisdiction other than as set out in this section.

This document is not for publication or distribution, directly or indirectly, in or into the United States of America (including its territories and possessions, any state of the US and the District of Columbia). This document is not an offer of securities for sale into the United States or to, or for the account or benefit of, US Persons. The securities referred to herein have not been and will not be registered under the US Securities Act, and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons. No public offering of securities is being made in the United States.

Recipients may not send or otherwise distribute this Prospectus or the Entitlement and Acceptance Form to any person outside Australia or New Zealand (other than to Eligible Shareholders).

#### **8.10 Beneficial holders, nominees, trustees and custodians**

Nominees and custodians that hold Shares should note that the Offer is available only to Eligible Shareholders. The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of securities. If any nominee or custodian is acting on behalf of a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Offer is compatible with applicable foreign laws.

#### **8.11 Issue of New Shares and application money**

New Shares will be issued only after ASX has granted permission for the New Shares to be quoted. It is expected that New Shares will be issued on 7 April 2016 and normal trading of the New Shares on ASX is expected to commence on 11 April 2016.

All application monies will be deposited into a separate bank account of the Company and held in trust for Applicants until the New Shares are issued or application monies returned. Any interest that accrues will be retained by the Company and will not be paid to Applicants.

## 8.12 Quotation

The Company will apply to ASX within 7 days after the date of this Prospectus for quotation of the New Shares offered by this Prospectus on ASX. If ASX does not grant permission for the quotation of the New Shares offered under this Prospectus within 3 months after the date of this Prospectus, or such longer period as modified by ASIC, none of the New Shares offered by this Prospectus will be issued. In these circumstances, all Applications will be dealt with in accordance with the Corporations Act including the return of all application monies without interest.

A decision by ASX to grant official quotation of the New Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company or of the New Shares.

Quotation, if granted, of the New Shares offered by this Prospectus will commence as soon as practicable after statements of holdings of the New Shares are dispatched.

## 8.13 Market prices of Existing Shares on ASX

The highest and lowest market sale price (intraday) of the Existing Shares, which are on the same terms and conditions as the New Shares being offered under this Prospectus, during the 3 months immediately preceding the lodgement of this Prospectus with the ASIC, and the last market sale price on the date before the lodgement date of this Prospectus, are set out below.

	3 month high	3 month low	Last market sale price
Price	\$0.022 on 23 February 2016	\$0.006 on 3 February 2016	\$0.015 on 9 March 2016

## 8.14 CHESS

The Company participates in the Clearing House Electronic Subregister System (CHESS). CHESS is operated by ASX Settlement Pty Ltd (ASPL), a wholly owned subsidiary of ASX.

Under CHESS, the Company does not issue certificates to investors. Instead, security holders will receive a statement of their holdings in the Company, including New Shares and New Options issued under this Prospectus. If an investor is broker sponsored, ASPL will send a CHESS statement.

The CHESS statement will set out the number of New Shares and New Options issued under this Prospectus, provide details of your holder identification number and give the participation identification number of the sponsor.

If you are registered on the issuer sponsored sub register, your statement will be dispatched by the Company's share registrar and will contain the number of New Shares and New Options issued to you under this Prospectus and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.



### **8.15 Taxation and duty implications**

The Directors do not consider that it is appropriate to give Shareholders advice regarding the taxation consequences of the Company conducting the Offer or Shareholders applying for New Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of Shareholders. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Shareholders in the Offer. Shareholders should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Offer.

No brokerage or stamp duty is payable by Applicants in respect of Applications for New Shares under this Prospectus.

### **8.16 Privacy**

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related body corporates, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

The Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application. An Applicant has the right to gain access to the information that the Company holds about that person subject to certain exceptions under law. A fee may be charged for access. Such requests must be made in writing to the Company's registered office.

### **8.17 Enquiries**

Any queries regarding the Offer should be directed to Mr Neville Bassett, Company Secretary on +61 8 9228 3333.

Any queries regarding the Entitlement and Acceptance Form should be directed to the Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia), from 8.30am to 5.00pm (WST), Monday to Friday.

You can also contact your stockbroker or professional adviser with any queries in relation to the Offer.

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## 9 RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

### 9.1 New Shares

Full details of the rights and liabilities attaching to the New Shares are:

- detailed in the Constitution, a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

(a) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of members every member has one vote on a show of hands and one vote per Share on a poll. Voting may be in person or by proxy, attorney or representative.

(b) Dividends

Subject to the rights of holders of shares issued with any special rights (at present there are none), the profits of the Company which the Board may from time to time determine to distribute by way of dividend are divisible to each share of a class on which the Board resolves to pay a dividend in proportion to the amount for the time being paid on a share bears to the total issue price of the share.

(c) Future issues of securities

Subject to the Corporations Act and the Listing Rules, the Directors may issue, grant options over, or otherwise dispose of unissued shares in the Company at the times and on the terms that the Directors think proper and a share may be issued with preferential or special rights.

(d) Transfer of Shares

A shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or the Board.

(e) Meetings and notices

Each shareholder is entitled to receive notice of, and to attend, general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules. Shareholders may requisition meetings in accordance with the Corporations Act.

(f) Election of Directors

No Director may hold office without re-election past the third annual general meeting following the director's appointment or 3 years, whichever is longer. These retirement rules do not apply to certain appointments including the managing director.

(g) Indemnities

To the extent permitted by law the Company must indemnify each past and present Director and secretary against any liability incurred by that person as an officer of the Company and any legal costs incurred in defending an action in respect of such liability.

(h) Winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Shareholders:

- (i) divide the assets of the Company among the members in kind;
- (ii) for that purpose fix the value of assets and decide how the division is to be carried out as between the members and different class of members; and
- (iii) vest assets of the Company in trustees on any trusts for the benefit of the members as the liquidator thinks fit, but so that no member is compelled to accept any shares or other securities in respect of which there is any liability.

(i) Shareholder liability

As the Shares issued on exercise of New Options under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(j) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

(k) Listing Rules

If the Company is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

## 9.2 New Options

The New Options offered pursuant to this Prospectus will be issued on the following terms and conditions.

- (a) The Optionholder is entitled on payment of \$0.02 (Exercise Price) to be issued one Share for each Option exercised (subject to possible adjustments referred to below).
- (b) The Options held by the Optionholder are exercisable in whole or part at any time before 31 December 2018 (Exercise Period). Options not exercised before the expiry of the Exercise Period will lapse.
- (c) Options are exercisable by notice in writing to the AVL Board delivered to the registered office of AVL and payment of the Exercise Price in cleared funds. Some or all of the Options may be exercised at any one time or times prior to the expiry of the Exercise Period provided that no less than 1,000 Options are exercised at any one time (provided that the Optionholder holding less than 1,000 Options may exercise all but not part of those Options).
- (d) Options are transferable subject to the Corporations Act and ASX Listing Rules.
- (e) An Optionholder may only participate in new issues of securities to holders of AVL Shares if the Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. AVL must give prior notice to Optionholders of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
- (f) If there is a bonus issue to the holders of AVL Shares, the number of AVL Shares over which the Option is exercisable will be increased by the number of AVL Shares which the Optionholder would have received if the Option had been exercised before the record date for the bonus issue.
- (g) If, during the currency of the Options the issued capital of AVL is reorganised, those Options will be reorganised to the extent necessary to comply with the Listing Rules.

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## 10 ADDITIONAL INFORMATION

### 10.1 Continuous disclosure obligations

The Company is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The New Shares which will be issued pursuant to this Prospectus and Shares issued upon exercise of New Options are in the same class of Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus" to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an Offer of securities in a class which has been continuously quoted by ASX in the three months prior to the date of the prospectus. In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of New Shares on the Company and the rights attaching to the New Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the period from lodgment of the Company's annual financial report of the Company for the financial year ended 30 June 2015 to the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the annual financial report of the Company for the financial year ended 30 June 2015 being the last financial report for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
- (ii) any half-year financial report lodged with ASIC by the Company after the lodgment of that annual report and before the lodgment of this Prospectus; and
- (iii) any continuous disclosure notices given by the Company after the lodgment of the financial statements referred to in paragraph (i) and before the lodgment of this Prospectus with ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be obtained free of charge from the Company's registered office during normal office hours.

The Company has lodged the following announcements with ASX since its 2015 annual financial report was lodged with ASX on 30 September 2015:

Date	Description of Announcement
08/03/2016	Letter to Optionholders
08/03/2016	Appendix 3B
04/03/2016	Non-renounceable Rights Issue
03/03/2016	BRR Media Presentation
25/02/2016	Appendix 3B
25/02/2016	RIU Conference Presentation
25/02/2016	AVL signs MOU with Sun Connect
23/02/2016	AVL Signs MOU with Gildemeister energy storage GmbH
03/02/2016	Appendix 3B
29/01/2016	Quarterly Cashflow Report
29/01/2016	Quarterly Activities Report
21/12/2015	Change of Director's Interest Notice x 3
08/12/2015	BRR Interview on Future of Battery Storage
07/12/2015	Metallurgical Results - Gabanintha Vanadium
02/12/2015	Name change to Australian Vanadium Ltd
20/11/2015	Results of Meeting
18/11/2015	BRR Media Presentation
12/11/2015	Yellow Rock advances Vanadium Battery Strategy
10/11/2015	Clarification re Substantial High Grade Vanadium Resource
10/11/2015	Substantial High Grade Vanadium Resource at Gabanintha
09/11/2015	Trading Halt

Date	Description of Announcement
30/10/2015	Quarterly Cashflow Report
30/10/2015	Quarterly Activities Report
21/10/2015	Gabanintha Confirms Positive Vanadium Mineralogy
15/10/2015	Notice of Annual General Meeting/Proxy Form
01/10/2015	EIM Capital Markets Initiating Coverage

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours or from [www.asx.com.au](http://www.asx.com.au).

## 10.2 Directors' interests

As at the date of this Prospectus the Directors have a relevant interest in securities of the Company and remuneration as set out below.

Director	Current holding		Entitlement	
	Shares	Options	New Shares	New Options
Mr Brian Davis	2,000,000	1,000,000	666,667	666,667
Mr Leslie Ingraham	20,478,774	10,000,000	6,826,258	6,826,258
Mr Brenton Lewis	4,333,950	1,250,000	1,444,650	1,444,650

<sup>1</sup> All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Remuneration paid to Directors in the two years prior to the date of this Prospectus <sup>1</sup>		
Director	2014/2015	2013/2014
Mr Brian Davis <sup>2</sup>	\$30,856	-
Mr Leslie Ingraham <sup>3</sup>	\$214,967	\$258,300
Mr Brenton Lewis	\$40,000	\$50,189

<sup>1</sup> The Chairman is entitled to fees of \$52,000 and non-executive Directors are entitled to fees of \$40,000 per annum (exclusive of superannuation).

<sup>2</sup> Appointed 11 September 2014.

<sup>3</sup> Mr Leslie Ingraham is entitled to fees of \$180,000 as Executive Director.

The Company has entered into indemnity, insurance and access deeds with each of the Directors (**Deeds**). Under the Deeds, the Company agrees to indemnify each of the Directors to the extent permitted by the Corporations Act against certain liabilities incurred by the Directors whilst acting as an officer of the Company, and to insure each Director

against certain risks to which the Company is exposed as an officer of the Company. The Deeds also grant each Director a right of access to certain records of the Company for a period of up to 7 years after the Director ceases to be an officer of the Company.

The Deeds were entered into as part consideration for the Directors agreeing to hold office as directors of the Company.

The Constitution of the Company provides that the Directors may be paid for their services as Directors. Non-executive directors may only be paid a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the non-executive directors and in default of agreement then in equal shares.

The Company also pays premiums to insure all of the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct whilst acting in the capacity as a Director of the Company.

Other than as set out above or elsewhere in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last 2 years before the date of lodgment of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- (d) to a Director or proposed Director or to any firm which any such Director is a partner, to induce him or her to become, or to qualify as, a Director; or
- (e) for services provided by a Director or proposed Director or to any firm which any such Director is a partner, in connection with the formation or promotion of the Company or the Offer.

### **10.3 Interests of promoters and named persons**

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

Kings Park Corporate Lawyers has acted as solicitors to the Offer. In respect of this work, the Company will pay approximately \$10,000 exclusive of GST. Subsequently fees will be paid in accordance with normal hourly rates. Kings Park Corporate Lawyers has not



received any fees for services to the Company in the 2 years prior to the date of this Prospectus.

CPS Capital will act as Lead Manager and Underwriter to the Offer. In respect of this work, the Lead Manager will be paid a lead manager fee of \$60,000, a management fee of 1% of the amount raised under the Offer and an underwriting fee of 5% of the Underwritten Amount. CPS Capital will also receive a placement fee of 5% for Shortfall Securities (other than Underwritten Shortfall Securities) it places under the Shortfall Offer. CPS Capital has not received any fees for services to the Company in the 2 years prior to the date of this Prospectus.

#### 10.4 Consents

Each of the persons referred to in this section:

- (a) has given and has not, before the date of lodgment of this Prospectus with ASIC withdrawn their written consent:
  - (i) to be named in the Prospectus in the form and context which it is named; and
  - (ii) where applicable, to the inclusion in this Prospectus of the statement(s) and/or reports (if any) by that person in the form and context in which it appears in this Prospectus;
- (b) has not caused or authorised the issue of this Prospectus;
- (c) has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than specified below;
- (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus, other than the references to their name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with the consent of that person.

Name	Role
Kings Park Corporate Lawyers	Lawyers
CPS Capital Group Pty Ltd	Underwriter

#### 10.5 Expenses of the Offer

Assuming Full Subscription, the total estimated expenses of the Offer are as set out below:

Cost <sup>1</sup>	(approximately) \$
Fundraising expenses <sup>2</sup>	\$118,203
Legal fees	\$10,000
ASX fees	\$10,226
ASIC and other expenses	\$2,320
Printing, postage and other	\$19,251

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<b>Total</b>	<b>\$160,000</b>
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- <sup>1</sup> These expenses have or will be paid by the Company.
- <sup>2</sup> The Company will also pay a placement fee of 5% for Shortfall Securities (other than Underwritten Shortfall Securities) placed by the Underwriter.

**10.6 JORC Code statement**

The information in this Prospectus that relates to the Gabanintha Vanadium Project is based on information previously compiled (released to ASX on the 10 November 2015) by the Company's Competent Person, Mr John Tyrrell, which can be downloaded from the Company's website.

**10.7 Litigation**

As at the date of this Prospectus, the Company is not involved in any legal proceedings of a material nature and the Directors are not aware of any legal proceedings pending or threatened against the Company.

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**11 DIRECTORS' RESPONSIBILITY AND CONSENT**

Each Director has consented to the lodgment of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 9 March 2016

*L. Ingraham.*

.....

Signed for and on behalf of  
 Australian Vanadium Limited by  
 Leslie Ingraham

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**12 GLOSSARY**

Where the following terms are used in this Prospectus they have the following meanings:

<b>\$, A\$ or Dollars</b>	Australian dollars unless otherwise stated.
<b>AEDT</b>	Australian Eastern Daylight Time.
<b>Applicant</b>	a person who submits a valid Entitlement and Acceptance Form pursuant to this Prospectus.
<b>Application</b>	a valid application made on an Entitlement and Acceptance Form to subscribe for New Shares pursuant to this Prospectus.
<b>ASIC</b>	the Australian Securities & Investments Commission.
<b>ASX</b>	the ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.
<b>Board</b>	the board of Directors.
<b>Business Day</b>	Monday to Friday inclusive, except any day that ASX declares is not a business day.
<b>Closing Date</b>	the date set out in section 1.
<b>Company or AVL</b>	Australian Vanadium Limited (ACN 116 221 740).
<b>Constitution</b>	the constitution of the Company.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Deeds</b>	the indemnity, insurance and access deeds between the Company and each of the Directors.
<b>Director</b>	a director of the Company.
<b>Eligible Shareholders</b>	a Shareholder as at the Record Date with a registered address in Australia or New Zealand.
<b>Entitlement and Acceptance Form</b>	the personalised entitlement and acceptance form attached to this Prospectus.
<b>Entitlement or Right</b>	a Shareholder's entitlement or right to subscribe for New Shares offered by this Prospectus.
<b>Existing Share</b>	a Share issued as at 7pm (AEDT) on the Record Date.
<b>Full Subscription</b>	\$3,320,254 before costs.

<b>Ineligible Shareholder</b>	a Shareholder who is not an Eligible Shareholder.
<b>Lead Manager</b>	CPS Capital Group Pty Ltd (ACN 127 171 877).
<b>Listing Rules</b>	the listing rules of the ASX.
<b>New Options</b>	Options offered under this Prospectus.
<b>New Shares</b>	Shares issued pursuant to the Offer.
<b>Offer</b>	an offer made under this Prospectus to subscribe for New Shares.
<b>Official List</b>	the official list of the ASX.
<b>Option</b>	an option to purchase a Share.
<b>Optionholder</b>	the registered holder of options in the Company.
<b>Prospectus</b>	this Prospectus and includes the electronic prospectus.
<b>Record Date</b>	the date set out in section 1.
<b>Share</b>	a fully paid ordinary share in the Company.
<b>Share Registry</b>	Computershare Investor Services Pty Ltd (ABN 48 078 279 277).
<b>Shareholder</b>	the registered holder of Shares in the Company.
<b>Shortfall Offer</b>	has the meaning given in section 8.7.
<b>Shortfall Securities</b>	New Shares for which valid Applications have not been received by the Closing Date under the Offer.
<b>Underwriter or CPS Capital</b>	CPS Capital Group Pty Ltd (ACN 127 171 877).
<b>Underwriting Agreement</b>	the underwriting agreement between the Company and the Underwriter signed on 3 March 2016.
<b>Underwritten Amount</b>	\$500,000
<b>Underwritten Securities</b>	means 38,461,539 New Shares.
<b>Underwritten Shortfall Securities</b>	means Underwritten Securities for which valid Applications have not been received by the Closing Date under the Offer.
<b>US person</b>	has the meaning given to that term in Regulation S under the US

	Securities Act.
<b>US Securities Act</b>	the United States Securities Act of 1933, as amended.
<b>WST</b>	Western Standard Time, Western Australia.

## 13 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 December 2015 \$	Pro-forma Underwritten Amount \$	Pro-forma Full Subscription \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalent	899,297	1,274,297	4,059,550
Trade and other receivables	164,937	164,937	164,937
<b>Total Current Assets</b>	<b>1,064,234</b>	<b>1,439,234</b>	<b>4,224,487</b>
<b>Non-Current Assets</b>			
Plant and equipment	13,298	13,298	13,298
Deferred exploration expenditure	14,182,650	14,182,650	14,182,650
<b>Total Non-Current Assets</b>	<b>14,195,948</b>	<b>14,195,948</b>	<b>14,195,948</b>
<b>TOTAL ASSETS</b>	<b>15,260,182</b>	<b>15,635,182</b>	<b>18,420,435</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	190,990	190,990	190,990
<b>Total Current Liabilities</b>	<b>190,990</b>	<b>190,990</b>	<b>190,990</b>
<b>TOTAL LIABILITIES</b>	<b>190,990</b>	<b>190,990</b>	<b>190,990</b>
<b>NET ASSETS</b>	<b>15,069,192</b>	<b>15,444,192</b>	<b>18,229,445</b>
<b>EQUITY</b>			
Issued capital	61,706,476	62,081,476	64,866,729
Reserves	22,544,306	22,544,306	22,544,306
Accumulated losses	(69,181,590)	(69,181,590)	(69,181,590)
<b>TOTAL EQUITY</b>	<b>15,069,192</b>	<b>15,444,192</b>	<b>18,229,445</b>

The above pro forma unaudited Consolidated Statements of Financial Position have been prepared on the basis that there have been no material movements in the assets and liabilities of the Company between 31 December 2015 and the completion of the Offer, except:

- (a) completion of the Offer to raise \$3,320,253 (full subscription) and \$500,000 (underwritten amount), before expenses of the Offer; and
- (b) expenses of the Offer of approximately \$160,000 (full subscription) and \$125,000 (underwritten amount) which have been offset against proceeds of the issue.