

Notice of Annual General Meeting

Explanatory Statement

and

Proxy Form

Date of Meeting

Wednesday, 24 November 2021

Time of Meeting

9.00am (WST)

Place of Meeting

Ground Floor Conference Room
216 St Georges Terrace
Perth WA 6000

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of members of Australian Vanadium Limited (**Australian Vanadium** or the **Company**) will be held on Wednesday, 24 November 2021, commencing at 9.00am (WST) at Ground Floor Conference Room, 216 St Georges Terrace, Perth, Western Australia.

The enclosed Explanatory Statement accompanies and forms part of this Notice of annual general meeting.

AGENDA

ORDINARY BUSINESS

Accounts and Reports

To receive and consider the annual financial report for the financial year ended 30 June 2021, together with the reports by directors and auditors thereon.

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. Adoption of Remuneration Report

That for the purpose of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report set out in the Company's Annual Report for the financial year ended 30 June 2021 be adopted.

Note: *The vote on this resolution is advisory only and does not bind the Directors of the Company.*

Voting Exclusion Statement:

Pursuant to section 250R(4) of the Corporations Act, the Company is required to disregard any votes cast on Resolution 1 (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member (together "prohibited persons").

However, the Company will not disregard a vote if:

- (c) the prohibited person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (d) the vote is not cast on behalf of a prohibited person.

2. Re-election of Director (Mr Daniel Harris)

That Mr Daniel Harris, being a Director of the Company who retires by rotation in accordance with Clause 7.3(a) of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.

SPECIAL BUSINESS

3. Ratification of Prior Issue of Shares and Options (30 August 2021)

To consider and, if thought fit, to pass the following resolutions as separate and independent **ordinary resolutions**:

- (a) *That, for the purpose of Listing Rule 7.4 and for all other purposes, shareholders ratify the prior issue by the Company of 56,000,000 Shares pursuant to Listing Rule 7.1 to the parties and on the terms and conditions set out in the Explanatory Statement.*
- (b) *That, for the purpose of Listing Rule 7.4 and for all other purposes, shareholders ratify the prior issue by the Company of 348,000,000 Options pursuant to Listing Rule 7.1 to the parties and on the terms and conditions set out in the Explanatory Statement.*
- (c) *That, for the purpose of Listing Rule 7.4 and for all other purposes, shareholders ratify the prior issue by the Company of 292,000,000 Shares pursuant to Listing Rule 7.1A to the parties and on the terms and conditions set out in the Explanatory Statement.*

Voting Exclusion:

The Company will disregard any votes cast in favour of these resolutions by a person who participated in the issues and any associates of those persons.

However, the Company need not disregard a vote cast in favour of these Resolution if it cast by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

4. Approval to issue Options

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

That, for the purposes of Listing Rule 7.1 and for all other purposes, the issue of 25,000,000 Options to 180 Markets Pty Ltd or its nominee, such Options to be issued on the terms and conditions set out in the Explanatory Statement forming part of this Notice, is approved.

Voting Exclusion:

The Company will disregard any votes cast in favour of this resolution by 180 Markets Pty Ltd or any nominee of 180 Markets Pty Ltd and any person who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) and any associates of those persons.

However, the Company need not disregard a vote cast in favour of these Resolution if it cast by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

5. Approval of 10% Placement Capacity

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the Shares on issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement forming part of this Notice.

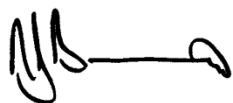
Voting Exclusion:

The Company will disregard any votes cast in favour of this resolution by a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder or ordinary securities) or any associates of those persons.

However, the Company need not disregard a vote cast in favour of this Resolution if it cast by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

BY ORDER OF THE BOARD



Neville Bassett
Company Secretary
29 September 2021

IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the annual general meeting of the Shareholders to which this Notice of Meeting relates will be held at 9.00am (WST) on 24 November 2021 at:

*Ground Floor Conference Room
216 St Georges Terrace
Perth WA 6000*

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 4.00pm (WST) time on 22 November 2021.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

Sections 250BB and 250BC of the Corporations Act provide that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

EXPLANATORY STATEMENT

1. INTRODUCTION

This Explanatory Statement has been prepared for the information of members of Australian Vanadium Limited ("the Company") in connection with the business to be conducted at the annual general meeting of members to be held at Ground Floor Conference Room, 216 St Georges Terrace, Perth, Western Australia on Wednesday, 24 November 2021 at 9.00am (WST).

This Explanatory Statement forms part of and should be read in conjunction with the accompanying Notice of annual general meeting.

2. 2021 ANNUAL REPORT

In accordance with the requirements of the Company's Constitution and the Corporations Act, the 2021 Annual Report will be tabled at the annual general meeting. Shareholders will have the opportunity of discussing the Annual Report and making comments and raising queries in relation to the Report. There is no requirement for a formal resolution on this item.

Representatives from the Company's auditors, Armada Audit & Assurance Pty Ltd, will be present to take shareholders' questions and comments about the conduct of the audit and the preparation and content of the audit report.

Annual Report Online

Shareholders who have not elected to receive a hard copy of the Annual Report can access the report on the company's website at www.australianvanadium.com.au

3. ADOPTION OF REMUNERATION REPORT – Resolution 1

3.1 General

Pursuant to section 250R(2) of the Corporations Act, the Company is required to put the Remuneration Report to the vote of Shareholders. The Directors' Report for the year ended 30 June 2021 contains the Remuneration Report which sets out the remuneration policy for the Company and reports on the remuneration arrangements in place for the Directors and Key Management Personnel.

Resolution 1 is advisory only and does not bind the Directors of the Company. Of itself, a failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

3.2 Voting consequences

If at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report in two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**) at the second annual general meeting.

If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

4. RE-ELECTION OF DIRECTOR – Resolution 2

Resolution 2 relates to the re-election of Mr Daniel Harris as a Director.

In accordance with the requirements of clause 7.3(a) of the Company's Constitution and the Corporations Act, one-third of the Directors of the Company retire from office at this annual general meeting of the Company, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election

Mr Harris retires by rotation and, being eligible, offers himself for re-election.

A summary of the qualifications and experience of Mr Harris is provided in the Annual Report.

All the Directors, except for Mr Harris, recommend that Shareholders vote in favour of Resolution 2.

5. RATIFICATION OF PRIOR ISSUE OF SHARES AND OPTIONS (30 AUGUST 2021) – Resolution 3

5.1 General

On 30 August 2021, the Company issued 348,000,000 Shares to sophisticated investors at an issue price of \$0.025 per Share to raise \$8,700,000, as announced on 24 August 2021. For every Share issued the subscriber also received one (1) free attaching option (ASX Code: AVLOA) with an exercise price of \$0.025 each and expiring on 18 December 2022.

The Company issued a portion of the Shares and all of Options utilising the 15% annual limit set out in Listing Rule 7.1 (described below) and the balance of the Shares utilising the 10% annual limit set out in Listing Rule 7.1A (also described below). By issuing those Shares and Options utilising these rules, the Company's capacity to issue further equity securities without Shareholder approval within those limits was accordingly reduced.

Resolutions 3(a), 3(b) and 3(c) seek Shareholder approval for the prior issue of the Shares and Options to the placees noted below. They are proposed as ordinary resolutions and will be passed if more than 50% of the votes cast by Shareholders entitled to vote are in favour of each of the Resolutions.

5.2 Listing Rules 7.1, 7.1A and 7.4

Subject to a number of exceptions, in general terms, Listing Rule 7.1 limits the number of Equity Securities (for example, shares, options and convertible notes) that a listed company may issue or agree to issue without shareholder approval in any 12 month period to 15% of its issued ordinary shares (15% share issue capacity).

Listing Rule 7.1A provides that, in addition to issues permitted without prior shareholder approval under Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under Listing Rule 7.1A may issue or agree to issue during the period for which the approval is valid a number of quoted equity securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period as adjusted in accordance with the formula in Listing Rule 7.1A (10% capacity). The Company is an eligible entity and sought and received Shareholder approval for its 10% capacity at its Annual General Meeting held on 25 November 2020.

Listing Rule 7.4 provides that where an entity in a general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with Shareholder approval under Listing Rule 7.1, thereby "refreshing" the Company's capacity under Listing Rule 7.1. A note to Listing Rule 7.4 also provides it can also be used to ratify a previous issue of securities made with approval pursuant to Listing Rule 7.1A.

By ratifying these previous issues, the Company will retain the flexibility to issue equity securities in the future within the limits of Listing Rules 7.1 and 7.1A up to its 15% capacity and 10% capacity, respectively, without needing to seek further Shareholder approval. If either Resolution 3(a), 3(b) and/or Resolution 3(c) are not passed, the Company's ability to issue new securities without shareholder approval will be restricted until the previous issue/s are ratified at a subsequent meeting or 12 months from the date of issue of the Shares and Options.

Accordingly, these resolutions seek shareholder approval to allow the Company to refresh its 15% share issue capacity (Resolutions 3(a) and 3(b)) and 10% share issue capacity (Resolution 3(c)).

5.3 Specific Information required by Listing Rule 7.5

The following information is provided for the purposes of Listing Rule 7.5:

- (a) 56,000,000 Shares were issued under the Company's Listing Rule 7.1 (15%) capacity on 30 August 2021 (Resolution 3(a));
- (b) 348,000,000 Options were issued under the Company's Listing Rule 7.1 (15%) capacity on 30 August 2021 (Resolution 3(b));
- (c) 292,000,000 Shares were issued under the Company's Listing Rule 7.1A (10%) capacity on 30 August 2021 (Resolution 3(c));
- (d) The Shares (Resolutions 3(a) and 3(c)) were issued at \$0.025 per Share, with one (1) free attaching Option (Resolution 3(b)) for every Share subscribed for and issued.
- (e) The Shares rank equally with all other Shares on issue in the Company. The Options were issued on the terms and conditions set out in annexure A.
- (f) The Shares and Options were issued to non-related party investors, who were "Sophisticated Investors" within the meaning of section 708(8) of the Corporations Act or other investors to whom the Company may issue Shares and Options without a disclosure document pursuant to section 708 of the Corporations Act.
- (g) Funds raised from the capital raising will primarily be applied to:
 - Completion and delivery of the Bankable Feasibility Study for the Australian Vanadium Project;
 - Finalise design and build Australia's first vanadium redox flow battery (VRFB) electrolyte supply plant, capable of producing 33MWh of energy storage capacity for Australian deployed VRFBs in both on and off grid situations;
 - Design and manufacture of locally made residential and VRFB based stand-alone power system (SPS);
 - Finalise offtake agreements for vanadium and FeTi co-products with steel makers and battery manufacturers;
 - Prepare for the Australian Vanadium Project Front End Engineering Design (FEED) and Project execution;
 - Coates Ni-Cu-Pt project airborne electromagnetics (geophysics) results and Pt-Ni-Cu drilling; and
 - Other value addition projects and working capital.
- (h) A voting exclusion statement is included in the Notice.

5.4 Directors' Recommendation

The Directors unanimously recommend Shareholders vote in favour of Resolutions 3(a), 3(b) and 3(c).

6. APPROVAL TO ISSUE OPTIONS – Resolution 4

6.1 Background

On 24 August 2021, the Company announced that it had received firm commitments for the placement of 348,000,000 Shares to sophisticated investors at an issue price of \$0.025 per Share to raise \$8,700,000 (**Placement**). The Placement was completed on 30 August 2021. For every Share issued the subscriber also received one (1) free attaching option with an exercise price of \$0.025 each and expiring on 18 December 2022.

The Placement was managed by 180 Markets Pty Ltd, pursuant to a mandate entered into between the Company and 180 Markets Pty Ltd (**the Mandate**)

Under the Mandate, 180 Markets Pty Ltd is to receive:

- (a) a fee of 6% on all funds introduced; and
- (b) subject to Shareholder approval, 25,000,000 Options.

Resolution 4 is an ordinary resolution seeking approval by Shareholders for the proposed issue of the 25,000,000 Options to 180 Markets Pty Ltd or its nominee as part consideration under the Mandate.

6.2 Requirement for Shareholder approval

Subject to a number of exceptions, in general terms, Listing Rule 7.1 limits the number of Equity Securities (for example, shares, options and convertible notes) that a listed company may issue or agree to issue without shareholder approval in any 12 month period to 15% of its issued ordinary shares (15% share issue capacity).

The effect of Resolution 4 will be to allow the Directors to issue the Options without using the Company's 15% annual placement capacity and the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

If Resolution 4 is not passed, the Company will not be able to proceed with the issue of Options to 180 Markets Pty Ltd.

The information required by Listing Rules 7.1 and 7.3 to be provided to shareholders is contained within this Explanatory Statement and the Notice.

6.3 Listing Rule information requirements

In accordance with the disclosure requirements of Listing Rule 7.3, the following information is provided in relation to Resolution 4:

(a) Names of persons being issues securities or basis on which they were identified

The Options will be issued to 180 Markets Pty Ltd or its nominee.

(b) Number and class of the securities to be issued

The Underwriter will be issued 25,000,000 Options (ASX Code: AVLOA).

(c) If the securities are not fully-paid ordinary securities, a summary of their material terms

A summary of the terms of the Options is set out at Annexure A

(d) **The date of issue**

The Company anticipates that the Options will be issued shortly following the conclusion of the Meeting, and in any event will be issued no later than 3 months after the date of the Meeting.

(e) **Price or consideration the Company will receive for the issue**

The Options will be issued for nil cash consideration pursuant to the Mandate.

(f) **If the securities are being issued under an agreement, a summary of any other material terms of the agreement**

A summary of the Mandate is set out at section 6.1 above.

(g) **Purpose of the issue and intended use of funds**

The Options are being issued pursuant to the Mandate as part-consideration for capital raising fees on funds raised from the issue of securities as described in section 6.1. No funds will be raised by the issue of the Options.

6.4 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4 as it will enable the Company to fulfil its obligations under the Mandate.

7. APPROVAL of 10% PLACEMENT CAPACITY – Resolution 5

7.1 Background

Resolution 5 seeks Shareholder approval for an additional issuing capacity under ASX Listing Rule 7.1A (**Additional Placement Facility**).

If approved, Resolution 5 would enable the Company to issue additional Equity Securities (calculated below) over a 12-month period without obtaining Shareholder approval.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without approval of its shareholders over any 12-month period to 15% of the fully-paid ordinary securities it had on issue at the start of that period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

An “eligible entity” means an entity which is not included in the S&P/ASX 300 index and which has a market capitalisation of \$300 million or less. The Company is an eligible entity for these purposes.

Resolution 5 seeks Shareholder approval by way of special resolution for the Company to have the additional 10% capacity provided for in Listing Rule 7.1A to issue equity securities without Shareholder approval.

If Resolution 5 is passed, the Company will be able to issue equity securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 5 is not passed, the Company will not be able to access the additional 10% capacity to issue equity securities without Shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing equity securities without Shareholder approval set out in Listing Rule 7.1.

7.2 Information on Additional Placement Facility

(a) Quoted securities

Any Equity Securities issued under the Additional Placement Facility must be in the same class as an existing class of Equity Securities of the Company that are quoted on ASX.

As at the date of this Notice, the Company has two classes of Equity Securities quoted on ASX, being its Shares (ASX Code: AVL) and Options (ASX Code: AVLOA) .

(b) Formula for Additional Placement Facility

If this Resolution 5 is passed, the Company may issue or agree to issue, during the 12-month period after this Meeting, the number of Equity Securities calculated in accordance with the following formula.

$$\text{Additional Placement Capacity} = (A \times D) - E$$

where:

A = the number of fully-paid ordinary securities on issue at the commencement of the relevant period:

- plus the number of fully-paid ordinary securities issued in the relevant period under an exception in ASX Listing Rule 7.2 other than exception 9, 16, or 17;
- plus the number of fully-paid ordinary securities issued in the relevant period on the conversion of convertible securities within rule 7.2 exception 9 where:
 - the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
 - the issue of, or agreement to issue, the convertible securities was approved, or taken under the Listing Rules to have been approved under Listing Rule 7.1 or 7.4;
- plus the number of fully-paid ordinary securities issued in the relevant period under an agreement to issue securities within rule 7.2 exception 16 where:
 - the agreement was entered into before the commencement of the relevant period; or
 - the agreement or issue was approved, or taken under the Listing Rules to have been approved under Listing Rule 7.1 or 7.4;
- plus the number of fully paid ordinary securities issued in the relevant period with approval under Listing Rule 7.1 or ASX Listing Rule 7.4;
- plus the number of partly-paid ordinary securities that became fully-paid in the relevant period;
- less the number of fully-paid ordinary securities cancelled in the relevant period;

D = 10%; and

E = the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the relevant period where the issue or agreement has not been subsequently approved by Shareholders under Listing Rule 7.4.

7.3 ASX Listing Rule requirements

In accordance with Listing Rule 7.3A, the following information is provided in relation to the proposed approval of the Additional Placement Facility:

(a) **Period for which the approval will be valid**

The Additional Placement Facility would commence on the date of the Meeting and expire on the first to occur of the following:

- the date that is 12 months after this Meeting;
- the time and date of the Company's next annual general meeting; or
- the time and date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

(b) **Minimum price at which equity securities may be issued**

Any Equity Securities issued under the Additional Placement Facility must be in an existing quoted class of the Company's securities and issued for cash consideration per security which is not less than 75% of the VWAP for securities in that class, calculated over the 15 trading days on which trades in that class were recorded immediately before:

- the date on which the price at which the securities are to be issued is agreed; or
- if the securities are not issued within 10 trading days of the above date, the date on which the securities are issued.

(c) **Purposes for which the funds raised by an issue of equity securities may be used**

The Company may issue Equity Securities under the 10% Placement Capacity for cash consideration only, and the Company intends to apply funds raised towards development of the Company's Australian Vanadium Project; resource and reserve updates; and general working capital (including corporate and administration costs).

(d) **Risk of economic and voting dilution**

If Resolution 5 is passed and the Company issues securities under the Additional Placement Facility, there is a risk to existing Shareholders of economic and voting dilution, including the risk that:

- (i) the market price for Equity Securities in the same class may be significantly lower on the issue date of the new Equity Securities than on the date of this Meeting; and
- (ii) the new Equity Securities may be issued at a price that is at a discount to the market price for Equity Securities in the same class on the issue date.

The table below identifies the potential dilution to existing Shareholders following the issue of Equity Securities under the Additional Placement Facility (based on the formula set out above) using different variables for the number of issued Shares and the market price of Shares.

The numbers are calculated on the basis of the latest available market price of Shares before the date of this Notice and the current number of Shares on issue.

Number of Shares on Issue	Dilution			
	Number of Shares issued under 10% Placement Capacity	Funds raised based on issue price of \$0.0115 (50% decrease in issue price)	Funds raised based on issue price of \$0.023 (issue price)	Funds raised based on issue price of \$0.046 (100% increase in issue price)
3,280,825,481 (Current)	328,082,548	\$3,772,604	\$7,545,209	\$15,091,417
4,921,238,222 (50% increase)	492,123,822	\$5,659,424	\$11,318,848	\$22,637,696
6,561,650,962 (100% increase)	656,165,096	\$7,545,899	\$15,091,797	\$30,183,594

Notes: The above table has been prepared on the following bases/assumptions:

1. The latest available market price of Shares before the date of the Notice was \$0.023.
2. The Company issues the maximum number of Equity Securities available under the Additional Placement Facility.
3. Existing Shareholders' holdings do not change from the date of this Meeting to the date of the issue under the Additional Placement Facility.
4. The Company issues Shares only and does not issue other types of Equity Securities (such as Options) under the Additional Placement Facility.
5. The impact of additional issues of securities under ASX Listing Rule 7.1 or following the exercise of options is not included in the calculations.
6. Economic dilution for the table above is calculated using the following formula:

$$ED = (MP - (NMC / TS)) / MP$$

where:

MC = market capitalisation prior to issue of Equity Securities, being the MP multiplied by the number of Shares on issue;

MP = the market price of Shares traded on ASX, expressed as in dollars;

NMC = notional market capitalisation, being the market capitalisation plus the NSV;

NSV = new security value, being the number of new Equity Securities multiplied by the issue price of those Equity Securities; and

TS = total Shares on issue following new Equity Security issue.

(e) Allocation policy

The Company's allocation policy for the issue of Equity Securities under the Additional Placement Facility will depend on the prevailing market conditions at the time of the proposed issue. The allottees will be determined on a case-by-case basis having regard to the factors such as:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing Security holders can participate;
- (ii) the effect of the issue of the new securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate and other advisors.

As at the date of this Notice, the Company has not identified any proposed allottees of Equity Securities using the Additional Placement Facility. However, the eventual allottees may include existing substantial Shareholders, other Shareholders and/or new investors.

None of the allottees will be a related party or an associate of a related party of the Company, except as permitted under ASX Listing Rule 7.2. Existing Shareholders may or may not be entitled to subscribe for Equity Securities under the Additional Placement Facility and it is possible that their shareholding will be diluted.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities under the Additional Placement Facility.

(f) **Previous Approval and Issues under Listing Rule 7.1A in previous 12 months**

The Company previously obtained approval under Listing Rule 7.1A at its annual general meeting held on 25 November 2020.

In accordance with Listing Rule 7.3A.6, the following information is provided to shareholders regarding the equity securities issued in the previous 12 months preceding the date of the Annual General Meeting.

Listing Rule 7.3A.6(a)

The table below shows the total number of equity securities issued under Listing Rule 7.1A.2 in the previous 12 months preceding the date of the annual general meeting and the percentage that those issues represent of the total number of equity securities on issue at the commencement of that 12 month period.

Total number of equity securities issued in the 12 months preceding the date of the meeting	292,000,000
Percentage that they represent of the total number of equity securities on issue at the commencement of that 12 month period	9.7%

Listing Rule 7.3A.6(b)

The tables below set out specific details for each issue of equity securities that have taken place in the 12 month period prior to the date of the annual general meeting.

Date of issue	30 August 2021
Number issued	292,000,000
Summary of terms	Ordinary fully paid shares ranking equally with existing shares on issue.
Names of the persons who received securities or basis on which those persons were determined	The Shares were issued to non-related party investors, who were "Sophisticated Investors" within the meaning of section 708(8) of the Corporations Act or other investors to whom the Company may issue Shares without a disclosure document pursuant to section 708 of the Corporations Act.
Price	\$0.025
Discount to market price (if any)	11% discount to the 15-day VWAP of \$0.028
For cash issues	
Total cash consideration received	\$7,300,000
Amount of cash consideration spent	\$Nil
Use of cash consideration	Principally, progression of the Australian Vanadium Project and for general working capital. (refer ASX announcement dated 24 August 2021).
Intended use for remaining amount of cash (if any)	Unspent funds: \$7,300,000 Principally, progression of the Australian Vanadium Project and for general working capital.

7.4 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 5.

7.5 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5 as it will give the Company the flexibility to raise and fund necessary working capital whilst preserving the Company's cash reserves.

8. DEFINITIONS

ASX means ASX Limited ABN 98 008 624 691.

ASIC means the Australian Securities & Investments Commission.

Australian Vanadium or the Company means Australian Vanadium Ltd ACN 116 221 740.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- i) is not included in the A&P/ASX 300 Index; and
- ii) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means this Explanatory Statement.

Key Management Personnel means has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Listing Rules means the official listing rules of ASX.

Meeting means the annual general meeting to be held on 24 November 2021.

Notice or **Notice of Meeting** means the notice of annual general meeting which forms part of this Explanatory Statement.

Option means an option exercisable at \$0.025 each expiring on 18 December 2022 and otherwise on the terms and conditions outlined in Annexure A.

Ordinary Securities has the meaning set out in the Listing Rules.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2021.

Resolution means a resolution contained in this Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of a Share.

ANNEXURE A

TERMS AND CONDITIONS OF OPTIONS

The terms and conditions of the Options are as follows:

(a) **Entitlement**

Each option entitles the holder to subscribe for and be allotted one ordinary fully paid share in the company.

(b) **Exercise Price**

Subject to paragraph (h), the amount payable upon exercise of each Option will be \$0.025 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 18 December 2022 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options are exercisable at any time during the Exercise Period by notice in writing to the Company (**Notice of Exercise**) accompanied by payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company. Options may be exercised in whole or in part, and if exercised in part, multiples of 20,000 must be exercised on each occasion.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Issue of Shares on exercise**

The Company will apply for Official Quotation by the ASX of all shares issued upon exercise of the options. All shares issued upon exercise of the options will rank pari passu in all respects with the company's then existing ordinary fully paid shares.

(h) **Reconstruction of capital**

In the event of any reorganisation of the issued capital of the company on or prior to the Expiry Date, the rights of an Optionholder will be changed to the extent necessary to comply with the applicable Listing Rules in force at the time of the reorganisation.

(i) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising Options.

(j) **Change in exercise price**

There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the options.

(k) **Effect of Bonus Issue**

If from time to time on or prior to the Expiry Date the company makes an issue of shares to the holders of ordinary fully paid shares in the company by way of capitalisation of profits or reserves (a bonus issue), then upon exercise of their options, Optionholders will be entitled to have issued to them (in addition to the shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue (bonus shares) if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder if, immediately prior to that date, they had duly exercised their options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the options

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

(m) **Quotation**

The Company will seek to have the Options quoted by ASX.

Proxy Voting Form

If you are attending the meeting
in person, please bring this with you
for Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **9.00am (WST) on Monday 22 November 2021**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

