

Quarterly Activities Report for period ending 31st December 2016

Highlights:

- » AVL executes agreement to acquire African lithium-tantalum pegmatite project at Blesberg; commences drill planning and exploration activity.
- » Company completes installation and commissioning of State's first vanadium electrolyte pilot plant located at UWA.
- » Updated concept study completed on the Gabanintha Vanadium Project. Results of concept study have satisfied the Board to advance the project with further key studies.
 - Key studies commenced include roast-leach metallurgical work, resource update, detailed mining study, hydrology study, environmental studies and permitting work.
- » VSUN Energy subsidiary VRB sales pipeline expands further with 84 prospects under consideration.
 - VSUN Energy appoints experienced renewable technical sales manager
 - Busselton battery performance exceeds expectation since installation in October.
- » AVL agrees to sell base metal and gold rights over Gabanintha Project into new IPO, Bryah Resources Limited. Shareholders to receive priority offer in new float.

Activities for the December 2016 quarter for Australian Vanadium Limited ("AVL" or "the Company") are as follows.

ACQUISITION OF BLESBERG LITHIUM-TANTALUM PROJECT

In the ASX announcements of 4 November 2016, 18 November 2016 and 21 November 2016, AVL announced an expansion of its energy storage minerals strategy by securing an option to acquire a minimum 50.03% controlling stake in the Blesberg Lithium-Tantalum Project. The acquisition represents a broadening of the Company's strategy of focusing on key commodities required for the development of the burgeoning energy storage sector, particularly vanadium and lithium.

The energy storage sector is experiencing rapid growth globally and the Company has already developed a good understanding of the energy storage value chain from resource, through mining and value addition to end-product use.

31.01.2017

ASX ANNOUNCEMENT

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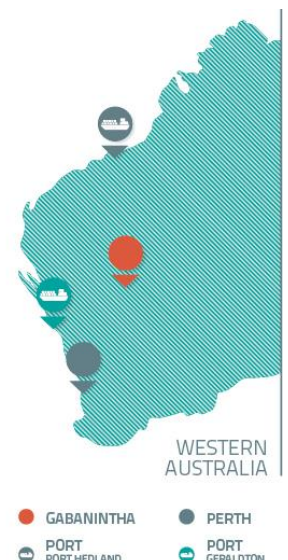
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Projects:

Gabanintha Vanadium
Gabanintha Gold, Copper
Nowthanna Hill: Uranium
Blesberg: Lithium Tantalum Feldspar



AVL aims to leverage its African network and experience in managing exploration and mining operations to rapidly advance the Blesberg Project towards resource and feasibility.

The Company completed due diligence on the project, which included a successful pegmatite sampling program.

Exploration activity on possible extensions of the main Blesberg pegmatite commenced during the Quarter, with encouraging indications from mapping of a minimum 500 metre western extension of the main pegmatite under shallow cover. Orientation soil sampling was conducted with an expanded soil program commencing in early 2017. Detailed drillhole planning was undertaken for the planned commencement of a 3000m-4000m RC and diamond drill programmed planned for commencement in March 2017.

A ground reconnaissance and drill planning visit was conducted in December 2016, looking for potential extensions of the Blesberg mine pegmatites to the west of the open cut on the sand plain. Encouragingly, a zone of up to approximately 50 metres in width of outcropping pegmatite was identified, which is interpreted to be an extension of the main pegmatite in the open cut. The outcropping pegmatite extends approximately 500 metres to the WNW from the base of the existing Blesberg Hill, before disappearing underneath the surrounding sand plain cover (see Figure 2 and Plate 1). This represents excellent potential for shallow extensions to lithium mineralisation evident in the nearby open cut.

Project Background

The Blesberg Project is located approximately 80km north of Springbok in the remote Northern Cape Province of South Africa (see Figure 1). It lies at the western end of the Northern Cape Pegmatite Belt. This belt extends from Violsdrif in the west for about 450 km towards the east. The deposit is one of the largest known economically mineralised and exploited pegmatite deposits in the Pegmatite Belt.

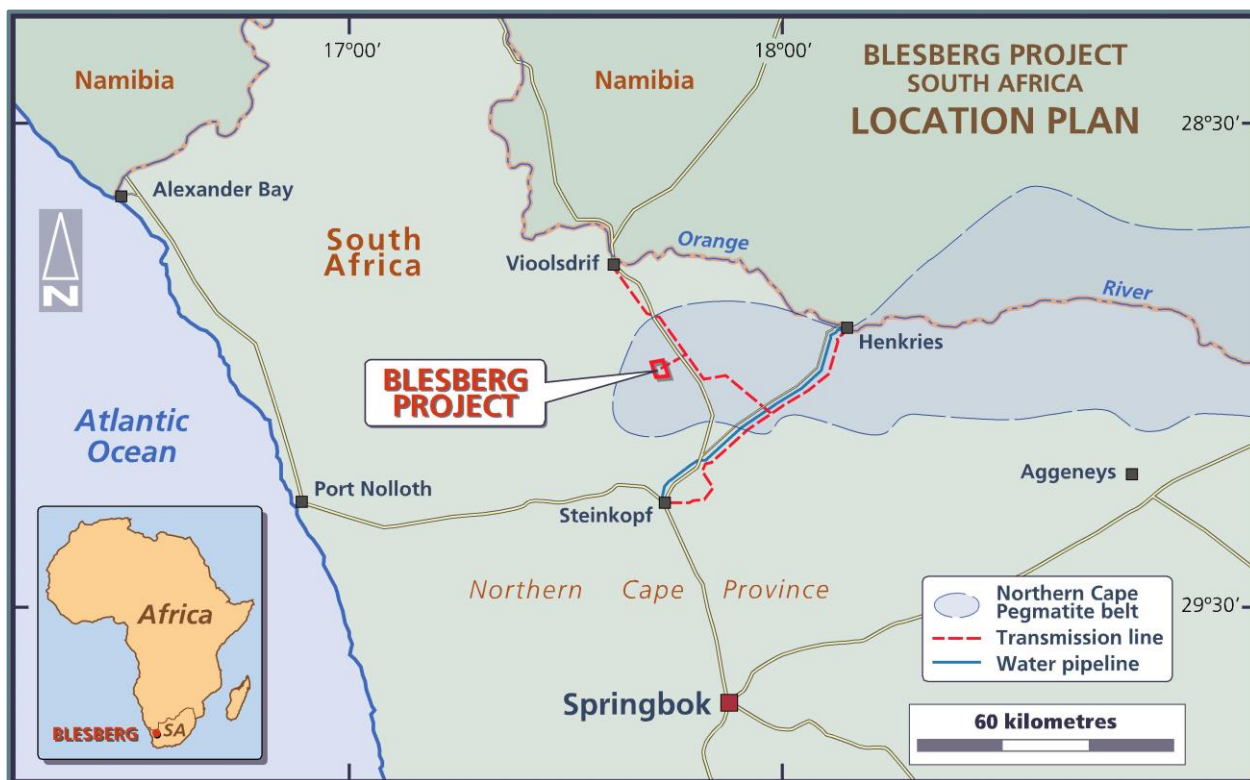


Figure 1 – Blesberg Lithium Project Location Map

Mining at Blesberg commenced in 1925 when it was worked mainly for bismuth. The main products from later mining were beryl, bismuth, tantalite-columbite, spodumene, feldspar and mica. Feldspar production from the mine was reported to be of very high quality, with the feldspar being pure white and unstained by iron oxide. Historical information about mine production quantities and quality is very limited, however a sample analysis of a 150 ton shipment of feldspar from the 1960's assayed 1.74% Li₂O (Schutte, I. Memoir 60 Geological Survey of South Africa, 1972).

Mining operations, which ceased last decade, have never exceeded a modest scale and as such no significant exploration drilling of the deposit and its depth potential has been undertaken. As with many other pegmatite fields globally, lithium was not considered in previous exploration and mining. The Company sees an opportunity to expedite evaluation of this deposit as well as the numerous other pegmatites within the tenement area. With successful exploration results, the Company considers the potential to commence commercial scale mining operations at Blesberg, producing spodumene concentrates (containing lithium) as well as a suite of by-products such as tantalite and feldspar, to be high.

Project Geology

The largest part of the worked pegmatite lies on the western slope of Blesberg Hill where it is exposed over virtually the full 140m vertical height of the hill (see Figure 2). The pegmatite has an exposed length of over 700 metres and it varies between 9 and 42 metres in width. The pegmatite strikes north-west and dips at angles of between 50° and 80° south-westward. At its north-western extremity, the pegmatite disappears beneath the sand plain (Schutte, 1972), where it is unexplored.



Figure 2 – Blesberg Hill showing old mine workings and numerous pegmatite veins and the mapped pegmatite outcrop interpreted as a minimum 500m extension of the main Noumas1 pegmatite body.

The main Blesberg pegmatite itself consists of two main, steeply dipping to sub-vertical pegmatite dykes. The dykes intrude into granodiorite country rock. The two main dykes are part of an array of multiple similar, but untested, pegmatite bodies outcropping within the tenement area. These multiple additional likely pegmatite bodies are clearly visible as WNW-ESE white trending zones on the image in Figure 2 and are largely unexplored.

The main pegmatite at the Blesberg Mine is referred to as Noumas I and is the site of the most extensive excavation from historical mining activities (see Plate 1). The Noumas I pegmatite is hosted in granodiorite country rock and is a heterogenous lithium-caesium-tantalum (LCT) type pegmatite.

The presence of large spodumene crystals (see Plate 1), lepidolite and cleavelandite has been noted during recent site visits, which offers encouragement as to the lithium potential of the project. Extensive dumps and untested

stockpiles from previous mining also remain at the site. Blesberg Hill is surrounded by a sand covered plain which may be masking other hidden pegmatites or extensions to those which outcrop elsewhere.

Figure 2 shows a recently acquired drone image of the historic Blesberg mine. The central excavation is over 330m in length (in shadow in the image) and has only been excavated, primarily by handheld methods and small equipment, to a maximum level of 30m below the top of the hill.

To the south of the excavation pegmatite, waste material forms the access ramp (light coloured) to the top of the highest excavation (110m above the plain). This material contains visually identifiable spodumene, beryl and feldspar material and may be treated as part of any mining operation.

The main pegmatite dykes are exposed in the open pit excavation and minor excavations have taken place on two other pegmatites just north of the main pegmatite near the plain level. The absence of any exploration drilling and the presence of extensive evidence of Li-Ta mineralised pegmatite material at Blesberg make it a compelling target for exploration and development.

Plate 1 showing individual spodumene crystals up to 2m in length exposed in the excavation.



Plate 1 – Exposed mine face showing large Spodumene crystals

Independent Project Due Diligence Completed

An initial site visit was completed by personnel from MSA Group (Pty) Ltd (“MSA”) as part of the due diligence process undertaken by SA Lithium. A total of 20 samples were taken from 9 sample sites which were considered representative of the spodumene mineralisation observed in the Spodumene Zone within the old mine workings.

The sampling was not intended to provide a representative Li-grade of the pegmatite or the Spodumene Zone but rather an indication of the lithium content of the spodumene.

Most of the spodumene observed and sampled in the open pit was either altered or replaced and consequently contained very low remnant Li_2O grades. However, six of the spodumene samples reported lithium contents of between 1.27% - 6.42% Li_2O indicating that not all the spodumene is altered. Importantly these high-grade samples were not restricted to any specific portion of the Spodumene Zone.

A summary of assay results is shown in Table 1.

Table 1 – Sampling Results (Rock chip samples)

Sample ID	Sample Wt (kg)	Easting (m)	Northing (m)	Elev. (m)	Sample Description	Li (%)	Li ₂ O (%)	Ta (ppm)	Th (ppm)	U (ppm)
W0110	1.58	766116	6790786	777	Altered green spodumene with siliceous cores	0.03	0.06	30	16	<4
W0111	1.09	766116	6790786	777	Altered green spodumene with siliceous cores	0.03	0.06	<10	19	4
W0112	2.34	766116	6790786	777	Altered green spodumene with siliceous cores	0.18	0.40	<10	8	<4
W0113	2.17	766083	6790799	754	Pink spodumene (minor green spodumene)	2.98	6.42	<10	4	<4
W0114	2.29	766081	6790802	750	Spodumene (from edge of greisen zone)	2.09	4.50	<10	<4	<4
W0115	1.87	766073	6790806	750	Greisen sample – elevated radioactivity	0.02	0.04	180	54	14
W0116	1.54	766065	6790814	749	Spodumene (small crystals) in greisen and greisen	0.59	1.27	60	17	<4
W0117	0.91	766018	6790823	743	Cleavelandite	0.02	0.04	30	9	4
W0118	1.10	766018	6790823	743	Cleavelandite	0.02	0.03	40	6	5
W0119	1.53	766018	6790823	743	Spodumene - altered	0.02	0.04	<10	10	<4
W0120	1.50	766018	6790823	743	Spodumene - altered	0.01	0.02	<10	7	<4
W0121	1.79	766018	6790823	743	Spodumene – slightly altered	2.72	5.86	<10	<4	<4
W0122	0.57	766018	6790823	743	Altered green spodumene	0.03	0.06	<10	11	4
W0123	0.55	766018	6790823	743	Pink material around green altered spodumene	<0.005	<0.01	10	5	<4
W0124	2.06	766017	6790827	743	Spodumene – slightly altered	2.35	5.06	<10	<4	<4
W0125	1.49	765988	6790834	715	Spodumene - altered	0.02	0.05	<10	10	<4
W0126	1.91	765988	6790834	715	Spodumene – altered with rims	0.02	0.03	<10	11	<4
W0127	1.35	765988	6790834	715	Spodumene - altered	0.01	0.02	10	11	4
W0128	2.05	765748	6791371	671	Dump material	0.083	0.18	20	16	6
W0129	1.58	766246	6790720	779	Spodumene - green	2.00	4.30	10	6	<4

Table 2 – Assay Methods

Assay method and description	Elements and grade range
Li-OG63 (Li by HF-HNO ₃ -HClO ₄ digestion, HCl Leach)	Li - 0.005 – 10 %
ME-XRF05 (A pressed pellet is prepared and analyzed by Wavelength Dispersive XRF)	Ta - 10-5,000 ppm Nb - 2-4,000 ppm Th - 4-4,000 ppm U - 4-10,000 ppm

Project Tenure & Infrastructure

The Blesberg Prospecting Right ((NC) 940 PR) covers 887 Hectares and includes the entire historic Blesberg Hill and mine and infrastructure, including a power line to the base of the hill. The mine site is 5km off the sealed N7 Highway between Steinkopf and Vioolsdrif on the Namibian Border. The project is in a low population area known as the Richtersveld. The nearby regional capital of Springbok has a strong history of mining, being intimately located with one of Africa's oldest copper mines at Okiep. Many mining and exploration skills are still available in the region.

Activities Planned at Blesberg for the First and Second Quarters of 2017

AVL has already appointed an experienced international field geologist residing in Cape Town to manage the exploration activities at the Blesberg Mine. The Company intends commencing a reverse circulation and diamond drilling programme at Blesberg as soon as possible. A drilling contractor has been selected and a drilling contract is currently being finalised. Drilling will focus on evaluating the main Blesberg pegmatite beneath the historical surface mine workings, with several holes to be drilled on the sand plain to test the outcropping pegmatite identified during the December site visit.

Activities to be undertaken in 2017 will include:

- RC and diamond drilling program over the main pegmatite and extensions.
- Following assay results, generation of a maiden mineral resource at Blesberg.
- Mapping and sampling of additional pegmatite zones across the Prospecting Right area;
- Evaluation of all potential economic minerals present at Blesberg, including lithium, feldspar, tantalum, beryl and caesium;
- Determination of an accurate exploration target at Blesberg, (including the main Noumas I pegmatite and adjacent pegmatite bodies);
- Volumetric and analytical assessment of the current dump and ramp material at Blesberg; and
- Advancing the environmental assessment and mining right application process.

AVL looks forward to reporting progress on these exploration activities as they are completed.

VANADIUM ELECTROLYTE PILOT PLANT

On 19th January 2017, the Company announced the successful commissioning of the State's first vanadium electrolyte pilot plant, located at the University of Western Australia (*ASX Announcement 19 January 2017: AVL successfully produce Vanadium electrolyte from Pilot Plant*). This follows the Company's ASX announcement 'Australian Vanadium Purchases Pilot Electrolyte Plant from C-Tech Innovation Ltd' dated 7th June 2016, and a follow up announcement during the 4th Quarter on the arrival of the plant in Australia (*ASX Announcement 25 October 2016: Vanadium electrolyte production update*).

The vanadium electrolyte pilot plant has now been successfully installed and commissioned at the University of Western Australia.

Company personnel have been operating the pilot plant to successfully produce vanadium electrolyte suitable for use in Vanadium Redox Flow Batteries (VRB) (see Plates 2 and 3). VRB are energy storage devices designed to store large amounts of energy, which is usually generated from renewable sources.

The installation of the pilot plant has enabled AVL to develop vanadium electrolyte production expertise and capability within Australia. The Company aims to develop both stand-alone and mine-attached vanadium electrolyte production capacity to support the growing demand in the VRB energy storage sector.

The pilot plant is being used to test and verify the production of vanadium electrolyte products that are suitable for use in third party VRB. Initially the Company plans to supply vanadium electrolyte to VRB being sold in Australia, New Zealand, the Pacific and Asia. However, the Company has also been approached by battery manufacturers in Europe who are seeking long term electrolyte supplies.

Commercialisation strategy

Following the successful pilot plant installation and operation, a range of additional batches of vanadium electrolyte will be produced and analysed. Information will be gathered from the testing, including reviews by vanadium battery researchers and manufacturers. Plans for a larger commercial plant will then begin to be evaluated by the Company as part of a Concept Study. Technology options, plant sizing and location will be assessed to determine the ideal commercial model, capital and operating costs for the commercial plant.

The potential rapid development of a commercial plant in Australia is in keeping with AVL's strategy to offer investors involvement in the entire energy storage value chain and provide early cash flow opportunities. The Concept Study will be advanced with the assistance of C-Tech and other experts in the vanadium electrolyte sector.



Plate 2: Initial Vanadium dosing of Acid



Plate 3: Balanced Vanadium electrolyte

Distribution

Ongoing discussions on the future sale and distribution of vanadium electrolyte continue with numerous VRB manufacturers, who are experiencing rapid growth in demand for their large-scale storage systems. Demand for electrolyte quality vanadium pentoxide is rising and strongly supports the integration strategy adopted by AVL.

GABANINTHA ENGINEERING CONCEPT STUDY UPDATE

The Concept Study referred to in this report is based on low-level technical and economic assessments and is insufficient to support estimation of Ore-Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Concept Study will be realised.

During the Quarter, the Company provided an update on the progress of project engineering at its flagship Vanadium Project at Gabanintha. (See Figure 3, Table 4). This was detailed in an ASX release dated 10 October 2016 with details included in the September 2016 Quarterly report dated 27 October 2016.

Following the positive outcome reported in October from the pit optimisation work and the updated Concept Study and when all previous studies are also considered, the Company is satisfied that it can justify advancing the project towards development by the completion of a range of more in-depth studies.

These studies will include:

- A resource update using the latest material density information and weathering surface interpretations;
- A detailed mining design and schedule;
- further analysis and sampling of existing diamond core drilling for metallurgical testing designed to confirm metal recovery and concentrate grade and finalise process design inputs. This work will focus on roast and leach test work of magnetic ore concentrates;
- assessment of water supply requirements and geohydrology of the project development area;
- environmental risk evaluations including additional baseline studies, and
- assessment of permitting and government approval requirements and timelines.

An indicative timeline for the completion of these activities was provided in October and an update is provided in Table 3 below. The company anticipates a significant focus on marketing and offtake discussions during the current quarter as the market demand and enquires for vanadium products (for steel and storage devices) continues to grow rapidly.

Finalisation of the new work will allow the Company to determine a project feasibility study and construction timeline that will be dependent on prevailing vanadium market conditions. Much of the recent Concept Study work undertaken to date has been completed to a quality that it can be incorporated into the feasibility study. The Company will report the findings of the studies in accordance with the current reporting requirements for production targets and forward looking statements.

Table 3 – Indicative Timeline of Activities Gabanintha Project

DESCRIPTION	MONTH									
	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17
Resource Update										
Mine Design										
Metallurgical Test Program										
Water Supply & Hydrology Studies										
Environmental Studies										
Environmental & Permitting Review										
Marketing and Offtake negotiations										

Table 4 – Gabanintha Project 2015 Mineral Resource Estimation

Category	High Grade		Low Grade		Total	
	Material (Mt)	V ₂ O ₅ %	Material (Mt)	V ₂ O ₅ %	Material (Mt)	V ₂ O ₅ %
Measured	7.0	1.09	-	-	7.0	1.09
Indicated	4.3	1.07	13.4	0.55	17.8	0.68
Inferred	45.5	0.97	21.1	0.53	66.7	0.83
TOTAL	56.8	1.00	34.6	0.53	91.4	0.82

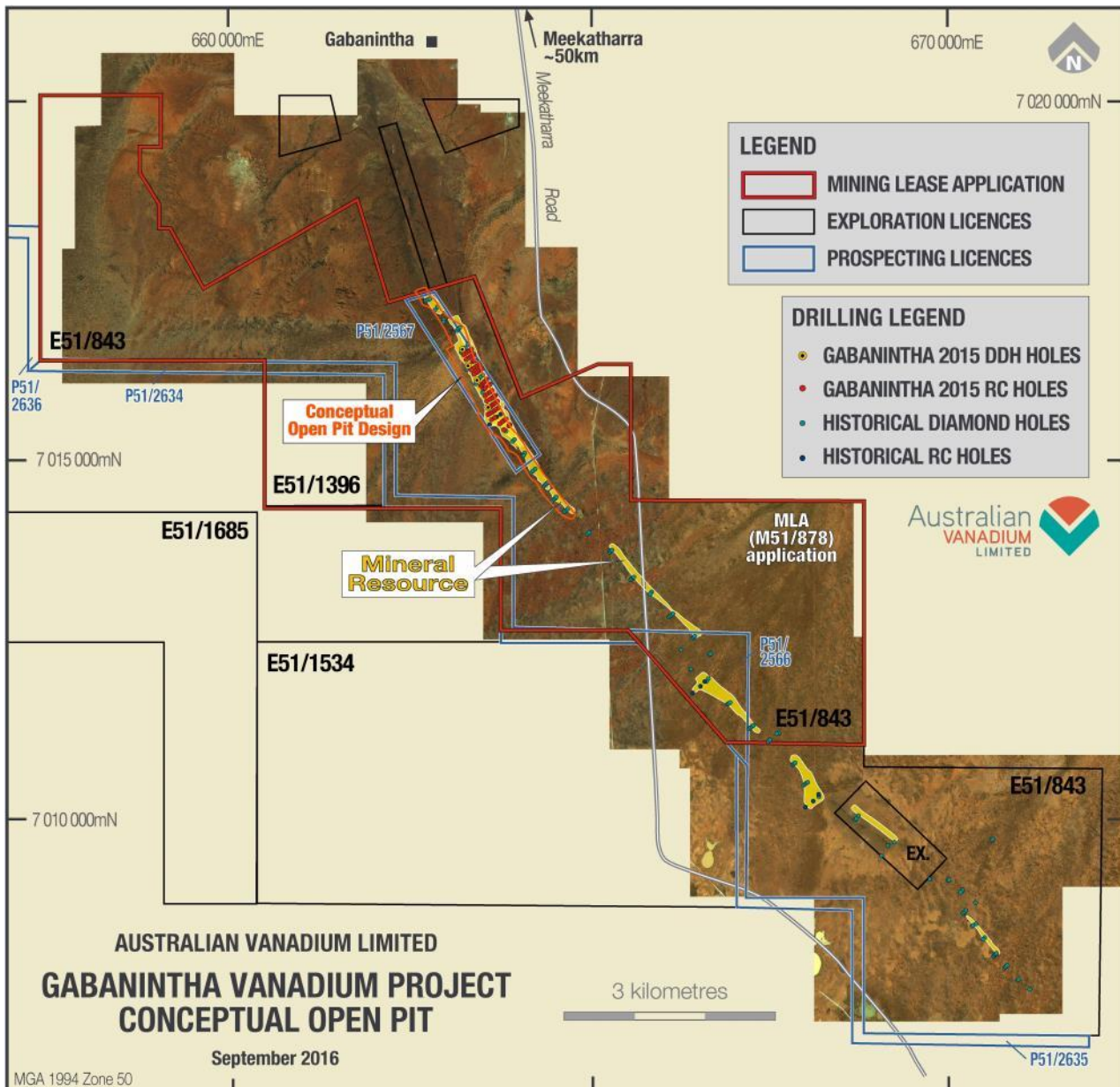


Figure 3 - Resource location and Pit Optimisation Model Pit Shell Outline

VSUN UPDATE

VSUN Energy Pty Ltd is a 100% owned subsidiary of AVL and has the sole focus of the development of an Australian market for VRB. AVL is an agent for GILDEMEISTER Energy Storage GmbH, which has invested over 15 years of research and development into its vanadium flow technology battery system. These systems have been commercially available for over seven years. GILDEMEISTER has installed more than 130 systems globally – establishing itself as the provider of the world’s most commercially advanced flow battery. Public and business interest in energy storage, from domestic through to large network scale, has accelerated globally throughout 2016, and is expected to grow further in 2017.

Sales Update

The installation of Western Australia’s first commercial VRB at Busselton by VSUN Energy during the September Quarter of 2016, has raised general awareness of VRB systems in the market place (*See ASX Announcement September 15, 2016*). Increased enquiries and project valuations have been conducted by the VSUN team, leading to the appointment in January 2017 of a technical sales manager with extensive solar energy sales experience. The new appointment is the first by VSUN Energy in a move focused on aggressively converting leads to sales in 2017.

The potential sales leads currently being pursued has grown from 35 leads (June Quarterly report) to 84 open leads at the date of this report. The number of separate CellCube units within the sales pipeline is 179, representing 88MWh of storage. This indicates the very large potential market of VRB systems within the Australian market, after less than one year of lead generation by a small team at VSUN Energy.

All leads are for the potential sale of CellCube systems and, in some cases, include solar PV systems. Emphasis in these leads continues to be for large CellCube systems (FB 250kW-1000kWh and larger). Interest in multiple smaller units is also growing as the capabilities of the systems become acknowledged. Leads include projects from sectors including mining, industrial, agricultural, multi-residential, hotels, educational, commercial and tender responses.

The CellCube product family includes 10kW, 20kW, 30kW and 250kW power delivery storage systems which can store between 40kWh and 2000kWh in a modular plug-and-play container sized design. The systems are ideal for commercial and grid-scale applications with a need for long duration energy storage (from 2 hours to 10 hours). The systems are scalable beyond 250kW power/2000kWh of storage in multiples of the existing range.

VSUN Energy participates in the sale of CellCube systems on a commission basis. In addition, VSUN is actively developing the service skills to support local VRB installations. This is anticipated to bring in additional revenue over time, as the number of installations and service opportunities rise. Due to the long-expected life of a CellCube VRB, on-site service visits are anticipated to be less than twice annually after the installation is bedded down, with most management being able to be conducted via internet with remote monitoring and control.

CellCube Installation Functioning flawlessly since installation

VSUN Energy's first installation of a VRB energy storage system in Western Australia on a rural property near Busselton was reported in September 2016.

The Company is pleased to report that since installation and commissioning the battery has performed flawlessly. During this time the battery has been continuously monitored on the internet via a modem link. The site has been completely powered day and night by solar power, with the stored solar power being used from the battery during non-sunlight hours. No grid usage has been required. Only three visits have taken place to the battery since commissioning and these were not for battery maintenance but for sales purposes. The chart in Figure 4 shows the battery charge level (fluctuating daily as the battery discharges overnight, then recharges with solar power). Plans for increased battery use will be put in place in early 2017 by the property owner, as they implement planned growth of the property alongside energy independence.

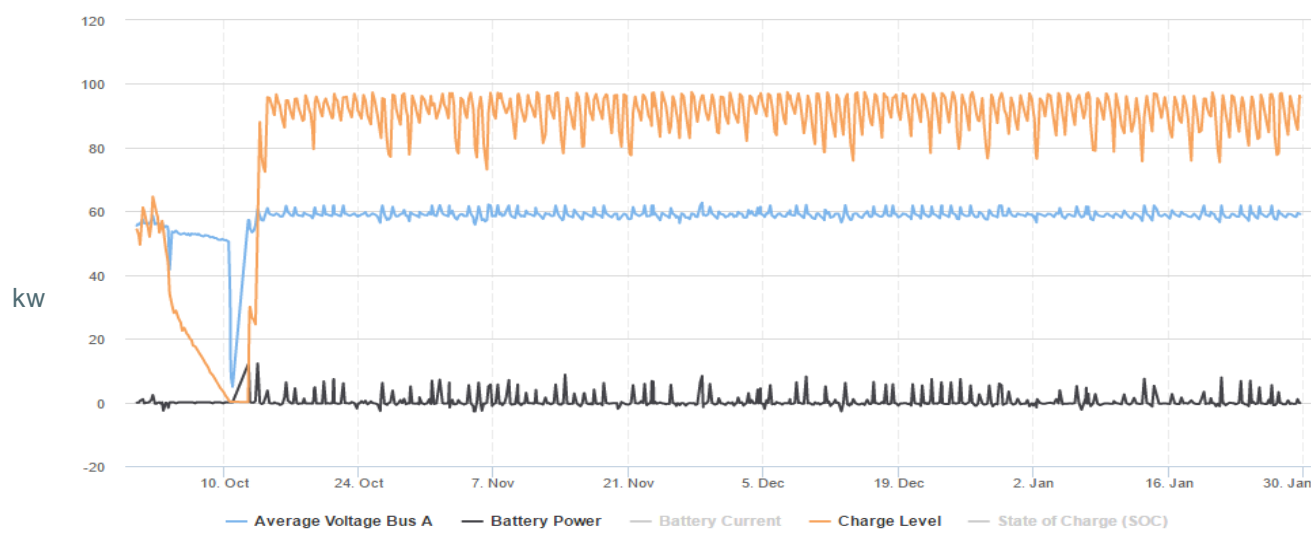


Figure 4 – Continuous use of the Busselton FB10-100 CellCube showing charge level and battery power level since commissioning in early October 2016.



Plate 4. Busselton FB10-100 Installation and 15Kw PV System

The FB 10-100 CellCube can deliver 10kW of power and store 100kWh of energy. It is a fully integrated containerised VRB system which includes 3-phase capability, and is the first of its kind to be installed in Western Australia. The CellCube was installed along with a 15kW solar PV (photovoltaic) system delivered by VSUN Energy's partner, Sun Connect Pty Ltd.

AVL AGREES TO VEND PRECIOUS AND BASE METAL RIGHTS INTO NEW IPO

On 20th January 2017 AVL reported that it has agreed to sell the precious and base metal rights in the Gabanintha Project, as well as 100% equity in its Peak Hill Project tenement (E52/3349) to Bryah Resources Limited.

Under the deal, AVL retains all mineral rights to vanadium, titanium, chromium, uranium, lithium, tantalum, iron ore and manganese within the Gabanintha Project area and retains primary title over the licenses. The development by AVL of the world class high grade Vanadium-Titanium-Iron Project at Gabanintha will continue unabated.

Bryah Resources Limited is an unlisted public company with a focus on gold and copper exploration and is planning to undertake an Initial Public Offering (IPO) on the ASX in the coming months. The transaction represents an opportunity for AVL to realise value for the gold and base metals' potential of its Gabanintha and Peak Hill Projects, whilst it continues to pursue its strategic focus on energy storage minerals, primarily vanadium and lithium.

In addition to the Gabanintha and Peak Hill Projects acquired from AVL, Bryah Resources Limited has recently acquired tenements covering 500km² within the highly prospective and under-explored Bryah Basin, approximately 100km north of Meekatharra. With the addition of the AVL ground, this land holding exceeds 700km².

With AVL taking a significant equity position of between 7% and 9% in Bryah Resources Limited, the Company will benefit from any Cu/Au exploration success at Gabanintha or on their Bryah Basin tenements which are in an area of significant economic mineral deposits.

Management of Bryah Resources Limited have indicated that all AVL shareholders at the time of the capital raising will be given a priority opportunity to participate in the IPO.

Historical Gabanintha Cu/Au exploration results

The Gabanintha Project is located 40km south of Meekatharra in Western Australia (see Figure 3). AVL announced in 2013 (*YRR ASX announcement dated 27th November 2013*) that it had received highly encouraging results from three reverse circulation (RC) drill holes drilled into the northern sector of the Gabanintha tenements. The drilling was carried out at the Tumblegum South Prospect (see Figure 5). The best results were:

- **GRC1158:** 5 metres (31 - 36m) @ 8.72g/t Au and 3.05% Cu, including 1m (32 - 33m) @ 11.4g/t Au and 12.3% Cu. GRC1158 was drilled to test a southwest – northeast trending structure where a line of historical workings is present.
- **GRC1159:** 5 metres (58 - 63m) @ 9.64g/t Au and 0.18% Cu.
- **GRC1157:** 10 metres (33 - 43m) @ 2.59g/t Au and 0.10% Cu, including 1m (39 - 40m) @ 6.99g/t Au. This hole was drilled to intersect a possible north-south trending structure.

Results from the full 12 hole programme and associated disclosures under the JORC Code 2012 are shown in the ASX Announcement dated 20 January 2017: AVL to sell Precious and Base Metal Rights.

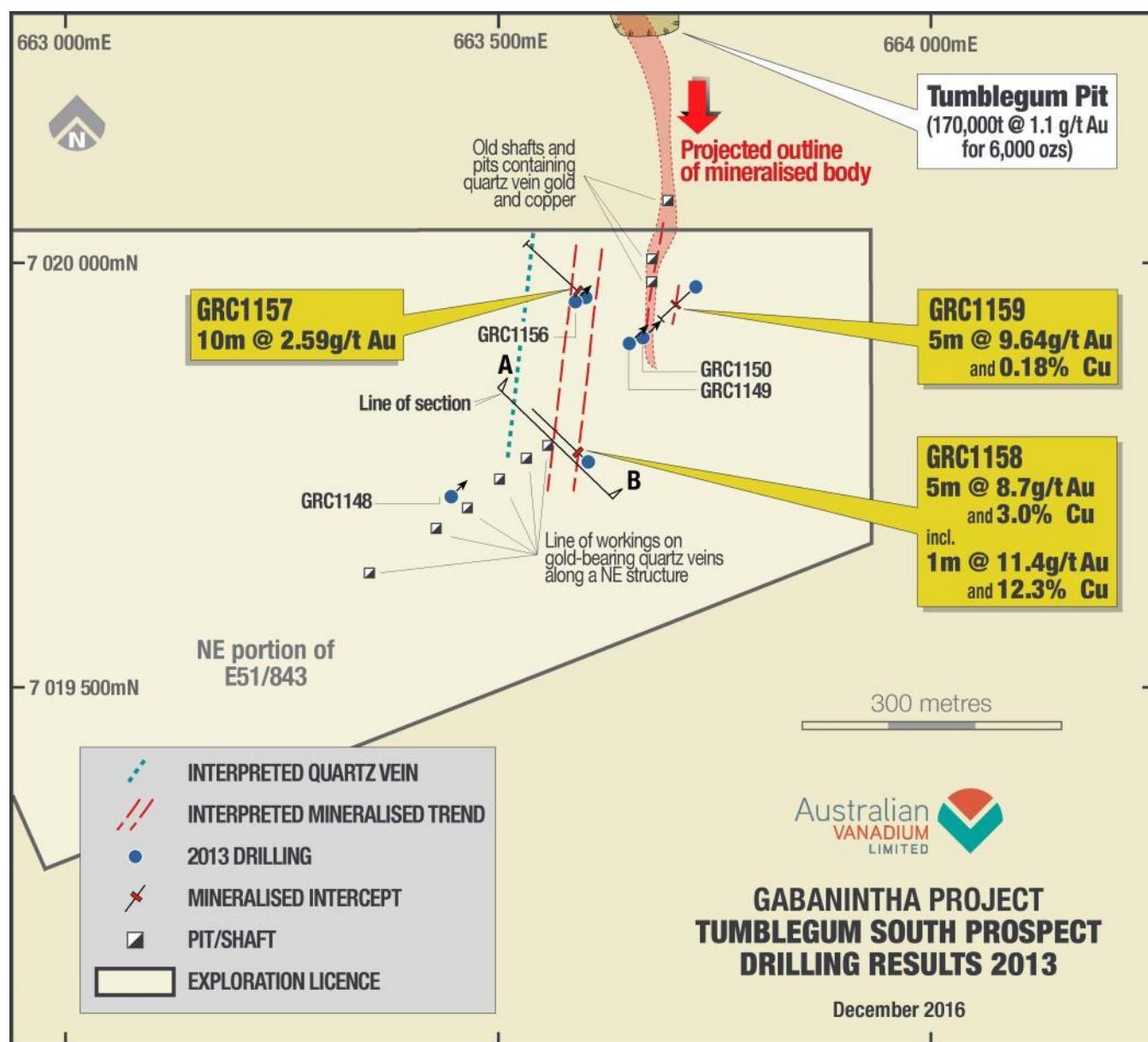


Figure 5 – Tumblegum South Prospect Drilling Results 2013

Key Commercial Terms of the Agreements

AVL will sell to Bryah Resources Limited (Bryah Resources) the rights to precious and base metals over AVL licences at Gabanintha via a Mineral Rights Sale Agreement. Under the Agreement AVL will retain the mineral rights to vanadium, titanium, chromium, uranium, lithium, tantalum, iron ore and manganese within the Gabanintha Project area. AVL retains primary title over the licences. Under a separate Tenement Sales Agreement Bryah Resources will acquire 100% ownership of E52/3349 located in the northern Bryah Basin, which is close to the Fortnum gold mine.

The total consideration for the sale of the two projects to Bryah Resources is:

- (a) five million (5,000,000) ordinary fully paid shares in Bryah Resources, and
- (b) a 0.75% Net Smelter Return royalty from the commencement of production.

The Mineral Rights Sale Agreement at Gabanintha is subject to the following Conditions Precedent within 6 months:

- (a) Bryah Resources completing capital raising(s) of at least \$5.0 million, and
- (b) Bryah Resources receiving conditional approval to be granted official quotation on ASX.

CORPORATE

Nowthanna Hill Uranium M51/771

The Nowthanna Uranium Project is situated approximately 47 kilometres south east of Meekatharra. The project consists of tenement application M51/771 which covers a portion of the calcrete palaeochannel near the Quinn's Lake inland drainage. This same palaeochannel and lake contains the calcrete hosted uranium deposits at Nowthanna and Nowthanna South. The Company has held the tenement application since listing in 2007. The Project is immediately adjacent to and contiguous with the Nowthanna Hill Uranium deposit owned by Toro Energy, located on retention licence application R51/3 and containing an Inferred Resource of 11.9 Mt at 399ppm U₃O₈, containing 10.5Mlbs U₃O₈ reported to JORC 2012 standards and using a 200ppm U₃O₈ cutoff (Toro Energy Annual Report 2015, p13). Historical uranium resources have been calculated on M51/1771 but have not yet been updated by AVL.

During the course of 2016, AVL successfully negotiated a mining project agreement with the Yugunga-Nya people, which will now enable the state to grant the mining lease.

Cash Position

As at the 31st December 2016, the Company had \$2.7 million in cash and cash equivalents.

Capital Raising and share issues

During the quarter a total of 2,000,000 unlisted options with an exercise price of 1.4712 cents each were exercised, raising a total of \$29,424 for the Company.

A total of 77 million shares and 80 million conditional performance rights were issued in consideration for the Blesberg project acquisition.

Company Presentations and Conference Attendance

During the Quarter the Company attended and presented at a number of industry conferences. These included:

- Low Emission and Technology Minerals Conference - Perth (15-16 November)
- Australian Utility Week - Sydney (29-30 November) in conjunction with GILDEMEISTER Energy Storage GmbH

The Company played a major role in the inaugural Vanitec Energy Storage Committee meeting held in London. The meeting attracted 55 participants from the vanadium-only flow battery industry. Topics of discussion included

energy storage vanadium demand, health and safety and standards for electrolyte quality. The strong interest and identification of real and significant demand for vanadium flow battery systems at the grid connected level across the globe was of significant value to AVL and all those attending who have the common goal of advancing the use of vanadium. Emerging technologies that improve the performance of Li-Ion systems and use vanadium materials in cathode production are of additional interest and further support new and existing vanadium production.

During the March 2017 quarter the Company will present at:

- Mining Indaba Cape Town Discovery Forum (05-07 February 2017)

For further information, please contact:

Vincent Algar, Managing Director

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Tenement Schedule

Tenement Information as Required by Listing Rule 5.3.3 For the Quarter Ended 31 December 2016					
Project	Location	Tenements	Economic Interest	Notes	Change in Quarter %
Western Australia	Gabanintha	E51/843	100% Granted		Nil
		E51/1396	100% Granted		Nil
		E51/1534	100% Granted		Nil
		E51/1576	100% Granted		Nil
		E51/1685	100% Granted		Nil
		P51/2566	100% Granted		Nil
		P51/2567	100% Granted		Nil
		P51/2634	100% Granted		Nil
		P51/2635	100% Granted		Nil
		P51/2636	100% Granted		Nil
		MLA51/878		100% On application	Nil
Western Australia	Nowthanna	MLA51/771		100% On application	Nil
Western Australia	Peak Hill	E52/3349	100% Granted		Nil
South Africa	Blesberg	(NC) 940 PR		Earning 50.03%	Nil

About Australian Vanadium Limited

AVL is a diversified resource company with an integrated strategy with respect to energy storage, seeking to offer investors a unique exposure to all aspects of the vanadium value chain – from resource through to steel and energy storage opportunities as well as other energy storage metals exposure through the acquisition and evaluation of lithium/tantalum projects.

AVL is advancing the development of its 100%-owned, world-class Gabanintha vanadium project. Gabanintha is currently one of the highest-grade vanadium projects being advanced globally with Measured Resources of 7Mt, Indicated Resources of 17.8Mt and Inferred Resources of 66.7Mt, a total of 91.4Mt, grading 0.82% V₂O₅ and containing a discrete high-grade zone of 56.8Mt, grading 1.0% V₂O₅ reported in compliance with the JORC Code 2012 (see YRR ASX Announcement 10 November 2015).

AVL is aiming to develop a local commercial production capacity for high-purity vanadium electrolyte, which forms a key component of vanadium redox flow batteries (VRB).

AVL, through its 100%-owned subsidiary VSUN Energy Pty Ltd, is actively marketing VRB in Australia through a distribution agreement with world-leading flow battery manufacturer, GILDEMEISTER Energy Storage GmbH.

As part of its broader energy metals focus, AVL has also commenced a staged acquisition of a controlling 50.03%

interest in the Blesberg Lithium-Tantalum Project in South Africa (see *ASX Announcement 21 December 2016*).

Concept Study Parameters – Cautionary Statement

The Concept Study in this report (nominal +/- 50% accuracy) is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the current conclusions of the Concept Study will be realised. There is a moderate level of geological confidence associated with Measured Indicated and Inferred Mineral Resources and there is no certainty that further exploration and development work will result in the estimation of Ore Reserves or that the production target itself will be realised. The Company advises the Concept Study results and production targets reflected in this announcement are highly preliminary in nature as conclusions are drawn from the average grade of Measured, Indicated and Inferred Resources. A generic mining cost per tonne of material moved and an average resource grade has been used to determine overall mining and processing costs as opposed to a detailed mining block model evaluation to produce a detailed mining schedule.

Competent Person References

Competent Person Statement – Exploration Results Gabanintha

The information in this statement that relates to Exploration Results at Gabanintha is based on information compiled by independent consulting geologist Brian Davis BSc DipEd who is a Member of The Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists and is employed by Geologica Pty Ltd.

Brian Davis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr. Davis consents to the inclusion in the report of the matters based on the information made available to him, in the form and context in which it appears.

Competent Person Statement – Metallurgical Results

The information in this statement that relates to Metallurgical Results is based on information compiled by independent consulting metallurgist David Pass B.Sc. (Hons), Mr Pass is a Member of The Australian Institute of Mining and Metallurgy. David Pass is employed by Battery Limits Pty Ltd Mr Pass has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr. Pass consents to the inclusion in the report of the matters based on the information made available to him, in the form and context in which it appears”.

Competent Person Statement – Mineral Resource Estimation

The information relating to the Gabanintha Project 2015 Mineral Resource estimate reported in this announcement is based on information compiled by Mr John Tyrrell. Mr Tyrrell is a Member of The Australian Institute of Mining and Metallurgy (AusIMM) and a full time employee of AMC (AMC Consultants Pty Ltd). Mr Tyrrell has more than 25 years' experience in the field of Mineral Resource Estimation. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and in resource model development to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr. Tyrrell consents to the inclusion in the report of the matters based on the information made available to him, in the form and context in which it appears.

The information is extracted from the report entitled “Substantial high-grade vanadium resource highlights Gabanintha’s world-class potential” released to ASX on 10 November 2015 and is available on the company website at www.australianvanadium.com.au.

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resource or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the competent person’s findings are presented has not been materially modified from the original market announcement.

Competent Person Statement – Blesberg Sampling Program

The information relating to the Blesberg Lithium-Tantalum Project sampling program reported in this announcement is based on information compiled by Mr. Michael Cronwright MSc. Pr.Sci.Nat. who is a Fellow of The Geological Society of South Africa (GSSA) and a full-time employee of MSA (MSA Group (Pty) Ltd). Mr Cronwright has more than 17 years' experience in the field of mineral exploration. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr. Cronwright consents to the inclusion in the report of the matters based on the information made available to him, in the form and context in which it appears.

Competent Person Statement – Blesberg Exploration Program

The information relating to the Blesberg Lithium-Tantalum Project exploration program reported in this announcement is based on information compiled by Mr Vincent Algar. Mr Algar is a Member of The Australian Institute of Mining and Metallurgy (AusIMM) and a full-time employee of the Company. Mr Algar has more than 25 years' experience in the field of mineral exploration. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr. Algar consents to the inclusion in the report of the matters based on the information made available to him, in the form and context in which it appears.

Forward Looking Statements

This announcement may contain certain "forward-looking statements" which may not have been based solely on historical facts, but rather may be based on the Company's current expectations about future events and results. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to Resource risk, metal price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as political and operational risks in the countries and states in which we sell our product to, and government regulation and judicial outcomes. For more detailed discussion of such risks and other factors, see the Company's Annual Reports, as well as the Companies other filings. Readers should not place undue reliance on forward looking information. The Company does not undertake any obligation to release publicly any revisions to any "forward looking statement" to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.