QUARTERLY REPORT

ACTIVITY REPORT FOR THE QUARTERLY PERIOD ENDED 31 DECEMBER 2015

29.01.2016

ASX ANNOUNCEMENT

Highlights:

- An updated Mineral Resource Estimate was completed in compliance with the JORC Code 2012 for the Gabanintha Vanadium-Iron-Titanium Project (ASX release of November 10th 2015).
- The Company reported a Measured and Indicated Mineral Resource of 24.8Mt at 0.8% V_2O_5 at the Gabanintha project near Meekatharra in WA that includes a high grade zone of 11.3 Mt at 1.1% V_2O_5. This forms part of a total Mineral Resource of 91.4Mt at 0.82% V_2O_5.
- A detailed petrological and mineralogy study was completed on 19 material types from the Gabanintha orebody by the Centre for Exploration Targeting at the University of Western Australia;
  - Mineralogy results showed that magnetic separation techniques will be applicable for both high-grade and low-grade ores.
  - Scanning Electron Microprobe work indicated values up to 3.09% V_2O_5 in magnetite confirming the high grade vanadium content of low and high grade mineralisation.
- Further metallurgical testing on the different ore types was conducted to assess recovery potential. The tests establish Gabanintha's strong potential to be a high-grade, low-cost vanadium project;
  - High recovery rates were obtained from all the ore types, including oxidised material, using relatively coarse grind sizes, highlighting further scope to keep operating costs low.
- AVL appointed an internationally-renowned expert in the vanadium battery field as a consultant, supporting its strategy to become a major supplier of Australian vanadium to the high-technology battery market.
- AVL significantly advanced discussions on collaboration with Vanadium Battery Manufacturers and Solar Installation Partners
- Australian Vanadium Limited became the new name of Yellow Rock Resources Limited as indicated in the ASX announcement of 2nd December 2015.

Plans for March 2016 Quarter:

- The Company is due to complete an updated concept study for Gabanintha using new resource and metallurgical data.
- Expected completion of agreements with Vanadium Battery Manufacturers and Solar Installation partners
- First Vanadium Flow Battery Order expected for VSun Pty Ltd , AVL's 100% controlled subsidiary focused on developing the Australian market for flow batteries and vanadium electrolyte
- Commencement of discussions with Chinese, Korean and European Vanadium Processing Companies about the Gabanintha Project development.

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Projects:

Gabanintha Vanadium
Gabanintha Gold, Copper

RESOURCE

On 10 November 2015, AVL announced outstanding results from a revised Mineral Resource estimate, reported in compliance with the JORC Code 2012, for its Gabanintha project near Meekatharra in WA.

The total Measured, Indicated and Inferred Mineral Resource in both low and high grade domains is 91.4Mt at 0.82 per cent V_2O_5 and contains 750,000 tonnes of V_2O_5. This includes a high-grade zone of 56.8Mt at 1 per cent V_2O_5 for 563,000 tonnes of V_2O_5.

A substantial portion of high grade material over 1% in grade highlights the strong potential for Gabanintha to be a world-class vanadium project with critical mass and low costs.

The result helps underpin AVL's aims to become a globally significant vanadium producer.

The Company commenced economic studies with a view to initiating a full definitive feasibility study by mid-2016.

AVL also completed detailed metallurgical studies on samples from the drilling to determine the optimum processing route for making Gabanintha vanadium suitable for sale to the high-tech battery industry.

The resource estimation was completed by independent consulting company Australian Mining Consultants (AMC) in October and November 2015 and the resource summary is tabulated below:

Material	JORC Resource Class	Million Tonnes	In situ bulk density	V_2O_5 %	Fe%	TiO_2 %	SiO_2 %	Al_2O_3 %	LOI%
High grade	**Measured**	7.0	3.73	1.09	43	12	10	8	3.4
	Indicated	4.3	3.29	1.07	41	12	12	9	4.6
	Inferred	45.5	3.67	0.97	42	11	12	8	2.8
Subtotal		**56.8**	**3.65**	**1.00**	**42**	**11**	**12**	**8**	**3.0**
Low grade	**Indicated**	13.4	2.39	0.55	24	7	27	19	8.7
	Inferred	21.1	2.48	0.53	25	7	27	17	7.0
Subtotal		**34.6**	**2.45**	**0.53**	**25**	**7**	**27**	**18**	**7.6**
Subtotal	**Measured**	7.0	3.73	1.09	43	12	10	8	3.4
Subtotal	**Indicated**	17.8	2.61	0.68	28	8	23	16	7.7
Subtotal	**Inferred**	66.7	3.29	0.83	37	10	17	11	4.1
	TOTAL	**91.4**	**3.19**	**0.82**	**35**	**10**	**18**	**11**	**4.8**

Table 1 Gabanintha Project – Mineral Resource Estimate using a 0.3% V_2O_5 cutoff for low grade and 0.7% V_2O_5 cutoff for high grade (total numbers may not add up due to rounding)

Details of the Gabanintha Mineral Resource update can be found within the announcement to ASX on November 10th 2015. This announcement also includes JORC Table 1 disclosure of the resource and database parameters and methods.

AVL Chief Executive Vincent Algar said the size and the grade of the Mineral Resource showed Gabanintha was ideally placed to become a world-class vanadium project.

"This result gives us the foundations on which to build an outstanding project with low costs and strong margins," Mr Algar said.

“We have the high grade, the close proximity to infrastructure and our timing in respect to supplying the vanadium battery market looks to be ideal.

“We will now look to confirm the economic aspects of Gabanintha while also pursuing our discussions with vanadium battery manufacturers.”

The information that refers to Mineral Resources in this statement was prepared and first disclosed under the JORC Code 2004. The additional drilling data has now been incorporated and modelled into a revised and updated resource estimate to comply with the JORC Code 2012. This was undertaken in October 2015 by independent consultants AMC and was initially reported in an ASX announcement on 10 November 2015.

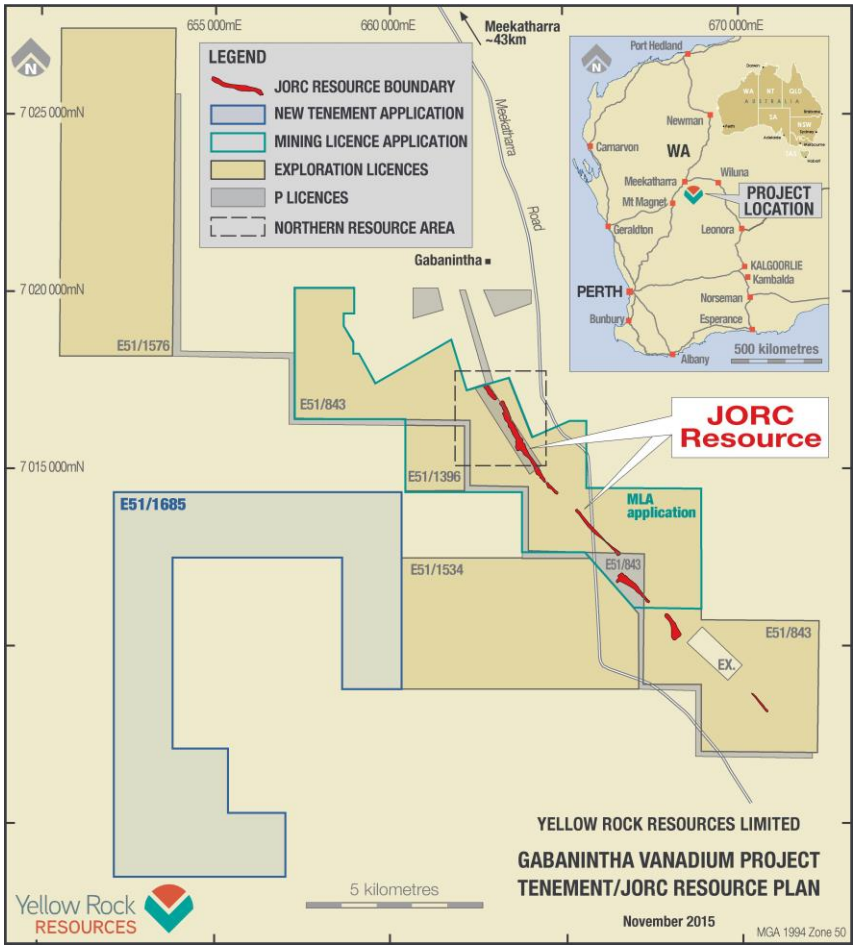

Figure 1 Location Diagram of the Gabanintha Project.

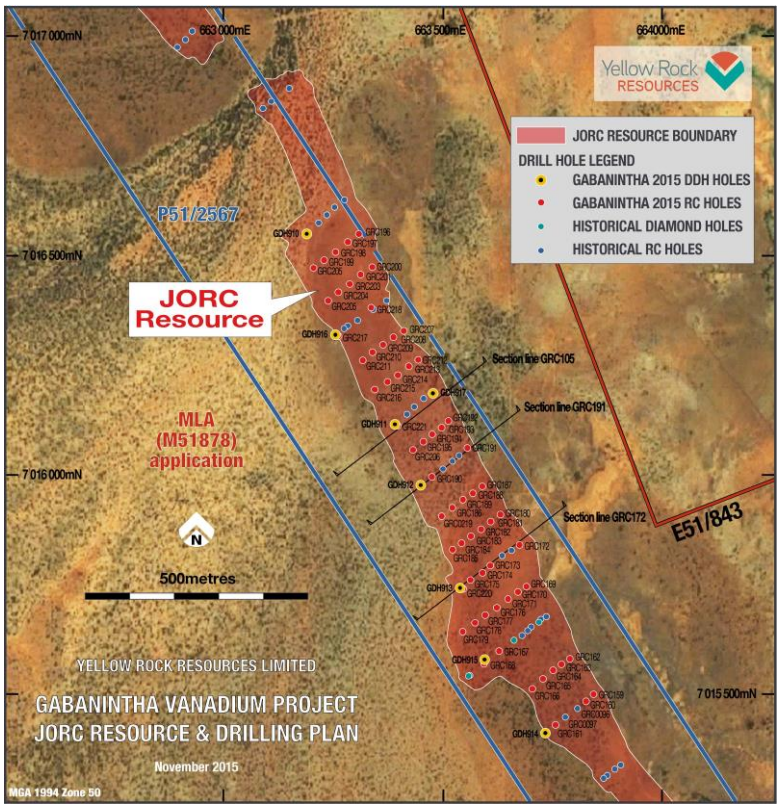

Figure 2 Collar Location Diagram and Ore Outlines at Gabanintha Project

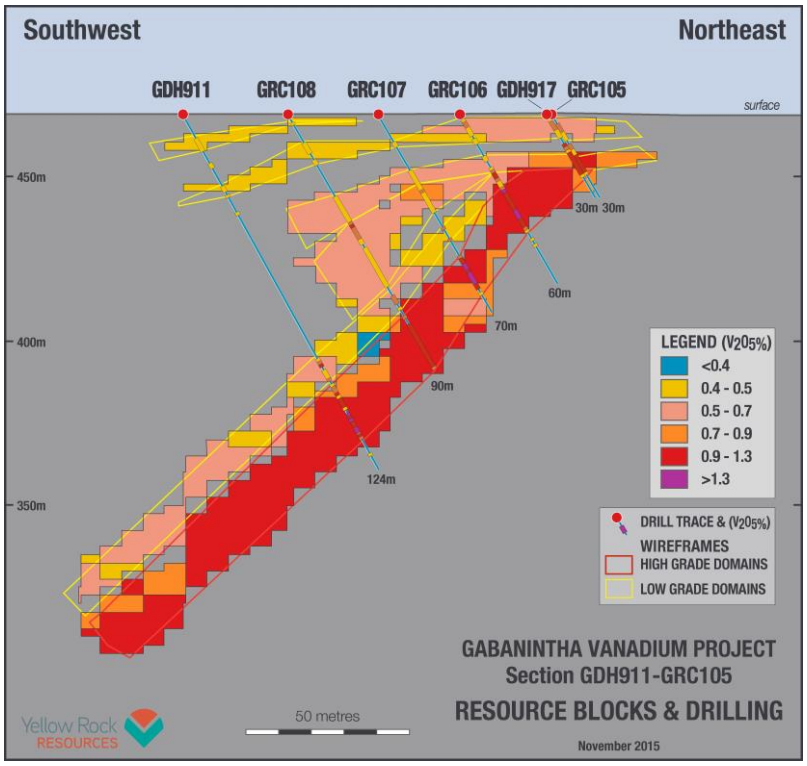

Figure 3 Cross Section through Resource Block Model showing block grades and drilling coverage (see Figure 2 for section location)

MINERALOGY AND PETROLOGY

During the quarter AVL completed a detailed mineralogy and petrology study in conjunction with petrologists from the University of Western Australia's Centre for Exploration Targeting (CET).

The results present favorable mineral characteristics for vanadium extraction and were used in the mineral resource estimation and metallurgical test work which the company completed as part of project development activities. A summary of the study is outlined below:

- Eighteen core and one surface sample representing typical mineralised and unmineralised rocks across Gabanintha were examined and analysed in detail by petrologists from the University of Western Australia's Centre for Exploration Targeting (CET).
- Analysis of the material was conducted by high resolution photography, Scanning Electron Microscope (SEM), X-ray Spectrometry and qualitative as well as semi-quantitative chemistry.
- Mineralogy results show magnetic separation techniques will be applicable for both high-grade and low-grade ores.
- Titano-Magnetite is dominant as the ore mineral and oxidises to Martite (Hematite) in the weathering profile, maintaining the same crystal structure and all its associated vanadium.
- The oxidised materials, contain significant relict magnetite remaining partially magnetic - making magnetic separation techniques applicable in the high grade oxide material.
- Magnetite particles in the low grade samples (magnetite gabbro), show high contained vanadium, supporting the magnetic separation of low grade ores to yield significant additional vanadium units.
- In sample 913-130.3, local SEM values up to 3.09% V_2O_5 in magnetite were observed from sample compared with the sample head grade of 0.77% V_2O_5.
- Mineralogy polished section work indicated the presence of unweathered magnetite cores in partially weathered martite mineral grains in surface, and apparently completely oxidised, material (see Figure 4).

All results and findings are being used in the ongoing metallurgical assessment and will form key components to final process design in 2016. AVL Chief Executive Vincent Algar commented: "the high quality and very detailed mineralogy gives us a micro-level understanding of our material. This gives us new and essential information as we integrate our resource and all important metallurgical test work into a mine plan for the future. The key finding on the high contained vanadium in our low grade gabbro material provides us with even more significant opportunities for Gabanintha's development"

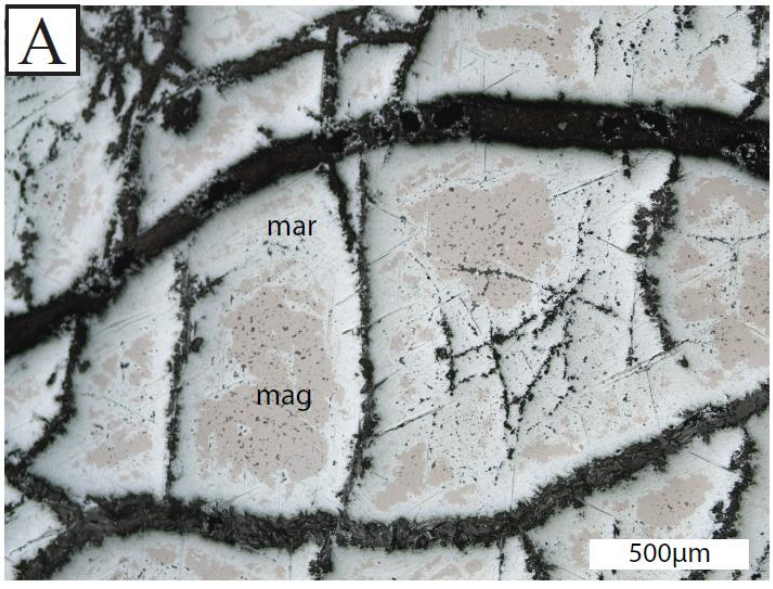

Fig 4: Sample GDH916 Oxidised sample showing weathered iron mineral Martite grain and preserved Magnetite core.

METALLURGICAL TEST WORK

During the Quarter, the Company completed a series of detailed tests on six composite RC samples chosen to represent the mineralised material types present at the Gabanintha Vanadium- Iron-Titanium deposit.

The tests reported outstanding results, returning high recovery rates from the fresh, transitional and oxide ore at Gabanintha, further demonstrating the project's strong potential to enjoy both low capital and operating costs.

The project's attractive cost profile was also underpinned by results showing that the silica content of the ore was removed easily and that there were strong recovery rates for the titanium, raising the prospect of an additional revenue source.

The samples were submitted for testing to Bureau Veritas metallurgical laboratories under the guidance of metallurgical consultants Battery Limits Pty Ltd. The samples comprised oxide, transition and fresh material each from low grade (disseminated) and high grade (massive) mineralisation for a total weight of 225.51 kilograms. Crushing and grinding parameters, analysis of recoveries from all ore types using gravity and magnetic separation methods were tested in order to confirm suitable process plant options. The tests performed included Grind Size Distribution, Davis Tube Recovery (DTR), Low Intensity Magnetic Separation (LIMS), Wet High Intensity Magnetic Separation (WHIMS), Heavy Liquid Separation (HLS) and Wilfley Table techniques. Figure 5 shows the distribution of Low Grade (LG) and High Grade (HG) mineralised zones in a schematic cross section of the Gabanintha Deposit.

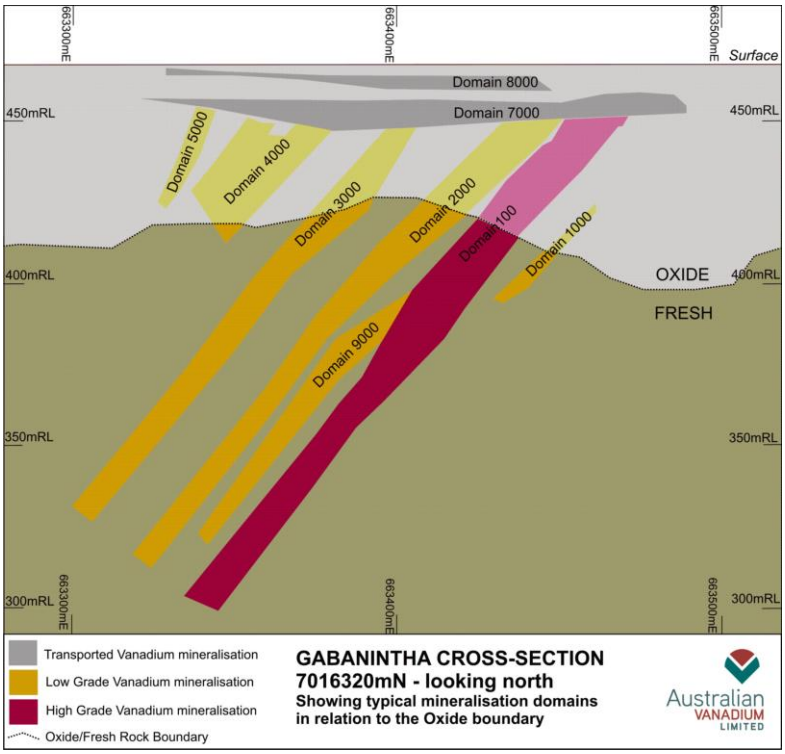

Figure 5: Schematic cross section of Gabanintha Deposit showing HG and LG domains as well as oxide boundary. Transitional material is found above and below the indicated oxide and fresh boundary

Key technical findings of the testwork include:

- Magnetic separation tests indicate that both Low Grade (LG) and High Grade (HG) partly oxidised and fresh samples can be effectively upgraded to concentrates up to 1.5% V_2O_5.
- Totally oxidised samples yield a high quality iron-vanadium-titanium concentrate when using high intensity magnetic separation (mass recovery ranges between 30% and 85%, vanadium recovery 30 to 90%)
- Magnetic recovery of LG samples is impressive with 32 to 62% of mass recovered and 70% to 85% of the V_2O_5 reporting to concentrate at a coarse grind size.
- Magnetic recovery from HG samples is excellent at 75% to 82% of mass recovered and 82% to 95% of the V_2O_5 at a coarse grind using low intensity magnetic separation.

Australian Vanadium Chief Executive Vince Algar said the results provided further strong evidence that Gabanintha was well on track to be a high-grade, low-cost vanadium project.

"We are rapidly ticking all the boxes along the way to establishing Gabanintha as a technically and economically robust project," Mr Algar said.

"The strong recoveries achieved from all the ore types using a relatively coarse grind size strengthen our view that Gabanintha will enjoy both low operating and capital costs."

Grind Size

The samples are relatively grind-insensitive and good liberation of V-Fe-Ti can be achieved at a coarse 500 micron size. This could remove the necessity to fine grind for all separation techniques and thus save significantly on milling and processing capital and operating costs. Tests at 80% passing -75, -212 and -500 microns were conducted and there was little difference in the recovery results (Figure 6).

The silica content of all samples was seen to be effectively reduced by screening. Due to the non-magnetic nature of the silica it is likewise effectively reduced during magnetic separation and reports to the non-magnetic fraction. Further work on silica reduction and de-sliming is required but the results from the current tests are very encouraging and point to the generation of low silica magnetic concentrates. LG concentrates achieved silica contents between 2.2% and 8% while HG concentrates achieved silica contents between 1.57% and 4.4%.

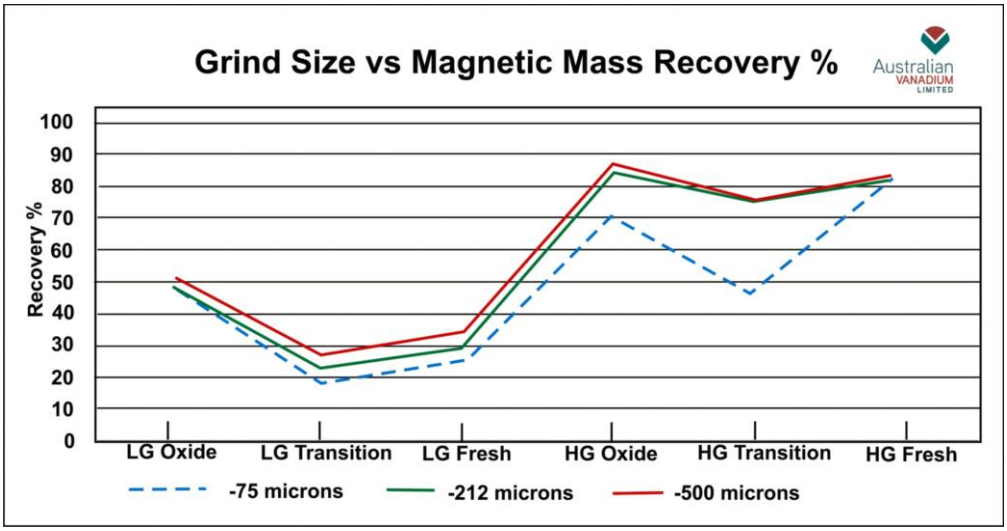

Figure 6: Effect of grind size on magnetic mass recovery of the ore sub-types. All sample recoveries are DTR at 3000G except LG Oxide and HG Oxide Samples which are WHIMS at 7000G

Recovery

Davis Tube Recovery (DTR) tests, a low intensity magnetic recovery method, confirm that magnetic separation techniques will be applicable for both High Grade (HG) and Low Grade (LG), transition and fresh materials using a coarse grind size.

Magnetic separation tests were completed at 750, 1500, 3000 Gauss using DTR methods for all grind sizes. In the massive HG transition and fresh ore types, results indicated that a grind size of 500 microns was optimum for separation of the magnetic fraction. The lower Gauss values (750 to 3000) allowed 70%-80% mass recoveries and 85%-92% V_2O_5 recovery in the magnetic concentrates of the HG Ore. Vanadium concentrate grades varied from 1.1 to 1.5 % V_2O_5.

LG disseminated mineralisation samples yielded lower mass recoveries from DTR methods with concentrate mass yields from 24% to 32%. Despite this lower overall mass of concentrate, an impressive 65-70% of the vanadium is recovered, yielding a significant grade increase from the 0.5% V_2O_5 feed to between 1.1% and 1.4% V_2O_5. These tests confirm a key result from earlier mineralogy work[1]; that the low grade ores can yield significant additional high quality vanadium units.

Use of Wet High Intensity Magnetic Separation (WHIMS) techniques showed good potential to upgrade and recover oxide and transitional samples. It is often the case that strongly oxidised portions of vanadium deposits cannot produce a concentrate using any magnetic methods. This result is an excellent outcome for Gabanintha, allowing a flowsheet to be

[1] ASX on 21st October 2015 Gabanintha Confirms Positive Vanadium Mineralogy

developed that incorporates and recovers significant oxidised vanadium tonnes. These tests were conducted on all sample types using high intensity magnets at intensities of 4500, 7000 and 9000 Gauss.

As the magnetic intensity was increased from 4,500 to 7,000 Gauss, a significant leap occurs in the recovered mass and vanadium. This occurs particularly strongly in completely oxidised LG and HG material. In the LG oxide, mass yields jump from 30% to 50% with vanadium recovery jumping from 40% to 70%. In the HG oxide, mass yields jump from 32% to 75% with vanadium recovery jumping from 32% to 82%. This result is supported by earlier mineralogy work which indicated the presence of unweathered magnetite cores in partially weathered Martite mineral grains in surface, and apparently completely oxidised, material (see Figure 4).

Grades obtained from the test work indicate that a concentrate product assaying between 1.3% and 1.5% V_2O_5 is feasible from a blend of all ore sub-types, including oxides (Figure 7). Mass yields of concentrate and vanadium similarly point to the excellent potential of blending oxide, transition and fresh material from both LG and HG ore types in the mining and processing scenarios.

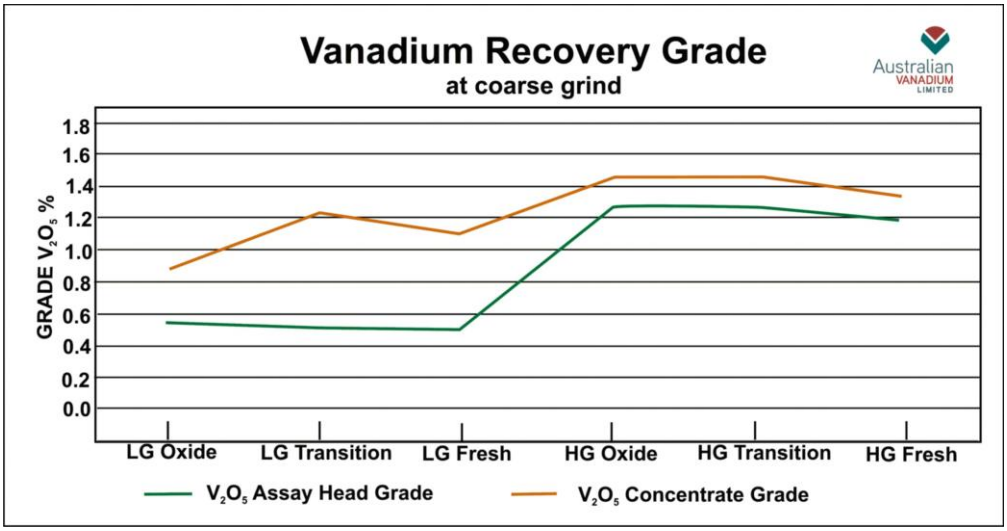

Figure 7: Expected Vanadium Grade of the ore sub-types. All sample recoveries are DTR at 3000G except LG Oxide and HG Oxide Samples which are WHIMS at 7000G

Titanium Recovery in Concentrate

The test work indicated that in general, transitional and fresh samples achieved good recovery of Titanium dioxide (TiO_2) in terms of recovery percentage and grade. Sample head grades varied from 6.5% to 9% TiO_2 in the LG samples and 13-15% TiO_2 in the HG samples.

Titanium oxide recovery using DTR methods (3000 Gauss and 500 micron grind size) yielded the following encouraging results;

- Transition LG : 64.3 % TiO_2 recovered at a grade of 15.8 % TiO_2
- Fresh LG : 71.2% TiO_2 recovered at a grade of 14.0% TiO_2
- Transition HG : 79.3 % TiO_2 recovered at a grade of 15.2% TiO_2
- Fresh HG: 86.4% of TiO_2 recovered at a grade of 14.0% TiO_2

When using higher intensity magnetic separation, oxide recoveries increase significantly at 7000 Gauss and this includes the recovery of TiO_2.

The consultant has recommended the company undertake a detailed review of TiO_2 by-product recovery options as part of its planned feasibility work in 2016 in the light of these positive test results.

The addition of a Titanium product recovery stream could add significantly to the project economics, if it is possible to implement such a recovery at modest to low capital costs.

Recommendations for Future test Work

The consultant has recommended that a number of additional tests be carried out as part of a detailed feasibility study to determine the ultimate processing route and ideal blending strategy to follow during operations:

- Additional tests are required using core samples (already drilled) to assess variability of ore types, gravity upgrade techniques, de-sliming characteristics and roast leach work
- Detailed evaluation of Fe: V ratios across the resource to identify the maximum upgradability potential of the ore types.
- Conduct future test work on the available drill core to determine optimal grind recovery and fines minimisation, as well as maximisation of silica removal during beneficiation.
- Optimise magnetic recovery circuits
- Commence roast/leach test work on selected samples and composites.
- Consider TiO_2 recovery processing options given the good TiO_2 recovery and grade achieved during the current round of tests.

CORPORATE

During the December 2015 Quarter the Company was very active completing technical studies. On the Corporate front a number of key relationship initiatives were advances and completed. Key activities include the following:

- *AVL recruitment of international Battery Expert as consultant.*

In November 2015, AVL took a key step in its strategy to become a major supplier of Australian vanadium to the high-technology battery market by appointing an internationally-renowned expert in the field as a consultant.

Emeritus Professor Maria Skyllas-Kazacos of the University of NSW will play a leading role in AVL's program to establish vanadium electrolyte production from the Company's Gabanintha project in WA for use in the rapidly emerging battery industry.

Prof Skyllas-Kazacos will assist AVL in assessing the global market for the vanadium electrolyte used in the batteries and to identify the optimum method of processing Gabanintha vanadium for this market.

She will also assist with AVL's studies aimed at determining the extent to which the cost of manufacturing vanadium batteries could be reduced by using a mine-quality vanadium product.

The results of these studies will be included in a new scoping study on Gabanintha. AVL has previously completed a concept study on Gabanintha, which was previously focused only on vanadium in the steel industry.

In light of the strong outlook for the vanadium battery industry, the Company intends to advance the project in a way that will enable it to supply both the battery and steel industries.

Prof Skyllas-Kazacos played a key role in inventing the all-vanadium redox flow cell battery in 1985 and she has continued developing this technology at the UNSW. Under her guidance, the UNSW installed a Gildemeister Cell Cube 130kWh vanadium flow battery on the campus earlier this year. The battery will be used to provide power to a university building in conjunction with solar energy and in teaching and battery research. As the first major installation of a large vanadium redox battery in Australia, it can provide up to 30kW of power for more than four hours.

- *Name Change to Australian Vanadium Limited*

On 2 December 2015, following approval by shareholders at the November 20th Annual General Meeting, the Company changed its name and ASX Code (new code AVL) to Australian Vanadium Limited to more clearly reflect the Company's focus on Vanadium.

The new name marked the next step in the Company's growth strategy, having progressed the Gabanintha Vanadium Project since acquisition in 2009, the recent resource update demonstrates the project's strong potential as one of the highest-grade vanadium projects being progressed world-wide.

The new name also indicates the Company's focus on the energy storage market, which is experiencing increasing demand for vanadium." This focus will be effected by the Company's 100% subsidiary VSun Pty Ltd that is focused solely on the vanadium flow battery storage market and is moving rapidly towards key agreements and early sales.

Part of Australian Vanadium's strategy is to build capability to provide the vanadium-based electrolyte which "fuels" the batteries. This is projected to significantly increase as the global demand for vanadium aligns with energy storage growth. There is a significant opportunity for Australian Vanadium to develop the electrolyte in Australia, adding substantial value and helping to foster the end-user market in the process.

The new company name is timely with the strong outlook for both Gabanintha and the vanadium market.

- *Advancing discussions with Battery manufacturers and Solar Technology installers*

AVL has continued to make excellent progress with vanadium battery manufacturers and solar technology partners during the December Quarter. In particular meetings were held in Perth and a Western Australian Energy Storage conference jointly attended with the battery manufacturer. Other activity included evaluation of a number of potential customers. Discussions are moving rapidly toward agreement completion and first orders of a vanadium battery. Discussions are focused on collaboration to grow awareness and sales of vanadium redox flow batteries throughout Australia, facilitiated through AVL's subsidiary VSun Pty Ltd.

- *New Contact with Chinese, Korean and European Vanadium Processing Companies*

During the Quarter and following the release of the updated resource estimate and metallurgical results, AVL has been in contact with a number of globally significant vanadium producers and market experts. These include Chinese, Korean and European producers for the steel and chemical industries. Gabanintha's size and grade potential, as well as excellent infrastructural and strategic location compared to other projects is now easily presented to global producers. The Company is focused on advancing relationships and due diligence discussions with global vanadium leaders in 2016 to ensure the future of the project.

ACTIVITIES FOR THE MARCH 2016 QUARTER

- Updated Concept Study to be released incorporating new resource and metallurgical data.
- A cost estimation for the scoping and initial feasibility studies will be completed.
- Commencement of costing and planning for a stand-alone electrolyte plant, announcement of project partners
- Finalisation of agreements with battery manufacturers and solar technology installers
- Initial contact meetings with Chinese, Korean and European vanadium processing companies about Gabanintha Project development.

For further information, please contact:

Vincent Algar, CEO

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Competent Person References

Competent Person Statement – Mineral Resource Database
"The information in this statement that relates to Exploration Results and Mineral Resources database is based on information compiled by independent consulting geologist Brian Davis B.Sc (Hons), Dip.Ed. Mr Davis is a Member of The Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Brian Davis is employed by Geologica Pty Ltd and is the Non-Executive Chairman of Australian Vanadium Limited. Mr 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".
The information that refers to Exploration Results, and Mineral Resources in this announcement was prepared and first disclosed under the JORC Code 2004 and then incorporated into a JORC 2012 Mineral Resource Estimation completed by AMC.

Competent Person Statement – Mineral Resource Estimation
"The information relating to the Gabanintha Mineral Resource estimate was 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 (Australian Mining 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 JORC Code.
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".
In undertaking the assignments referred to in this document, AMC acted as an independent party, has no interest in the outcome of the Gabanintha Project and has no business relationship with Australian Vanadium Limited other than undertaking those individual technical consulting assignments as engaged, and being paid according to standard per diem rates with reimbursement for out-of-pocket expenses. Therefore AMC and the Competent Person believe there is no conflict of interest in undertaking the assignments which are the subject of the Mineral Resource estimate.

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".

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 persons findings are presented has not been materially modified from the original market announcement.

http://www.australianvanadium.com.au/wp-content/uploads/2015/02/Gabanintha-Resource-Update-2015-10-Nov-Final.pdf