



Australian
VANADIUM
LIMITED

ACN 116 221 740

Annual Report

30 June 2016

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Corporate Directory

Directors

Vincent Algar (Managing Director)
Leslie Ingraham (Executive Director)
Brenton Lewis (Non-executive Chairman)

Company Secretary

Neville Bassett

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Perth WA 6000

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Share Registry

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Telephone 08 9323 2000

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Auditors

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

Securities Exchange Listing

Australian Vanadium Limited shares (AVL) and options (2 cents/expiring 31 December 2018) (AVLO) are listed on the Australian Securities Exchange (ASX).

Letter from the Chairman

Dear Fellow Shareholders,

On behalf of your Board of Directors, I have pleasure in presenting the 2016 Annual Report and Financial Statements of Australian Vanadium Limited ("AVL" or the "Company") for the 30 June 2016 financial year.

The last 12 months have seen the beginning of a significant transformation in Australian Vanadium Limited. Commencing with the successful completion of a key drilling program at the end of the previous financial year the small and energetic team, led by Managing Director Vincent Algar, produced drilling results from our flagship Gabanintha project that put the project, and the Company, firmly on the vanadium world map.

Following on from the drilling success, the team and our consultants produced the first Measured and Indicated quality resources at Gabanintha. This significant step forward was made possible by the close-spaced, highly accurate and professionally conducted drilling program. Reverse circulation and diamond drilling supplied us with excellent information for the revised mineral resource estimation and a raft of mineralogy and metallurgical test work. The results of these tests further support our view that Gabanintha is one of the most promising hard rock vanadium projects being considered globally at the present time.

We look forward to seeing the progress at Gabanintha during the coming year as our project studies advance.

The global interest in vanadium began to accelerate during the year, particularly in the area of vanadium in energy storage. Australian Vanadium Limited developed its vertical integration strategy in late 2015, and rapidly established this value-adding strategy in the 2016 calendar year. Essentially, the strategy hinges on three pillars of activity; development of the Gabanintha vanadium project towards production; development of vanadium electrolyte production skills and capacity, and development of vanadium redox flow battery sales in Australia through the Company's 100% owned subsidiary VSUN Pty Limited.

The small AVL team has worked tirelessly to advance the various MOU's, distribution agreements and sales leads to enable the vanadium storage strategy to come to life in 2016. Society's interest in energy storage has increased rapidly, with vanadium redox flow batteries receiving more and more attention from investors and the broader community.

The Company was able to end the financial year on a high note, with the share price up significantly since reporting in 2015, and having completed a successful \$3 million capital raising from shareholders and new investors.

I wish to thank shareholders for their continuing support throughout the year and extend my sincere thanks to the Board, all our employees and consultants for their contributions and efforts. Australian Vanadium Limited enters financial year 2017 with a strong balance sheet and excellent projects and prospects across its portfolio of activities, with vanadium and energy storage at its centre.

Yours faithfully



Brenton Lewis
Chairman

Directors' Report

CORPORATE HIGHLIGHTS

The past financial year has seen Australian Vanadium Limited make significant progress towards its strategic objectives. A summary of events follows:

Gabanimtha Vanadium Project

- Release of results from the 2015 diamond drilling program.
- Completion of key mineralogy studies by the University of WA's Centre for Exploration Targeting.
- Release of outcomes of detailed metallurgical studies.
- Update of Mineral Resource Statement containing Measured, Indicated and Inferred Mineral Resources of 91.4Mt @ 0.82% V₂O₅.

Vanadium in Energy Storage

- Announcement of vertical integration strategy focusing on vanadium in energy storage.
- Appointment of Emeritus Professor Maria Skyllas-Kazacos as a consultant to the Company for vanadium electrolyte production.
- Signed strategic MOU's with GILDEMEISTER Energy Storage GMBH and Sun Connect Pty Ltd.
- Entered into a Dealership Agreement with GILDEMEISTER Energy Storage GMBH for the Australian sale of CellCube vanadium redox flow batteries.
- The Company achieved its first sale of a CellCube system in Western Australia.
- Signed an MOU with C-Tech Innovation Limited for the development of vanadium electrolyte and procurement of a pilot vanadium electrolyte mixing plant.

Corporate Matters

- The Company received a Research and Development Tax Incentive Scheme refund of A\$410,000 for research related work conducted in the 2014-2015 tax year.
- Completion of a Rights Issue successfully raised A\$3,066,500.

CHANGE OF COMPANY NAME

On 2 December 2015 the Company changed its name to Australian Vanadium Limited (new ASX Code AVL) replacing the previous company name and ASX Code, Yellow Rock Resources Limited (YRR). The change was approved by shareholders at a meeting held on 20 November 2015. The new name reflects the Company's current focus on vanadium.

APPOINTMENT OF MANAGING DIRECTOR

Mr Vincent Algar was appointed as Managing Director of the Company on 29 April 2016. The promotion of Mr Algar to the Board reflects his strong contribution to implementing the Company's vertical integration strategy since being appointed Chief Executive Officer in November 2014.

RETIREMENT OF CHAIRMAN

On 29 April 2016 Mr Brian Davis retired as non-executive chairman of the Company. Mr Davis made a significant contribution to the Company since his appointment to the board in 2014, in particular with respect to the Gabanimtha Vanadium Project. Mr Davis' valuable geological expertise has been retained, as he remains a technical consultant to the Company.

RIGHTS ISSUE

The Company completed a non-renounceable pro-rata rights issue and shortfall placement raising \$1,704,361 (before costs) in the 2016 financial year. A total of 131,104,656 fully paid ordinary shares at \$0.013 per share and 131,104,656 listed options exercisable at \$0.02 each on or before 31 December 2018 were issued.

Subsequently, the Company completed the rights issue shortfall placement by the issue of 104,779,901 shares and 104,779,901 listed options exercisable at \$0.02 each on or before 31 December 2018, raising a further \$1,362,139.

Total funds raised under the Rights Issue and shortfall were \$3,066,500. During the year, 3,521,750 unlisted options exercisable at 1.5 cents each on or before 31 December 2017 were exercised, raising a further \$52,826. Subsequent to year end, a further 73,996,773 unlisted 1.4712 cents options were exercised, raising a further \$1,088,641.

The Company is well funded to complete exploration and development programs in the near term.

REVIEW OF OPERATIONS

GABANINTHA PROJECT

The Gabanintha Project is located 43km south of Meekatharra within the northern Murchison region of Western Australia. Access from Perth is via the Great Northern Highway and the Meekatharra - Sandstone Road (Figure 1).

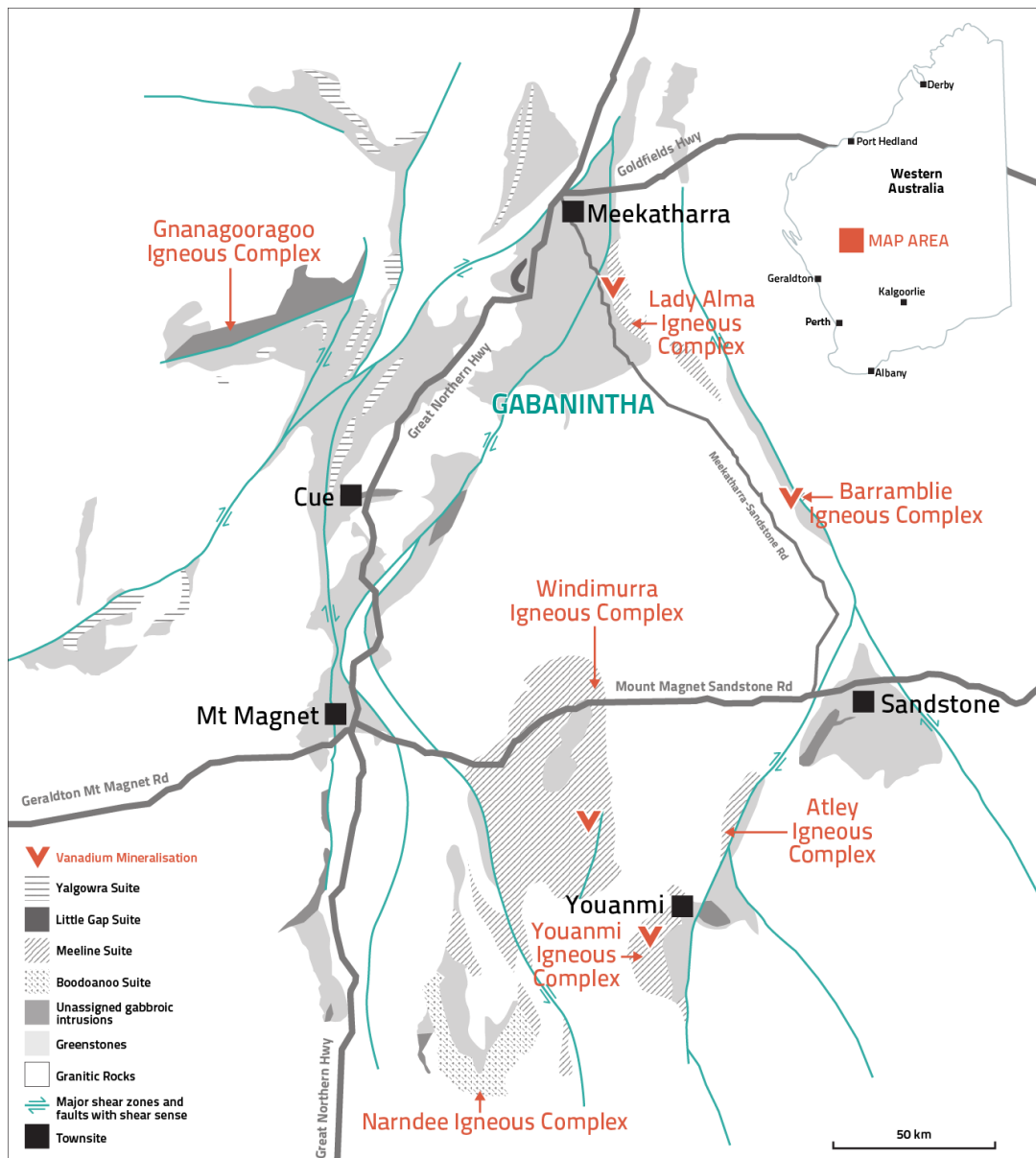


Figure 1: Location of Gabanintha Project and adjacent vanadium deposits

The following is a summary of activities undertaken on the Gabanintha Vanadium Project during the period up to the date of this report:

- assay results from the diamond drilling program were received and evaluated;
- an updated Mineral Resource Estimation was completed;
- a mineralogy and petrology study of diamond drill core was completed;
- a series of metallurgical tests on drilling samples was completed to establish process plant options;
- a pit optimisation study was commenced on the updated Mineral Resource, and
- negotiations for the grant of M51/878 were commenced with the Traditional Owners affected by the Mining Lease application.

Diamond Drilling Program

A diamond drilling program of 8 holes for 932 metres was completed in mid-2015. This followed the earlier completion of a Reverse Circulation (RC) drilling program of 63 holes for 5,957 metres. The diamond and RC drilling allowed the Company to update and upgrade its Mineral Resource estimate at Gabanintha. Large diameter diamond drilling was used to collect the highest quality core samples for analysis and metallurgical test work and also provided a check on the earlier Reverse Circulation (RC) drilling results. Two diamond drill holes were drilled to twin earlier RC holes. Correlation between the diamond and RC drilling assay results was excellent.

Assay results identified consistent intervals greater than 20 metres down hole width containing significant grades of V_2O_5 . Assay grades confirmed the presence of exceptional high grade zones above 1.3% V_2O_5 within the high grade magnetite-vanadium-titanium rich horizon. Individual grades up to 2.2% V_2O_5 and intersections above 1.5% V_2O_5 were encountered in the core and complement the intersections seen in the RC drilling results.

Diamond drilling intersections greater than 0.5% V_2O_5 include:

- 30m at 0.99 % V_2O_5 from 115m in GDH913 including 14m at 1.44 % V_2O_5 from 131m (this zone includes assays up to 2.20% V_2O_5 and 7m at 1.76% V_2O_5 from 135m) (see Figure 2).
- 28m at 0.99% V_2O_5 from 132m in GDH916 including 18m at 1.24% V_2O_5 from 139m (this zone includes 6m at 1.35% V_2O_5 from 139m and 6m at 1.32% V_2O_5 from 146m).
- 27.2m at 0.87% V_2O_5 from 86m in GDH911 including 13.4m at 1.12 % V_2O_5 from 98.9m (this zone includes 7m at 1.29% V_2O_5 from 104m).
- 25m at 0.90% V_2O_5 from 119m in GDH912 including 17m at 1.07% V_2O_5 from 124m (this includes a zone of 6m at 1.21% V_2O_5 from 128m), and
- 21m at 0.94% V_2O_5 from 100m in GDH914 including 12m at 1.19% V_2O_5 from 109m.

Highlights and key information from the drilling results are summarised below:

- Drilling has identified extensive areas of +1.3% V_2O_5 in the basal “massive” magnetite zone which is identified along 2km of strike drilled. These “sweet spots” indicate areas where the vanadium replacement into the magnetite structure during the igneous crystallization process has been very efficient. The resulting grades are comparable to world-class magnetite vanadium operations which display similar physical and chemical characteristics.
- The consistent “massive” magnetite zone occurs as the lowermost mineralization horizon in all drillholes. It consists of a massive vanadium-titanium-magnetite rock. The gabbro sequence immediately above the high grade zone consists of up to four sequences of iron-vanadium-titanium mineralization grading above 0.4% V_2O_5 with consistent bands of lower grade between them. The mineralisation is hosted in magnetite banded gabbro, with massive magnetite bands from centimetre to metre scale, as well as gabbro containing grains of vanadium rich magnetite scattered throughout.
- Drilling also identified variable levels of transported cover, some of which contains high levels of iron and vanadium mineralisation.

- Figure 2 shows a schematic drill section. Further information relating to the drill program including the 2012 JORC Code Table 1 disclosures are included in the ASX announcement of 9 July 2015.

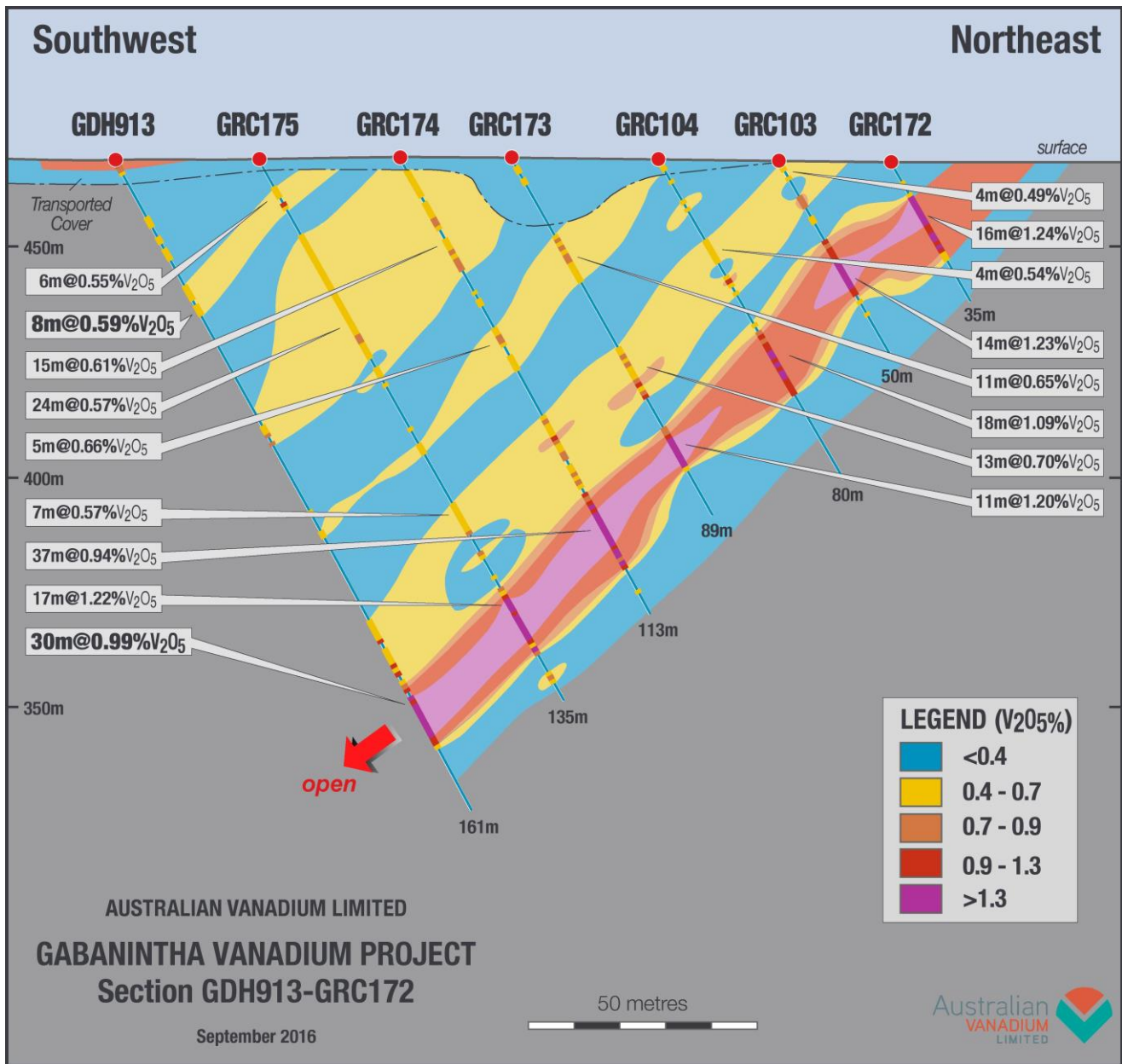


Figure 2: Cross Section GDH913 to GRC0172

Mineral Resource Estimate

In November 2015, the Company announced a revised Mineral Resource estimate, reported in compliance with the 2012 JORC Code. The total Measured, Indicated and Inferred Mineral Resource in both low and high grade domains is **91.4Mt @ 0.82% V₂O₅** containing 750,000 tonnes of V₂O₅. This includes a high-grade zone of **56.8Mt @ 1.00% V₂O₅** for 563,000 tonnes of V₂O₅.

The mineral resource estimation was completed by independent consultants Australian Mining Consultants Pty Ltd (AMC) and is tabulated in the Annual Mineral Resource Statement contained on Page 50.

Figure 3 shows the distribution of the Mineral Resource zones with the most intensive drilling being completed in the Northern Resource Area.

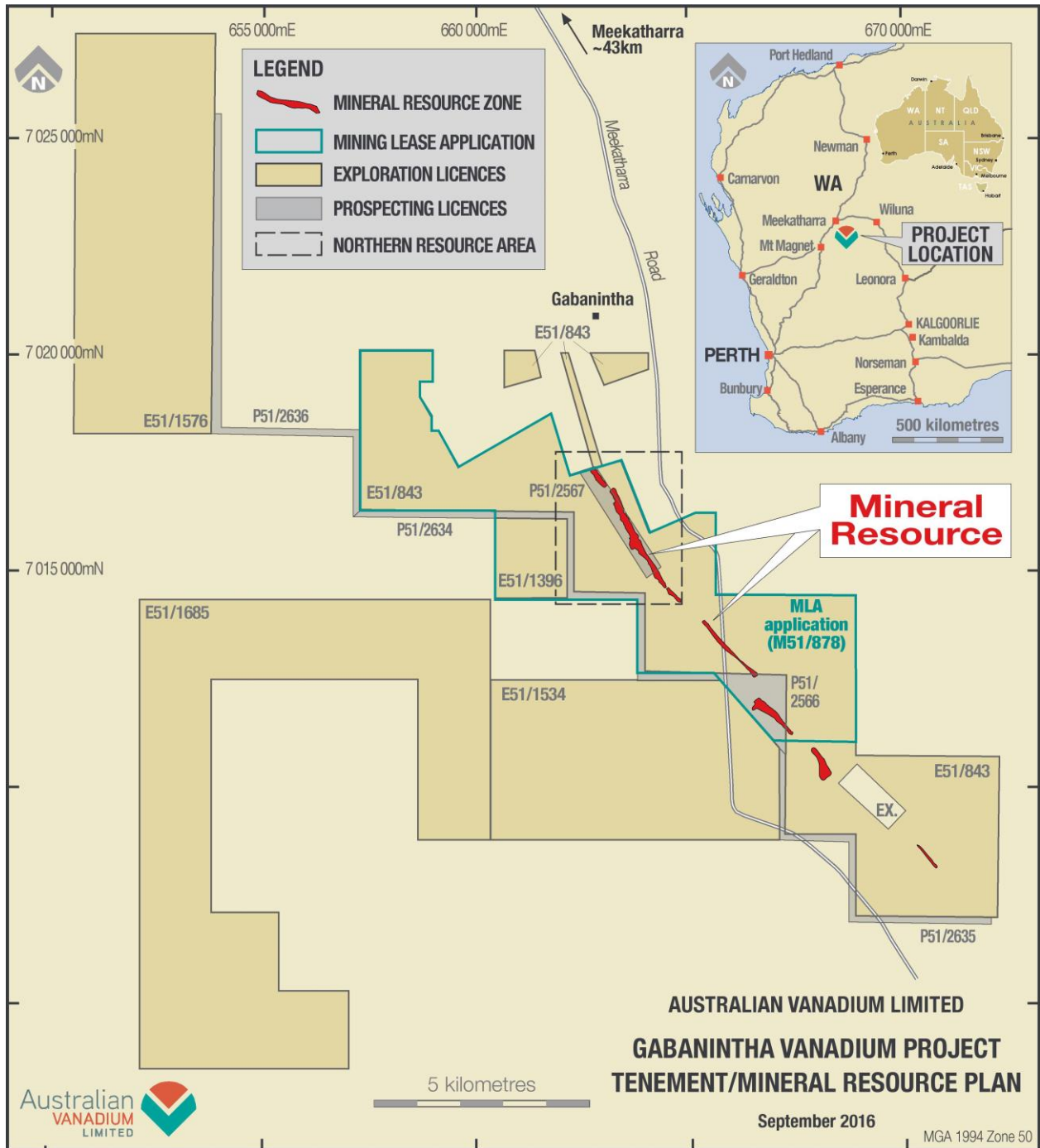


Figure 3: Diagram of the Gabanintha Project showing Mineral Resource location

Mineralogy and Petrology Study

A mineralogy and petrology study of samples of diamond drill core from Gabanintha was conducted by the Centre for Exploration Targeting (CET) at the University of WA during the year. 19 core samples were examined and analysed in detail by petrologists from the CET. Key findings were:

- 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; and
- magnetite particles in the low grade samples (magnetite gabbro) show high vanadium content, supporting the view that magnetic separation of low grade ores may yield significant additional vanadium units.

The high quality and very detailed mineralogy information gives the Company an important micro-level understanding of the mineralised material at Gabanintha. The findings provided confirmation that the project demonstrates favourable mineral characteristics for vanadium extraction.

Metallurgical Test Work

Following the completion of the drilling programs, the Company completed a series of detailed tests on composite RC samples comprised of oxide, transition and fresh material from low grade (disseminated) and high grade (massive) mineralisation at Gabanintha.

The tests reported outstanding results, returning high recovery rates from the fresh, transitional and oxide material, further demonstrating the project's strong potential for both low capital and operating costs. The test results also show that the silica content of the material was easily removed and there were strong recovery rates for titanium, a potentially valuable by-product.

The metallurgical tests involved crushing and grinding samples to various parameters and analysis of recoveries from all material types using gravity and magnetic separation methods, in order to establish suitable processing 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.

Key technical findings of the test work 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 of up to 1.5% V₂O₅.
- totally oxidised samples yield a high quality iron-vanadium-titanium concentrate when using high intensity magnetic separation (mass recovery ranges between 30% and 85% and V₂O₅ recovery ranges between 30% to 90%).
- magnetic recovery of LG samples is impressive with 32% to 62% of mass recovered and 70% to 85% of the V₂O₅ reporting to concentrate at a coarse grind size, and
- magnetic recovery from HG samples is excellent at 75% to 82% of mass recovered and 82% to 95% of the V₂O₅ reporting to concentrate at a coarse grind size using low intensity magnetic separation.

Pit Optimisation Study

The revised Mineral Resource block model is the subject of a pit optimisation study, with a review of the mining costs being conducted. The purpose of the study is to identify the mining potential and development opportunities using internally generated economic parameters.

The study is investigating the economic potential for mining the deposit within the Northern Resource Area (refer to Figure 3) using open-cut methods and applying the most current economic inputs, selling prices, recoveries, operating costs and associated parameters.

Mining Lease Application

During the year, AVL representatives met with representatives of the Traditional Owner groups at Meekatharra to commence discussions relating to the development of the project and advancing the Mining Lease Application (MLA51/ 878).

A Mining Agreement is currently being drawn up in consultation with the Yamitji Marlpa Aboriginal Corporation and Traditional Owners as the final part in the Mining Lease application process. The successful progress of the Mining Lease application is a significant step forward for the project.

VANADIUM IN ENERGY STORAGE

Vertical Integration Strategy

AVL has recognised the potential for involvement in the energy storage market and explored the growth of demand for vanadium redox flow batteries ("VRFB"). Vanadium electrolyte is a key component in the operation of vanadium redox flow batteries. It is on this basis that the Company launched its vertical integration strategy in September 2015, alongside its progression of the high-grade Gabanintha Vanadium Project.

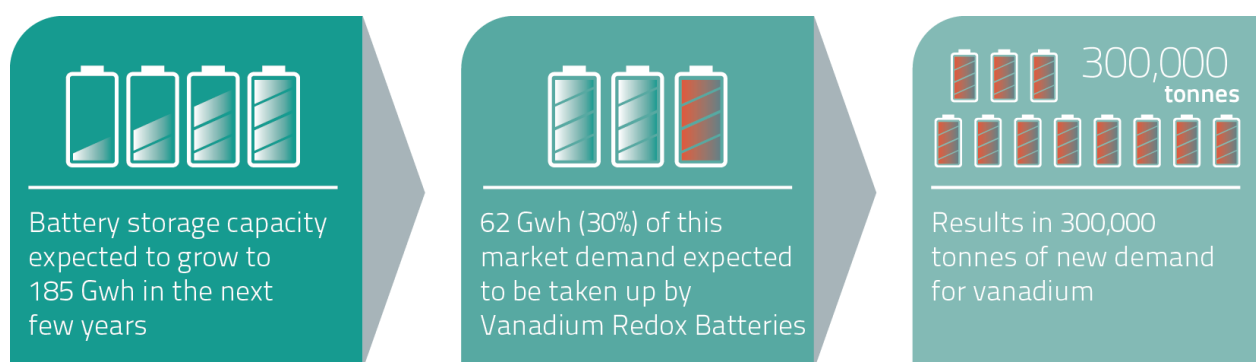
The strategy is focused on marketing and selling VRFB systems and establishing a vanadium electrolyte production plant in Australia. The Gabanintha Project will allow AVL to supply high-quality vanadium feedstock to electrolyte producers worldwide, as well as its own electrolyte plant in Australia. The vertical integration strategy offers shareholders exposure to the potential of early cash flows coming from the expected sales of VRFB. These batteries will be imported by AVL and its 100% owned subsidiary, VSUN Pty Ltd.

Australia is reliant on non-renewable resources to sustain its society. The increasing use of renewable energy in everyday lives represents a shift towards more energy efficient behaviour by individuals, businesses, utilities and governments. Storage technologies such as VRFB systems present the Company with an opportunity to participate in this shift, whilst improving its bottom line. Businesses and networks need energy storage assets that are durable and perform efficiently over the long term life of the asset.

Vanadium Market.

The intermittent nature of renewable energy generation such as solar and wind power is driving demand for energy storage solutions. VRFB systems are an option for consumers, having favourable characteristics such as a long life cycle, high charge retention and scalability. In Australia the amount of renewable energy generated needs to more than double if the country is to meet the Government's mandated 23 per cent renewable energy target by 2020. (Australian Government, Department of the Environment, RET).

It is a worldwide trend, according to the REN21 Renewables 2015 Global Status Report, renewables represented approximately 58.5 per cent of net additions to global power capacity in 2014. By early 2015, 164 countries had defined renewable energy targets. Alongside this growth, energy storage is also set to increase, with capacity reaching 185 GWh in the next few years (Lux Research; Grid Storage and TTP Squared Inc.) with vanadium batteries having potential to account for around 30 per cent of this future capacity growth – equating to a capacity of 62 GWh of storage. The 62 GWh capacity growth over the next few years alone equates to new demand for 300,000 tonnes of vanadium – more than three times what is currently produced (TTP Squared Inc.).



The Company is well positioned to take advantage of this opportunity having recently entered into key agreements for future co-operation in developing the Australian VRFB technology and installations.

Recruitment of International Battery Expert

In November 2015, AVL took a key step in its strategy to become a major supplier of vanadium feedstock 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 Gabanintha project for use in the 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.

Memoranda of Understanding (MOU)

AVL and its subsidiary VSUN Pty Ltd signed three important MOU's during 2016 as key actions in the implementation of AVL's overall vertical integration strategy for vanadium. These agreements are with:

- GILDEMEISTER Energy Storage GmbH (GILDEMEISTER) of Germany, one of the world's foremost VRFB manufacturers;
- Sun Connect Pty Ltd (Sun Connect), an Australian-based commercial renewable energy, solar power and battery installer, and
- C-Tech Innovation Limited (C-Tech), a research, technology and innovation organisation based in the UK.

GILDEMEISTER Energy Storage GmbH

GILDEMEISTER manufactures the CellCube VRFB system. The company has put over 15 years of research and development into its battery systems, which have been commercially available for seven years. GILDEMEISTER has installed more than 100 systems, establishing itself as the provider of the world's most commercially advanced flow battery.

The MOU allows the companies to collaborate on a number of key strategic initiatives in Australia including;

- the completion of a Dealership Agreement (subsequently finalised in April 2016) for distribution of CellCube energy storage systems in Australia;
- collaborating on and finalisation of VRFB sales leads;
- joint marketing of VRFB technologies and CellCube products as the preferred solution to large-scale energy storage across the energy consumer market, and
- securing long-term local vanadium electrolyte supply for the Australian market through the development of AVL's high-grade Gabanintha Vanadium Project.

Working with GILDEMEISTER forms a key part of AVL's vertical integration strategy, which involves the production of high-purity vanadium electrolyte – a core component of flow batteries.

Sun Connect Pty Ltd

Sun Connect is a well-established national company which has been providing renewable energy solutions for Australia's commercial and residential sectors since 2008. Sun Connect has implemented more than 3,000 solar systems nationwide, ranging from households and large industrial sites, to government departments and schools.

The Sun Connect MOU offers a framework for strategic alliance, including cooperation and development of opportunities involving the marketing and sale of VRFB systems in the Australian region. Key points of the MOU include:

- collaboration on energy storage leads;
- investigation and implementation of Power Purchase Agreements (PPA's);
- joint marketing opportunities, and
- collaboration on the specification of the renewable component of power requirements for the Gabanintha Vanadium Project.

C-Tech Innovation Limited

C-Tech has developed technologies for electrochemical preparation of vanadium electrolyte as well as many other chemical and electrochemical technologies. C-Tech has developed a proprietary electrochemical process for the production of vanadium electrolyte suitable for use in VRFB. Approximately 20% to 30% of the total cost of a VRFB battery can be attributed to the vanadium electrolyte.

Key objectives of the agreement include;

- the contract supply and installation of a pilot-scale electrolyte mixing plant to Perth, Australia. The plant will allow testing of various vanadium sources with the aim of producing vanadium electrolyte of a suitable standard for use in commercial VRFB units;
- design and supply of key components of a full-scale production electrolyte plant;
- collaboration with other AVL consultants on design and specification of a mine-attached electrolyte purification and production facility as part of the Gabanintha Vanadium Project, and
- AVL to act as the exclusive agent for C-Tech electrolyte cell technology in Australia, New Zealand and South East Asia.

Electrolyte Pilot Plant Purchase

In June 2016, AVL purchased a vanadium electrolyte pilot plant from C-Tech. This purchase will enable AVL to develop unique vanadium electrolyte production expertise and capability in Australia. The equipment purchased from C-Tech is an experimental vanadium electrolyte production system, consisting of an electrochemical cell and complete balance of plant, to facilitate investigations into the commercial production of vanadium electrolyte.

The pilot system will be the first of its kind in Australia. Skid-mounted and self-contained, the unit has all the necessary components, (electrochemical cells, pumps, instrumentation, safety and process control mechanisms), to produce high quality vanadium electrolyte in a single operation, without the need for chemical reductants. The process creates a mixture of V^{3+} and V^{4+} ions in solution, used as the “fuel” in VRFB systems. The plant is capable of managing the ionic ratio of V^{3+} to V^{4+} according to the specific battery requirements. The management of impurities in the feed is also a key indicator of VRFB performance, and the system will be used to assess and optimise different raw materials.



Figure 4. C-Tech Electrochemical Pilot Plant

AVL will locate the test plant in a laboratory facility in the Perth metropolitan area and, on its arrival and commissioning, will commence testing a variety of vanadium source materials in the plant. Chemical analysis will be conducted and the results shared with C-Tech and GILDEMEISTER. Preparation of a solution that is suitable for use in GILDEMEISTER CellCube VRFB system is a priority for the Company.

Developing expertise and a capacity for future commercial production of electrolyte is a priority for AVL. This opportunity has the potential to be a high volume, high margin business unit, providing benefits to shareholders and simultaneously lowering the overall price of VRFB in the Australian market, thereby enabling an increased uptake of VRFB systems to occur in the many niches offered in the Australian energy market.

The pilot plant is expected to be completed and in operation in Perth before the end of 2016.

First WA CellCube Sale

In May 2016 AVL announced completion of their first sale of a CellCube energy storage system in Australia. VSUN Pty Ltd concluded the acquisition of a GILDEMEISTER CellCube FB 10-100 for installation at an agricultural property south of Busselton in Western Australia. The FB 10-100 can deliver 10kW of power and stores 100kWh of energy. It is a fully integrated containerised VRFB, and the first of its kind to be installed in Western Australia.

The CellCube is being installed along with a 15kW solar PV (photovoltaic) system delivered by partner Sun Connect. Together, the system will allow the client to store their unused solar energy and use it when solar power is unavailable. The storage capacity of 100kWh means up to 10 hours of power can be provided. The client is expecting to be up to 90% self-sufficient for their power needs, but will remain connected to the grid.

The CellCube has been delivered by GILDEMEISTER and as at the date of this report is being installed on site (see Figure 5).

Installation of the first CellCube VRFB provides the Company with an opportunity to showcase the technology to potential customers in a typical Australian rural application.



Figure 5: CellCube VRFB System on site at Busselton, Western Australia

NOWTHANNA HILL URANIUM PROJECT

Nowthanna Hill is a clay and calcrete-hosted uranium deposit between approximately 1 metre and 7 metres beneath the surface of the Quinns Lake drainage. Historical exploration and resource drilling on MLA51/771 was completed by Dominion Mining Ltd and Defiance Mining/Acclaim Uranium NL. The mineralisation varies in thickness from 1 to 2 metres over a strike distance of approximately 2 kilometres (see YRR ASX announcement dated 20 December 2012). The uranium mineralisation is contained with the mineral carnotite (uranium-potassium vanadate).

The extent of the shallow uranium Exploration Target as defined by Acclaim Uranium NL was modelled by Snowden & Associates in 1998 as follows:

Lease	Category	Tonnes	Grade	Contained Tonnes
MLA51/771	Indicated Resource	3,059,000	0.437 kg/t U ₃ O ₈	1,337 U ₃ O ₈

Note¹: This resource was estimated under JORC Code 2004 Guidelines

¹The information that refers to Exploration Results and Mineral Resources in this announcement on Nowthanna Hill was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since last reported and access to the Nowthanna Hill lease is not allowed during Native Title negotiations.

Further drilling and resource work is required in order to validate the historical data, revise the Mineral Resource status, update mining parameters and compliance with 2012 JORC Code standards. However, the Mining Lease is still under application and work cannot begin until it is granted. Native Title discussions and negotiations have been ongoing for this lease application and have delayed exploration programs.

The Company made progress during the year in resolving the Native Title issues so that the Mining Lease application can be granted.

BRYAH BASIN GOLD/BASE METALS PROJECT

During the year, the company was granted an exploration licence over ground in the area between the Fortnum gold mine and the Horseshoe Lights copper/gold mine in the highly prospective Bryah Basin in Western Australia. The licence, E52/3349 was granted in December 2015 and consists of 70 graticular blocks considered prospective for gold and copper mineralisation. The Company may seek to joint venture the ground after conducting a basic exploration review and first pass field reconnaissance.

NORTHERN TERRITORY

Cabe Resources Ltd, a 100% owned subsidiary held four tenement applications in the Northern Territory. All four tenement applications were withdrawn during the financial year.

DIRECTORS

The names of the Directors of the Company in office during or since the end of the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Name	Position	Appointed/Retired
Vincent Algar	Managing Director	Appointed 29 April 2016
Leslie Ingraham	Executive Director	
Brenton Lewis	Non-Executive Chairman	
Brian Davis	Non-Executive Chairman	Retired 29 April 2016

The qualifications, experience and special responsibilities of each Director are as follows:

VINCENT ALGAR *BSC (Hons) Geology MAusIMM*

Mr Vincent Algar is a geologist by profession with over 25 years' experience in the mining industry spanning underground and open cut mining operations, greenfields exploration, project development and mining services in Western Australia and Southern Africa. He has significant experience in the management of publicly listed companies, which includes the entire compliance, marketing and management process and encompasses the development of internal geological and administrative systems, exploration planning and execution, plus project acquisition and deal completion.

Mr Algar was Managing Director of Shaw River Manganese Limited from 2006 to 2012 and was responsible for successful capital raisings, which raised more than \$40 million for that company's exploration and acquisition programs. He was instrumental in the \$20 million acquisition of a 75.5% stake in the Otjo Manganese Project in Namibia in 2011. Mr Algar has worked on a wide range of commodities, most recently in base metals and uranium.

During the past three years, Mr Algar was also a director of the following ASX listed companies: Nil.

LESLIE INGRAHAM

Mr Ingraham has been in private business for over 20 years and is an experienced mineral prospector and professional investor. He has successfully worked as a consultant for both private companies and companies listed on the ASX. Core competencies include capital raising, shareholder liaison and prospecting.

During the past three years, Mr Ingraham was also a director of the following ASX listed companies: Nil.

BRENTON LEWIS *BBSc (Hons), MBSc*

Mr Lewis is an academic who has spent the past 20 years in the tertiary education sector. He has held management positions including Head of Department and Head of Post-Graduate Studies. He has published, taught and researched in areas including ethics and psychopathology. He has been a consultant to various health agencies including the Hong Kong Hospital Authority and the WA Health Department. He has served on numerous boards of management including academic and non-government organisations.

During the past three years, Mr Lewis was also a director of the following ASX listed companies: Nil.

BRIAN DAVIS *B.Sc. Dip.Ed MAusIMM RPGeo (AIG) MAICD*

Mr Davis is a 40-year veteran of the resources industry and is the principal of exploration and resource development consultancy group Geologica Pty Ltd. During his extensive career he has focussed on commodities including gold, base metals, vanadium, iron ore, coal, rare earths and diamonds, both in Australia and overseas.

During the past three years, Mr Davis was also a director of the following ASX listed companies: Nil.

COMPANY SECRETARY

NEVILLE BASSETT

Mr Bassett is a Chartered Accountant with over 30 years of experience. He has been involved with a diverse range of Australian public listed companies in directorial, company secretarial and financial roles.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the Directors and executives in the shares and options of Australian Vanadium Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Vincent Algar ¹	5,571,129	692,307
Leslie Ingraham ²	25,478,774	10,000,000
Brenton Lewis ³	7,778,600	2,694,650

¹ Mr Algar also holds 5,000,000 performance rights. Refer to the Remuneration Report for further details.

² Mr Ingraham also holds 5,000,000 performance rights. Refer to the Remuneration Report for further details.

³ Mr Lewis also holds 2,000,000 performance rights. Refer to the Remuneration Report for further details.

MEETINGS OF DIRECTORS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Board of Directors	
	Number eligible to attend	Number attended
Vincent Algar ¹	1	1
Brian Davis	4	4
Leslie Ingraham	5	5
Brenton Lewis	5	5

¹ Vincent Algar attended 4 meetings in his role of Chief Executive Officer and 1 meeting in his role of Managing Director.

INSURANCE OF OFFICERS

The Company has in place an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and Officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in their capacity as a Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurers has not been disclosed. This is permitted under Section 300(9) of the *Corporations Act 2001*.

ENVIRONMENTAL REGULATIONS

The Group's operations are subject to various environmental laws and regulations under government legislation. The exploration tenements held by the Group are subject to these regulations and there have not been any known breaches of any environmental regulations during the year under review and up until the date of this report.

CORPORATE INFORMATION

Nature of Operations and Principal Activities

The principal continuing activities during the year of entities within the consolidated entity were exploration for vanadium/titanium and other economic resources, the development of vanadium electrolyte production and the sale of VRFB systems.

Corporate Structure

Australian Vanadium Limited is a limited liability company that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as follows:

Australian Vanadium Limited (formerly Yellow Rock Resources Limited)-	parent entity
VSUN Pty Ltd (formerly Australian Vanadium Resources Pty Ltd)	- 100% owned controlled entity
Australian Uranium Pty Ltd	- 100% owned controlled entity
Cabe Resources Limited	- 100% owned controlled entity

OPERATING AND FINANCIAL REVIEW

Operating Review

A review of operations for the financial year is contained within this Directors' Report. The consolidated loss after income tax for the financial year was \$1,285,100 (2015: \$1,434,013).

Financial Position

At 30 June 2016, the Group had cash reserves of \$3,196,659 (2015: \$1,813,074). The net assets of the Group have increased by \$1,630,177. The increase is largely due to the following factors:

- the issue of 235,884,557 new shares at 1.3 cents per share via a rights issue to raise \$3,066,500;
- ongoing exploration and evaluation of the Gabanintha Vanadium Project;
- initiation of the vanadium in energy storage strategy;
- incurring overheads and running costs consistent with operating a listed company; and
- remuneration of key management personnel essential to the continued success of the Group.

Dividends

No dividends were paid during the year and no recommendation is made as to dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year are detailed in the Company's review of operations. In the opinion of the Directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this Annual Report.

EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years, other than as outlined in the Company's review of operations which is contained in this Annual Report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to pursue its principal activity of exploration and evaluation, and associated activities as outlined in the Company's review of operations. The Company will also continue to pursue other potential investment opportunities to enhance shareholder value.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director and executive of Australian Vanadium Limited. The information provided in the remuneration report includes remuneration disclosures that are audited as required by section 308(3C) of the *Corporations Act 2001*.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report the term “executive” includes those key management personnel who are not Directors of the parent company.

Remuneration Committee

The full Board carries out the role and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Managing Director and any Executives.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice.

Remuneration policy

The board policy is to remunerate Directors at market rates for time, commitment and responsibilities. The board determines payments to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of Directors’ fees that can be paid is subject to approval by shareholders in a general meeting, from time to time. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align Directors’ interests with shareholders’ interests, the Directors are encouraged to hold shares in the Company.

The Company’s aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company Directors and officers are remunerated to a level consistent with the size of the Company.

The executive Directors and full time executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

The Company did not pay any performance-based component of remuneration during the year.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Non-executive Director Compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination approved by shareholders was an aggregate compensation of \$500,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion consisting of options, as considered appropriate by the Board, which may be subject to Shareholder approval in accordance with ASX Listing Rules.

Separate from their duties as Directors, the Non-Executive Directors may undertake work for the Company directly related to the evaluation and implementation of various business opportunities, including mineral exploration/evaluation and new business ventures, for which they receive a daily rate. These payments are made pursuant to individual agreement with the non-executive Directors and are not taken into account when determining their aggregate remuneration levels.

Executive Compensation

Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for company and individual performance against targets set by appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; and
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate. Compensation may consist of the following key elements:

- Fixed Compensation;
- Variable Compensation;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the mining exploration sector and external advice.

The fixed remuneration is a base salary or monthly consulting fee.

Variable Pay - Long Term Incentives

The objective of long term incentives is to reward Directors/executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the director's/executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Long term incentives (LTIs) granted to Directors and executives are delivered in the form of options or performance rights. LTI grants to executives are delivered in the form of employee share options or performance rights. Options are issued at an exercise price determined by the Board at the time of issue. The employee share options generally vest over a selected period.

The objective of the granting of options or rights is to reward executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the executive, and the responsibilities the executive assumes in the Company.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time.

Employment contracts of directors and senior executives

The employment arrangements of the non-executive chairman and executive directors are not formalised in a contract of employment.

Remuneration and other terms of employment for the Chief Executive Officer / Managing Director are formalised in an employment contract. Major provisions are set out below.

Vincent Algar, Managing Director:

- Annual base salary of \$225,000 plus superannuation
- Notice period required to be given by the Company or employee for termination of one month, except in the case of gross misconduct
- Payment of termination benefit on termination by either party equal to the amount in lieu of the notice period
- 10,000,000 performance rights that will each convert into one ordinary share upon the satisfaction of the following milestones:

In respect to 5,000,000 performance rights:

- (i) upon the Company releasing a Mineral Resource Statement containing a 2012 JORC Code Compliant Resource; and
- (ii) the Company's shares trading at a volume weighted average market price of greater than 1.9 cents per share calculated over 20 consecutive trading days on which the Company's shares have actually traded; and

In respect to 5,000,000 performance rights:

- (i) upon the Company releasing a Mineral Resource Statement containing a 2012 JORC Code Compliant Resource that includes Resources in the Measured Category; and
- (ii) the Company's shares trading at a volume weighted average market price of greater than 3.0 cents per share calculated over 20 consecutive trading days on which the Company's shares have actually traded.

The performance rights expire on 2 February 2020 and contain standard terms and conditions relevant to lapse of entitlement or right to conversion on cessation of employment.

5,000,000 performance rights were converted into 5,000,000 ordinary shares on 19 August 2016 following achievement of milestones.

Details of remuneration for year

Details of the remuneration of Directors and specified executives of Australian Vanadium Limited are set out in the following table. There are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

		Short Term Benefits	Post Employment	Share Based Payments		
		Salary & Fees	Super- annuation	Options & Rights	Total	Performance Based Remuneration
Directors	Year	\$	\$	\$	\$	%
Vincent Algar ¹ (appointed 29 April 2016)	2016	37,500	3,563	-	41,063	-
	2015	-	-	-	-	-
Brian Davis ² (retired 29 April 2016)	2016	43,330	-	-	43,330	-
	2015	28,179	2,677	-	30,856	-
Leslie Ingraham ³	2016	182,630	-	-	182,630	-
	2015	214,967	-	-	214,967	-
Brenton Lewis ⁴	2016	39,108	3,715	-	42,823	-
	2015	36,530	3,470	-	40,000	-
Sydney Chesson (retired 26 November 2014)	2016	-	-	-	-	-
	2015	41,667	-	-	41,667	-
Total Directors	2016	302,568	7,278	-	309,846	-
	2015	321,343	6,147	-	327,490	-
Executives						
Vincent Algar ¹ (CEO up to 29 April 2016)	2016	187,038	17,768	-	204,806	-
	2015	90,642	4,948	-	95,590	-
David Lorry Hughes (resigned 18 November 2014)	2016	-	-	-	-	-
	2015	64,170	5,491	-	69,661	-
Total	2016	489,606	25,046	-	514,652	-
Key Management Personnel	2015	476,155	16,586	-	492,741	-

¹ Mr Algar was granted 10,000,000 performance rights on 29 May 2015, which may convert into ordinary shares upon the satisfaction of operating milestones. Refer to his employment contract details in this Remuneration Report for further information.

² Mr Davis was granted 6,000,000 performance rights on 20 November 2015, which may convert into ordinary shares upon the satisfaction of operating milestones.

³ Mr Ingraham was granted 10,000,000 performance rights on 20 November 2015, which may convert into ordinary shares upon the satisfaction of operating milestones.

⁴ Mr Lewis was granted 4,000,000 performance rights on 20 November 2015, which may convert into ordinary shares upon the satisfaction of operating milestones.

No other performance-related payments were made during the year. Performance hurdles are not attached to remuneration options if issued, however the Board determines appropriate vesting periods to provide rewards over a period of time to Key Management Personnel.

Compensation options granted to Key Management Personnel

No options were granted to Directors or executives during the year ended 30 June 2016.

Shares issued to Key Management Personnel on exercise of compensation options

No shares were issued to Directors or executives on exercise of compensation options during the year.

Compensation options lapsed during the year

No options previously issued to Key Management Personnel lapsed during the year.

Option holdings of Key Management Personnel

	Balance 1 July 2015	Granted as Remun- eration	Options Exercised	Options Expired / Cancelled	Net Change/ Other	Balance 30 June 2016	Number vested and exercisable
Directors							
Vincent Algar	-	-	-	-	692,307	692,307	692,307
Brian Davis	1,000,000	-	-	-	(1,666,668 ¹)	-	-
Leslie Ingraham	10,000,000	-	-	-	-	10,000,000	10,000,000
Brenton Lewis	1,250,000	-	-	-	1,444,650	2,694,650	2,694,650

¹ Options held at date of retirement. Mr Davis acquired 666,668 listed options through his direct and indirect participation in the March 2016 non-renounceable rights issue.

Share holdings of Key Management Personnel

	Balance 1 July 2015	Received as Remun- eration	Options Exercised	Acquired/ (Disposed)	Net Change/ Other	Balance 30 June 2016
Directors						
Vincent Algar ¹	381,822	-	-	189,307	-	571,129
Brian Davis ³	1,000,000	-	-	1,666,668	(2,666,668 ²)	-
Leslie Ingraham ⁴	20,478,774	-	-	-	-	20,478,774
Brenton Lewis ⁵	4,333,950	-	-	1,444,650	-	5,778,600

¹ Mr Algar holds 10,000,000 performance rights which may convert into ordinary shares upon the satisfaction of operating milestones. Refer to his employment contract details in this Remuneration Report for further information.

² Shares held at date of retirement. Mr Davis acquired 1,000,000 shares on-market in August 2015 and acquired 666,668 shares through his direct and indirect participation in the March 2016 non-renounceable rights issue.

³ Mr Davis holds 6,000,000 performance rights which may convert into ordinary shares upon the satisfaction of operating milestones.

⁴ Mr Ingraham holds 10,000,000 performance rights which may convert into ordinary shares upon the satisfaction of operating milestones.

⁵ Mr Lewis holds 4,000,000 performance rights which may convert into ordinary shares upon the satisfaction of operating milestones.

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Loans and other transactions with Key Management Personnel

There were no loans to or from, or other transactions with, key management personnel.

SHARE OPTIONS

At the date of this report options were outstanding for the following unissued ordinary shares:

- 184,329,195 unlisted options expiring 31 December 2017 at an exercise price of 1.4712 cents each
- 235,884,557 listed options expiring 31 December 2018 at an exercise price of 2.0 cents each

No person entitled to exercise these options had or has any right, by virtue of the option, to participate in any share issue of any other body corporate.

AUDITOR

Abbott Audit Services Pty Ltd continues in office in accordance with Section 327 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

No non-audit services were provided by our auditors, Abbott Audit Services Pty Ltd during the year.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2016, as required under section 307C of the *Corporations Act 2001*, has been received and is included within the financial report.

Signed in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to read 'Brenton Lewis', with a stylized, flowing script.

Brenton Lewis
Chairman
13 September 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Note	Consolidated 2016 \$	2015 \$
Revenue	2(a)	290,005	200,247
Exploration and evaluation expenditure		(45,828)	(328,484)
Impairment of exploration and evaluation		(10,514)	-
Depreciation		(3,371)	(4,344)
Directors' fees and benefits expenses		(309,846)	(327,490)
Other expenses	2(b)	(1,205,546)	(973,942)
Loss before income tax expense		(1,285,100)	(1,434,013)
Income tax expense	3	-	-
Net loss for year		(1,285,100)	(1,434,013)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss attributable to members of Australian Vanadium Limited		(1,285,100)	(1,434,013)
		Cents	Cents
Basic / diluted earnings per share	5	(0.16)	(0.19)

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2016

	Note	Consolidated 2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalent	6	3,196,659	1,813,074
Trade and other receivables	7	180,151	274,623
Total Current Assets		3,376,810	2,087,697
Non-Current Assets			
Plant and equipment	8	11,749	15,120
Exploration and evaluation expenditure	9	14,498,230	14,170,808
Total Non-Current Assets		14,509,979	14,185,928
TOTAL ASSETS		17,886,789	16,273,625
LIABILITIES			
Current Liabilities			
Trade and other payables	10	214,099	242,750
Provisions	11	11,638	-
Total Current Liabilities		225,737	242,750
TOTAL LIABILITIES		225,737	242,750
NET ASSETS		17,661,052	16,030,875
EQUITY			
Issued capital	12	64,621,753	61,706,476
Reserves		-	22,544,306
Accumulated Losses		(46,960,701)	(68,219,907)
TOTAL EQUITY		17,661,052	16,030,875

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2016

	Issued Capital \$	Consolidated Accumulated Losses \$	Other Reserves \$	Total \$
Balance as at 1 July 2014	60,257,892	(66,785,894)	22,544,306	16,016,304
Loss for the year	-	(1,434,013)	-	(1,434,013)
Total comprehensive loss for the year	-	(1,434,013)	-	(1,434,013)
Partly paid ordinary shares written off	(2,159,250)	-	-	(2,159,250)
Securities issued during the year	3,703,887	-	-	3,703,887
Capital raising costs	(96,053)	-	-	(96,053)
Balance as at 30 June 2015	61,706,476	(68,219,907)	22,544,306	16,030,875
Loss for the year	-	(1,285,100)	-	(1,285,100)
Total comprehensive loss for the year	-	(1,285,100)	-	(1,285,100)
Shares issued as consideration	10,000	-	-	10,000
Shares issued on conversion of options	52,826	-	-	52,826
Securities issued pursuant to a Rights Issue	3,066,500	-	-	3,066,500
Capital raising costs	(214,049)	-	-	(214,049)
Reclassification of Reserve – lapsed options	-	22,544,306	(22,544,306)	-
Balance as at 30 June 2016	64,621,753	(46,960,701)	-	17,661,052

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2016

		Consolidated	
	Note	2016 \$	2015 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,418,986)	(1,227,915)
Interest received		22,521	51,555
Net receipts from other entities		411,160	242,032
Expenditure on mining interests		(48,628)	(328,484)
Net cash provided by / (used) in operating activities	6(a)	(1,033,933)	(1,262,812)
Cash flows from investing activities			
Expenditure on mining interests		(396,158)	(1,008,188)
Payment for property plant & equipment		(109,867)	(1,215)
Net cash used in investing activities		(506,025)	(1,009,403)
Cash flows from financing activities			
Proceeds from issue of shares		3,119,327	3,703,887
Payment of capital raising costs		(195,784)	(96,053)
Net cash provided by financing activities		2,923,543	3,607,834
Net increase in cash held		1,383,585	1,335,619
Cash at beginning of the financial year		1,813,074	477,455
Cash at end of financial year	6	3,196,659	1,813,074

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Australian Vanadium Limited (the “Company”) and Controlled Entities (the “Consolidated Entity” or “Group”) for the year ended 30 June 2016.

Australian Vanadium Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Company is domiciled in Western Australia. The nature of operations and principal activities of the Group are described in the Directors' Report.

1(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Material accounting policies adopted in preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The Group's financial statements are presented in Australian dollars.

1(b) Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

1(c) Statement of Compliance

The financial report was authorised for issue on 13 September 2016.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS).

1(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Australian Vanadium Limited (“Company” or “Parent Entity”) and its subsidiaries as at 30 June each year (“Consolidated” or “Group”). Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries are accounted for at cost in the individual financial statements of Australian Vanadium Limited.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

1(e) Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before the revenue is recognised.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

1(f) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

1(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

1(h) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

1(i) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

1(j) Financial assets

Financial assets within the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss are directly attributable as transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the statement of profit or loss and other comprehensive income.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

1(k) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence, or otherwise, of economically recoverable reserves and active and significant operations in, or relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

1(l) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

1(m) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

1(n) Share-based payment transactions

The Group may provide benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Australian Vanadium Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects

- (i) the extent to which the vesting period has expired, and
- (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The amount charged or credited to the statement of profit or loss and other comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

1(o) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1(p) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company. The Group operates in two segments, being mineral exploration within Australia and the sale of VRFB systems.

1(q) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

1(r) Investments in associates

An associate is an entity over which the consolidated entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investments in associates are accounted for in the parent entity using the cost method and in the consolidated entity using the equity method of accounting. Under the equity method, the investment in an associate is initially recorded at cost. The carrying amount of the investment is adjusted to recognise changes in the consolidated entity's share of net assets of the associate since the acquisition date. The consolidated entity's share of post-acquisition profits or losses is recognised in the statement of profit or loss and its share of post-acquisition movements in other comprehensive income is presented as part of the consolidated entity's other comprehensive income.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

1(s) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment - 5 to 10 years

Motor vehicles - 8 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

(ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

1(t) Significant Accounting Estimates and Judgments

Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(l). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement profit or loss and other comprehensive income.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of assets

In determining the recoverable amounts of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(ii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined from market value.

	Consolidated	
	2016	2015
	\$	\$
2. REVENUE AND EXPENSES		
2(a) Revenue		
Interest received	27,855	51,555
R & D concession	262,150	148,692
	290,005	200,247
2(b) Other Expenses		
Salaries and wages	295,840	198,678
Superannuation	28,393	18,178
Securities exchange and registry fees	63,783	68,918
Rent and office facility expenses	79,818	62,893
Legal fees	26,285	77,275
Auditor's fees	13,500	17,500
Travel and accommodation	79,369	110,241
Other corporate and administration expenses	618,558	420,289
	1,205,546	973,972

3. INCOME TAX

3(a) Income tax expense

The income tax expense for the year differs from the prima facie tax as follows:

Loss for the year	(1,285,100)	(1,434,013)
Prima facie income tax (benefit) @ 30% (2015: 30%)	(385,530)	(430,204)
Tax effect of non-deductible items	12,372	99,128
Deferred tax assets not brought to account	373,158	331,076
Total income tax expense	-	-

3(b) Deferred tax assets

Deferred tax assets not brought to account arising from tax losses, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(h) occur:

	1,848,608	1,475,450
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4. AUDITORS' REMUNERATION

Amounts, paid or due and payable to Abbott Audit Services Pty Ltd for:

- audit or review services	13,500	17,500
	13,500	17,500

Consolidated
2016 **2015**
\$ **\$**

5. EARNINGS PER SHARE

	Cents	Cents
Basic earnings per share	(0.16)	(0.19)

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

Net loss for the year	(1,285,100)	(1,434,013)
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic EPS	807,803,189	737,845,561

6. CASH AND CASH EQUIVALENTS

Cash at bank	1,196,659	313,074
Short term deposits	2,000,000	1,500,000
	3,196,659	1,813,074

Cash at bank earns interest at floating rates based on daily deposit rates.

Cash and cash equivalents for the purpose of the statement of cash flows are comprised of cash at bank and short term deposits.

6(a) Reconciliation of loss for the year to net cash flows from operating activities:

Loss for the year	(1,285,100)	(1,434,013)
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Non-cash flows in profit/loss

Depreciation	3,371	4,344
Impairment of exploration and evaluation	10,514	-
Share based payments	10,000	-

Changes in operating assets and liabilities

(Increase)/decrease in trade and other receivables	138,615	(26,902)
Increase/(decrease) in trade and other payables	77,029	193,759
Increase/(decrease) in provisions	11,638	-

Net cash flows from operating activities	(1,033,933)	(1,262,812)
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6(b) Non-cash financing and investing activities

There were no non-cash financing and investing activities during the year.

	Consolidated	
	2016	2015
	\$	\$

7. TRADE AND OTHER RECEIVABLES

Current

GST receivable	43,802	109,015
Other receivables	136,349	165,608
	180,151	274,623

Other receivables are non-interest bearing and generally repayable within 12 months. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

8. PLANT & EQUIPMENT

Plant and Equipment

At cost	17,999	17,999
Accumulated depreciation	(11,185)	(9,247)
	6,814	8,752

Motor Vehicles

At cost	15,000	15,000
Accumulated depreciation	(10,065)	(8,632)
	4,935	6,368

Total

At cost	32,999	32,999
Accumulated depreciation	(21,250)	(17,879)
	11,749	15,120

8(a) Movements in carrying amounts

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

	Plant & Equipment	Motor Vehicles	Total
Balance at 1 July 2014	10,032	8,217	18,249
Additions	1,215	-	1,215
Depreciation expense	(2,495)	(1,849)	(4,344)
Balance at 30 June 2015	8,752	6,368	15,120
Additions	-	-	-
Depreciation expense	(1,938)	(1,433)	(3,371)
Balance at 30 June 2016	6,814	4,935	11,749

Consolidated
2016 2015
\$ \$

9. DEFERRED EXPLORATION EXPENDITURE

Expenditure brought forward	14,170,808	13,162,620
Expenditure incurred during the year	337,936	1,008,188
Impairment during the year	(10,514)	-
Expenditure carried forward	14,498,230	14,170,808

The expenditure above relates principally to the exploration and evaluation phase. The ultimate recoupment of this expenditure is dependent upon the successful development and commercial exploration, or alternatively, sale of the respective areas of interest, at amounts at least equal to the carrying value.

10. TRADE AND OTHER PAYABLES

Current

Trade payables and accruals	214,099	242,750
	214,099	242,750

Trade creditors are non-interest bearing and are normally settled on 30 day terms. Due to the short term nature of trade payables and accruals, their carrying value is assumed to approximate their fair value.

11. PROVISIONS

Current

Employee entitlements	11,638	-
	11,638	-

12. ISSUED CAPITAL AND RESERVES

12(a) Issued and paid up capital

Ordinary shares - fully paid	65,308,672	62,179,345
Ordinary shares - partly paid	8,000	8,000
Share issue costs written off against issued capital	(694,919)	(480,869)
	64,621,753	61,706,476

	2016 Number	2016 \$	2015 Number	2015 \$
12(b) Movement in ordinary shares on issue				
(i) Ordinary shares - fully paid				
Balance at beginning of year	761,283,723	62,179,345	428,497,459	58,475,458
Issue of fully paid ordinary shares on conversion of options	3,521,750	52,826	75,204,900	1,128,073
Issue of ordinary shares via Rights Issue	235,884,557	3,066,500	257,581,364	2,575,814
Issue of ordinary shares in lieu of cash consideration	1,428,571	10,000	-	-
Balance at end of year	1,002,118,601	65,308,672	761,283,723	62,179,345
(ii) Ordinary shares - partly paid (\$0.0389 unpaid)				
Balance at beginning of year	80,000,000	8,000	80,000,000	2,167,250
Issue of partly paid ordinary shares	-	-	-	-
Call on partly paid shares cancelled	-	-	-	(2,159,250)
Balance at end of year	80,000,000	8,000	80,000,000	8,000
Total issued shares	1,082,118,601	65,316,672	841,283,723	62,187,345

12(c) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Fully paid ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Options and partly paid ordinary shares do not entitle their holder to any voting rights.

12(d) Share Options

At 30 June 2016, the following options over unissued ordinary shares were outstanding:

- 258,325,968 unlisted options expiring 31 December 2017 at an exercise price of 1.4712 cents each
- 235,884,557 listed options expiring 31 December 2018 at an exercise price of 2.0 cents each

12(e) Performance Rights

20,000,000 performance rights which will each convert into one ordinary share on achievement of certain operating and share price milestones were granted to Directors during the year ended 30 June 2016.

12(f) Share-based payment reserve

The share-based payments reserve is used to recognise the fair value of options issued.

	Consolidated	
	2016	2015
	\$	\$

13. INVESTMENTS IN ASSOCIATES

Investment in associate at cost	2,550,000	2,550,000
Allowance for impairment	(2,550,000)	(2,550,000)
Investment in associate at fair value	-	-

Interest is held in the following associated company:

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carrying amount of investment	
				2016	2015	2016	2015
				%	%	\$	\$
Unlisted:							
Apogei Pty Ltd	Mineral Exploration	Australia	Ordinary	20	20	-	-
						Consolidated	
						2016	2015
						\$	\$

13(a) Equity accounted losses of associate are as follows:

Share of associate's loss before income tax	-	-
Share of associate's income tax	-	-
Share of associate's loss after income tax	-	-

14. COMMITMENTS

14 (a) Exploration Commitments

The Group has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Group. These commitments have not been provided for in the accounts. The minimum expenditure commitment on the tenements is:

Payable

- no later than 1 year	244,280	167,816
- between 1 year and 5 years	503,880	-
	748,160	167,816

14(b) Operating Lease Commitments

Minimum lease payments payable for non-cancellable operating leases contracted for but not recognised in the financial statements:

Payable

- no later than 1 year	39,945	60,000
- between 1 year and 5 years	-	39,945
	39,945	99,945

The non-cancellable lease is for office premises. It commenced on 1 June 2015 and ends on 28 February 2017, with rent payable monthly in advance.

15. CONTINGENT LIABILITIES

It is possible that native title, as defined in the *Native Title Act 1993*, might exist over land in which the Group has an interest. It is impossible at this stage to quantify the impact (if any) that the existence of native title may have on the operations of the Group. However, at the date of this report, the Directors are aware that applications for native title claims have been accepted by the Native Title Tribunal over tenements held by the Group.

16. SEGMENT INFORMATION

AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

The Group has identified two operating segments for 2016 being:

1. Exploration – consisting of the Gabanintha Vanadium Project and other exploration projects, and
2. Energy storage - VSUN Pty Limited's vanadium redox flow battery sales activities.

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

The following tables present revenue, expenditure and asset information regarding operating segments for the year ended 30 June 2016.

	Exploration \$	Energy Storage \$	Unallocated \$	Total \$
Sales to External Customers	-	-	-	-
Other Revenue	-	-	290,005	290,005
Total Segment Revenue	-	-	290,005	290,005
Total Segment Results	(223,584)	(106,733)	(954,783)	(1,285,100)
Total Segment Assets	14,549,138	58,959	3,278,692	17,886,789
Total Segment Liabilities	20,042	-	205,695	225,737
Impairment of Assets	(10,514)	-	-	(10,514)
Depreciation and Amortisation	-	-	(3,371)	(3,371)
Interest Income	-	-	27,855	27,855

17. RELATED PARTY TRANSACTIONS

17(a) Subsidiaries

The consolidated financial statements include the financial statements of Australian Vanadium Limited and the subsidiaries listed in the following table.

	Country of Incorporation	Equity Holding 2016 %	2015 %	Principal Activities
Australian Uranium Pty Ltd	Australia	100	100	Mineral exploration
Cabe Resources Ltd	Australia	100	100	Mineral exploration
VSUN Pty Ltd ¹	Australia	100	100	Development of vanadium battery opportunities

¹ Formerly Australian Vanadium Resources Pty Ltd.

17(b) Director-related entities

The Group engaged the following entities during the financial year for the following services on normal commercial terms:

Nil

18. PARENT ENTITY DISCLOSURES

18(a) Summary financial information

	2016 \$	Parent 2015 \$
Assets		
Current assets	3,376,810	2,087,697
Non-current assets	14,509,979	14,185,928
Total assets	17,886,789	16,273,625
Liabilities		
Current liabilities	225,737	242,750
Total liabilities	225,737	242,750
Equity		
Issued capital	64,621,753	61,706,476
Reserves	-	22,544,306
Accumulated losses	(46,960,701)	(68,219,907)
Total equity	17,661,052	16,030,875
Financial performance		
Loss for the year	(1,285,100)	(1,434,013)
Other comprehensive income	-	-
Total comprehensive loss	(1,285,100)	(1,434,013)

18(b) Guarantees

Australian Vanadium Limited has not entered into any guarantees.

18(c) Other Commitments and Contingencies

Australian Vanadium Limited (parent entity) has exploration commitments and operating lease commitments as described in Note 14(a). It has no contingent liabilities other than those discussed in note 15.

19. KEY MANAGEMENT PERSONNEL DISCLOSURES

19(a) Compensation of Key Management Personnel

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel.

	Consolidated	
	2016	2015
	\$	\$
Director and Executive Disclosures		
Compensation of key management personnel		
Short-term personnel benefits	489,606	476,155
Post-employment benefits	25,046	16,586
	514,652	492,741

19(b) Loans and Other Transactions with Key Management Personnel

There were no loans to key management personnel or their related entities during the financial year. Other transactions with key management personnel are described in Note 17(b).

20. SHARE-BASED PAYMENTS

20(a) Share-based payments expensed

No share-based payments were expensed during the year ended 30 June 2016 or 30 June 2015.

20(b) Summary of options granted as share-based payments

No options were issued as share-based payments during the year ended 30 June 2016 or 30 June 2015.

20(c) Performance rights

20,000,000 performance rights which will each convert into one ordinary share on achievement of certain operating and share price milestones were granted to Directors during the year ended 30 June 2016.

Refer to the Remuneration Report for the terms and conditions of the rights.

21. FINANCIAL RISK MANAGEMENT

The consolidated entity's principal financial instruments comprise receivables, payables, cash and short-term deposits. The consolidated entity manages its exposure to key financial risks in accordance with the consolidated entity's financial risk management policy. The objective of the policy is to support the delivery of the consolidated entity's financial targets while protecting future financial security.

The main risks arising from the consolidated entity's financial instruments are interest rate risk, credit risk and liquidity risk. The consolidated entity does not speculate in the trading of derivative instruments. The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

21(a) Interest rate risk

The consolidated entity's exposure to risks of changes in market interest rates relates primarily to the consolidated entity's cash balances. The consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the consolidated entity has no interest-bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At the reporting date, the consolidated entity had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated	
	2016	2015
	\$	\$
Financial Assets		
Cash and cash equivalents (interest-bearing accounts)	3,196,659	1,813,074
	3,196,659	1,813,074

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At the reporting date, if interest rates had moved as illustrated in the table below, with all other variables held constant, post-tax profit and equity relating to financial assets of the consolidated entity would have been affected as follows:

Estimates of reasonably possible movements:

Post tax profit - higher / (lower)		
+0.5%	9,356	9,065
-0.5%	(9,356)	(9,065)
Equity - higher / (lower)		
+0.5%	9,356	9,065
-0.5%	(9,356)	(9,065)

21(b) Liquidity Risk

The consolidated entity has no significant exposure to liquidity risk as there is effectively no debt. The consolidated entity manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

21(c) Credit risk

Credit risk arises from the financial assets of the consolidated entity, which comprise deposits with banks and trade and other receivables. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amounts of financial assets included in the statement of financial position represents the consolidated entity's maximum exposure to credit risk in relation to those assets.

The consolidated entity does not hold any credit derivatives to offset its credit exposure. The consolidated entity trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the consolidated entity's policy to securitise its trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the consolidated entity does not have a significant exposure to bad debts.

There are no significant concentrations of credit risk within the consolidated entity.

21(d) Capital Management Risk

Management controls the capital of the consolidated entity in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels and share and option issues.

The consolidated entity has no external loan debt facilities other than trade payables. There have been no changes in the strategy adopted by management to control capital of the consolidated entity since the prior year.

21(e) Commodity Price and Foreign Currency Risk

The consolidated entity's exposure to price and currency risk is minimal given the consolidated entity is still in the exploration phase.

21(f) Fair Value

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

22. EVENTS SUBSEQUENT TO THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years, other than as outlined in the Company's review of operations which is contained in this Annual Report.

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes set out on pages 28 to 45 are in accordance with *the Corporations Act 2001* including:
 - a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of the performance for the year ended on that date, and;
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Managing Director and chief financial officer pursuant to Section 295A of the *Corporations Act 2001*.

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

A handwritten signature in black ink, appearing to read 'Brenton Lewis', with a stylized, flowing script.

Brenton Lewis
Chairman

13 September 2016

Accounting and Tax
Bookkeeping Services
Financial Planning
Native Title Trustees
Audit Services
Lending
Business Consultancy

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001
TO THE DIRECTORS OF
AUSTRALIAN VANADIUM LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been:

- i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii) No contraventions of any applicable code of professional conduct in relation to the audit.

This Declaration is in respect of Australian Vanadium Limited and the entities it controlled during the financial Period.

GRAEME WOVIDICH, C.P.A.



Registered Company Auditor No. 13421

Dated this 13 day of September 2016

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Independent Auditor's Report to the Members of
Australian Vanadium Limited

Abbott
Solutions

We have audited the accompanying financial report of Australian Vanadium Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Auditor's Opinion

In our opinion:

1. the financial report of Australian Vanadium Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and

(b) other mandatory financial reporting requirements in Australia.

Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As described in Note 9 and the Directors' report (Review of operations) the consolidated entity continues to hold the tenement to which the capitalised exploration and evaluation costs relates. The ability of the consolidated entity to continue carrying these capitalised costs or to realise these costs through future development or sale is largely dependent on the successful outcome of the proceedings referred to in the Note 9 and the directors' report. As the ultimate outcome of this matter cannot presently be determined, any impairment to the capitalised costs and the provision for any liability may have a significant consequential effect on the net assets of the consolidated entity as at 30 June 2016 and the results of the consolidated entity for the financial year then ended.

Remuneration Reports

We have audited the Remuneration Report included in directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Australian Vanadium Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2011.

GRAEME WOVDICH, C.P.A.



Registered Company Auditor No. 13421

Dated this 13 day of September 2016

Annual Mineral Resource Statement

1. GABANINTHA PROJECT - MINERAL RESOURCE STATEMENT

A summary of the Mineral Resources at the Gabanintha Project as at 30 June 2016 is shown in Table 1 below.

The updated Mineral Resource estimation was carried out by Australian Mining Consultants Pty Ltd (AMC), resulting in the estimation of Measured, Indicated, and Inferred Mineral Resources. All mineralised domains, are reported above 0.3% V₂O₅ for the low grade ore zones and above 0.7% V₂O₅ within the high grade zones.

The Mineral Resource estimate consists of:

- 91.4 million tonnes at 0.82 % V₂O₅ containing 750,000 tonnes of V₂O₅;
- discrete high-grade zones of 56.8 million tonnes at 1.00% V₂O₅ containing 563,000 tonnes of V₂O₅;
- discrete low-grade zones of 34.6 million tonnes at 0.53% V₂O₅ containing 185,000 tonnes of V₂O₅, and
- combined Measured and Indicated Mineral Resources of 24.7 Million tonnes at 0.8 % V₂O₅ in low and high grade zones containing 196,000t V₂O₅.

TABLE 1 GABANINTHA PROJECT MINERAL RESOURCES STATEMENT AS AT 30 JUNE 2016								
JORC Resource Class	Tonnes Million	In situ bulk density	V ₂ O ₅ %	Fe %	TiO ₂ %	SiO ₂ %	Al ₂ O ₃ %	LOI %
High Grade Zone								
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 Zone								
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
TOTAL								
Measured	7.0	3.73	1.09	43	12	10	8	3.4
Indicated	17.8	2.61	0.68	28	8	23	16	7.7
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

2. MATERIAL CHANGES AND RESOURCE STATEMENT COMPARISON

A comparison between the 2015 and 2016 Mineral Resource Estimates for the Gabanintha Project is shown in Table 2 below.

TABLE 2 GABANINTHA PROJECT COMPARISON BETWEEN 2015 & 2016 MINERAL RESOURCE ESTIMATES								
JORC Resource Class	Tonnes Million	In situ bulk density	V ₂ O ₅ %	Fe %	TiO ₂ %	SiO ₂ %	Al ₂ O ₃ %	LOI %
ESTIMATE AS AT 30 JUNE 2016								
High Grade Zone								
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	1.0	42	11	12	8	3.0
Low Grade Zone								
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
TOTAL								
Measured	7.0	3.73	1.09	43	12	10	8	3.4
Indicated	17.8	2.61	0.68	28	8	23	16	7.7
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
ESTIMATE AS AT 30 JUNE 2015								
High Grade Zone								
Indicated	14.4	4.17	1.03	42	12	11	8	3.4
Inferred	46.0	4.16	0.97	42	11	12	8	3.2
Subtotal	60.4	4.16	0.98	42	11	12	8	3.2
Low Grade Zone								
Indicated	42.7	2.71	0.44	23	6	29	18	8.9
Inferred	22.7	2.67	0.42	23	6	31	17	6.9
Subtotal	65.4	2.70	0.43	23	6	30	18	8.2
TOTAL								
Indicated	57.0	2.97	0.59	28	8	25	16	7.5
Inferred	68.8	3.51	0.79	36	9	18	11	4.4
TOTAL	125.8	3.25	0.70	32	9	21	13	5.8

The material change in the Mineral Resource Estimate between 2015 and 2016 was due to an extensive RC and diamond drilling program undertaken by the Company during 2015. Most of the reduction between the earlier estimation and the 2015 estimation arose from adjustments to the model parameters for each classification.

The Group is not aware of any new information or data that materially affects the information as previously released and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

3. GOVERNANCE ARRANGEMENTS AND INTERNAL CONTROLS

The Group has appropriate systems in place and suitably qualified and competent geological consultants to complete any resource estimation or review to the required standards as shown in the 2012 JORC Code Guidelines. The Quality Assurance, Sampling Systems, Assay Procedures, Data Recording, Interpretation Standards and Resource Estimation Methods and other parameters as set out in Table 1 of the JORC Code 2012 Guidelines are closely followed. The mineral resources reported have been generated by independent external consultants where appropriate who are experienced in best practices in modelling and estimation methods. The consultants have also undertaken reviews of the quality and suitability of the underlying information used to determine the resource estimate. In addition, management carries out regular reviews and audits of internal processes and external contractors that have been engaged by the group.

The Company policy is that all steps are recorded during the resource drilling program and then the estimation stage. All results from field logs and assays to database entries and modelling data are validated, reviewed and checked by independent and qualified geological personnel.

Competent Person Statement – Mineral Resource Estimation

The information relating to the Gabanintha Project 2016 Mineral Resource estimate reported on page 50 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 (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 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.

Competent Person Statement – Exploration Results

The information in this report that relates to Exploration Results 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 (AusIMM) and the Australian Institute of Geoscientists (AIG). Brian Davis is employed by Geologica Pty Ltd. 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.

4. SCHEDULE OF INTERESTS IN MINING TENEMENTS AS AT 31 AUGUST 2016

PROJECT	TENEMENT	AREA	EQUITY	ANNUAL EXPENDITURE COMMITMENT
Gabarintha	E51/843	18 blocks	100%	\$70,000
Gabarintha	E51/1396	1 block	100%	\$15,000
Gabarintha	E51/1534	8 blocks	100%	\$20,000
Gabarintha	E51/1576	10 blocks	100%	\$20,000
Gabarintha	P51/2634	171.85 ha	100%	\$5,920
Gabarintha	P51/2635	123.53 ha	100%	\$4,480
Gabarintha	P51/2636	175.16 ha	100%	\$6,880
Gabarintha	P51/2566	147.66 ha	100%	\$4,960
Gabarintha	P51/2567	111.66 ha	100%	\$7,040
Gabarintha	MLA 51/878	3,563.0 ha	100%	Application
Gabarintha	E51/1685	15 blocks	100%	\$20,000
Nowthanna Hill	MLA 51/771	301.0 ha	100%	Application
Peak Hill	E52/3349	70 blocks	100%	\$70,000
TOTAL				\$244,280

ASX Additional Information

Additional information required by the ASX Listing Rules not disclosed elsewhere in this Annual Report is set out below. The information is current as at 31 August 2016.

1. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Range	Listed Shares, Fully Paid Ordinary		Listed 2 cent Options expiring 31 December 2018	
	No of Holders	Number of shares	No of Holders	Number of options
1 – 1,000	61	24,086	13	6,439
1,001 – 5,000	166	506,912	25	70,757
5,001 – 10,000	191	1,684,709	16	123,341
10,001 – 100,000	1,088	56,928,939	139	6,670,702
100,001+	1,185	1,018,110,728	226	229,013,318
Total	2,691	1,077,255,374	419	235,884,557

Range	Unlisted Shares, Partly Paid Ordinary		Unlisted 1.4712 cent Options expiring 31 December 2017	
	No of Holders	Number of shares	No of Holders	Number of options
1 – 1,000	-	-	3	2,950
1,001 – 5,000	-	-	15	40,324
5,001 – 10,000	-	-	20	169,311
10,001 – 100,000	-	-	61	2,470,060
100,001+	5	80,000,000	104	195,506,550
Total	5	80,000,000	203	198,189,195

Unmarketable Parcels

There were 647 holders of less than a marketable parcel of ordinary shares.

2. UNQUOTED SECURITIES

Holders of more than 20% of the abovementioned unquoted securities are:

Holder Name	Unlisted Shares, Partly Paid Ordinary	Unlisted Options, expiring 31 Dec 17 Exercise Price 1.4712c
Woolmaton Pty Ltd <Woolmaton A/C>	28,000,000	10,000,000
Lisen Zhang	28,000,000	-

3. RESTRICTED SECURITIES

There are no restricted securities or securities subject to voluntary escrow as at 31 August 2016.

4. SUBSTANTIAL SHAREHOLDERS

There were no substantial holders as at 31 August 2016.

5. CORPORATE GOVERNANCE

The Company's Corporate Governance Statement is located on its website at:

australianvanadium.com.au

6. TOP 20 SHAREHOLDERS

	Name	Number of Shares	% of Shares
1	Mr Neale Parsons	21,112,733	1.96
2	Jalein Pty Ltd <Elbaja A/C>	20,000,000	1.86
3	Sunarp Pty Ltd <Whittle Investment A/C>	20,000,000	1.86
4	Mr Peter James Muir	18,417,675	1.71
5	Mr Michael Arendt	17,000,000	1.58
6	Comsec Nominees Pty Limited	11,726,762	1.09
7	Mr Neale Parsons	11,000,000	1.02
8	Pershing Australia Nominees Pty Ltd <Phillip Securities (HK) A/C>	10,900,000	1.01
9	Millcrest Pty Ltd	10,147,007	0.94
10	Woolmaton Pty Ltd <Woolmaton A/C>	10,146,412	0.94
11	Mr Peter Champion + Mrs Lee-Anne Champion <Champion S/F A/C>	10,080,000	0.94
12	Mr Charles Michael Higgins	10,000,000	0.93
13	Toulon Pty Ltd <The Eoannidis A/C>	9,900,000	0.92
14	Mr Brenton David Witcombe	9,588,007	0.89
15	Berne No 132 Nominees Pty Ltd <323731 A/C>	9,066,667	0.84
16	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	8,155,135	0.76
17	Ms Sarah Mary Wall	8,000,000	0.74
18	Mr Brenton James Lewis	7,778,600	0.72
19	Kelro Pty Ltd <Alubo A/C>	7,350,000	0.68
20	Mr Cal Douglas Tostevin	7,000,000	0.65
	Total	237,368,998	22.03
	Total Remaining Holders Balance	839,886,376	77.97

7. TOP 20 LISTED OPTIONHOLDERS

	Name	Number of Listed Options	% of Listed Options
1	Mr Matthew Burford	13,100,000	5.55
2	Mr Luke Kukulj	9,000,000	3.82
3	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	8,139,998	3.45
4	Mr David Gillam + Mrs Sade Gillam <D & S Gillam Family A/C>	7,200,000	3.05
5	Mr Ziyin Fang	6,000,000	2.54
6	Ms Sihol Marito Gultom	6,000,000	2.54
7	Mr Scott Alan Malone	6,000,000	2.54
8	Mr Yuen Wai Lee + Mrs Teresa Siew Ing Ung <Yuenwai Superfund A/C>	5,940,000	2.52
9	Mr James Stati + Miss Kathie Lee Fletcher	5,000,000	2.12
10	Mr Peter James Muir	4,604,419	1.95
11	Woolmaton Pty Ltd <Woolmaton A/C>	4,186,732	1.77
12	Mr Raymond Andrew Hegarty + Mrs Zoe Elizabeth Hegarty	4,000,000	1.70
13	Rilukin Holdings Pty Ltd	3,912,695	1.66
14	P A Shakespeare Investing Pty Ltd	3,892,276	1.65
15	Mr Richard Tapner	3,500,000	1.48
16	Mr Martin Francis O'Duffy	3,000,000	1.27
17	Mr Neale Parsons	3,000,000	1.27
18	Mr Arthur John Dennis + Mrs Susan Jane Dennis	2,940,000	1.25
19	Miss Gay Vivian Cain	2,600,000	1.10
20	Mr Charles Michael Higgins	2,500,000	1.06
	Total	104,516,120	44.31
	Total Remaining Holders Balance	131,368,437	55.69