



Australian
VANADIUM
LIMITED

ACN 116 221 740

Half Year Report

31 December 2016

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Corporate Directory

Directors

Brenton Lewis (Non-executive Chairman)
Vincent Algar (Managing Director and CEO)
Leslie Ingraham (Executive Director)
Daniel Harris (Non-executive Director)

Secretary

Neville Bassett

Registered Office

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West Perth WA 6005

Principal Office

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West Perth WA 6005

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Share Registry

Computershare Investor Services Pty Ltd
Level 11
172 St George's Terrace
Perth WA 6000

Telephone 08 9323 2000

Auditors

Abbott Audit Services Pty Ltd T/A Armada Auditing
3 Alvan Street
Mt Lawley WA 6050

Australian Securities Exchange

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

Directors Report

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2016. This report should be read in conjunction with the 2016 Annual Report and announcements to the Australian Securities Exchange. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names of the Directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated:

Brenton Lewis (Non-executive Chairman)
Vincent Algar (Managing Director and CEO)
Leslie Ingraham (Executive Director)
Daniel Harris (Non-executive Director) – appointed 1 February 2017

REVIEW OF OPERATIONS

The net loss for the half-year attributed to members of Australian Vanadium Limited was \$1,264,710 (31 December 2015 - loss of \$961,683).

HIGHLIGHTS

The Company was active during the half-year with operations focused on advancing its flagship Gabanintha Vanadium Project in Western Australia and the implementation of its vertical integration strategy which is focused on energy storage via the marketing and sales of Vanadium Flow Batteries as well as assessing commercialisation of an electrolyte plant to supply battery makers. A summary of the main activities included:

Gabanintha Project

An updated Concept Study was completed during the period, the results of which have satisfied the Board to advance the project with further key studies. The key studies to be undertaken include roast-leach metallurgical work, a mineral resource update, a detailed mining study, a hydrology study, environmental studies and permitting work.

Pit optimisation modelling conducted as part of the Concept Study recorded very positive results including:

- a preliminary open pit shell extending for approximately 4.3 kilometres long within the northern part of the resource area, and
- an estimated 45.3 Mt of Mineral Resources falling within the open pit shell.

Finalisation of the new work in 2017 will allow the Company to determine a project feasibility study and construction timeline that will be dependent on prevailing vanadium market conditions.

Energy Storage

The Company's subsidiary VSUN Energy Pty Ltd (VSUN) successfully completed its first installation of a Vanadium Flow Battery (VRB) with a 15kW solar photovoltaic system on a rural property in south Western Australia during the period. In January 2017, a technical sales manager with extensive solar energy sales experience was appointed by VSUN. The new appointee is focused on increasing VRB sales in 2017.

In December 2016 the Company completed installation and commissioning of a vanadium electrolyte pilot plant located at the University of Western Australia. Since commissioning Company personnel have been successfully operating the pilot plant to produce vanadium electrolyte suitable for use in VRB. The Company aims to develop

both stand-alone and mine-attached vanadium electrolyte production capacity to support the growing demand in the VRB energy storage sector.

Blesberg Project

The Company executed an agreement to acquire a controlling interest in an African lithium-tantalum pegmatite project at Blesberg. The project includes the historic Blesberg Mine located approximately 80km north of Springbok in the remote Northern Cape Province of South Africa. The Company intends to commence its initial drilling program at Blesberg in March 2017.

Sale of Precious and Base Metal rights

The Company also executed an agreement to sell the precious and base metal rights in the Gabanintha Project, as well as its 100% equity in its Peak Hill Project to Bryah Resources Limited. Under the deal, Australian Vanadium Ltd retains all mineral rights to vanadium, titanium, cobalt, chromium, uranium, lithium, tantalum, iron ore and manganese within the Gabanintha Project area and retains primary title over the licenses. The Mineral Rights Sale Agreement at Gabanintha is subject to the following Conditions Precedent within 6 months:

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

Nowthanna Hill Uranium Project

The Company made positive progress towards the granting of its mining lease application (MLA51/771) over this uranium deposit during the half-year. A Mining Project Agreement and State Deed between the Yugunga Nya People and Australian Vanadium Limited were executed by the Company in November 2016. Once the documentation is fully signed by all signatories the Company understands that the lease will be granted by the Department of Mines and Petroleum.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the half-year are detailed under the heading 'Review of Operations' of this report.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the half-year under review not otherwise disclosed in this report or in the financial report.

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year ended 31 December 2016 is included within this financial report.

Signed on behalf of the Directors



Brenton Lewis
Chairman

Perth, 15 March 2017



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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 31 December 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 WOVODICH, C.P.A.

Registered Company Auditor No. 13421

Dated this 15th day of March 2017

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Statement of Comprehensive Income

for the half year ended 31 December 2016

	Notes	Consolidated	
		31 December 2016	31 December 2015
		\$	\$
Revenue			
Revenue		34,906	14,275
		34,906	14,275
Expenses			
Exploration and evaluation expenditure		(57,850)	(277,054)
Depreciation		(3,333)	(1,822)
Directors fees and benefits expenses		(528,725)	(134,285)
Other expenses		(709,708)	(562,797)
Loss before income tax expenses		(1,264,710)	(961,683)
Income tax expense		-	-
Net Loss for the Period		(1,264,710)	(961,683)
Other Comprehensive Income			
Other Comprehensive Income for the period, net of tax		-	-
Total Comprehensive loss attributable to members of Australian Vanadium Limited		(1,264,710)	(961,683)
		Cents	Cents
Basic/ diluted earnings per share		(0.12)	(0.13)

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 31 December 2016

	Notes	Consolidated	
		31 Dec	30 June
		2016	2016
		\$	\$
Assets			
Current Assets			
Cash and cash equivalent		2,708,912	3,196,659
Trade and other receivables		71,326	180,151
Total Current Assets		2,785,740	3,376,810
Investments		1,656,104	-
Plant and equipment		339,391	11,749
Deferred exploration expenditure	2	14,588,889	14,498,230
Total Non-Current Assets		16,584,384	14,509,979
Total Assets		19,364,624	17,886,789
Current Liabilities			
Trade and Other Payables		160,568	214,099
Provisions		18,972	11,638
Total Current Liabilities		179,540	225,737
Total Liabilities		179,540	225,737
Net Assets		19,185,084	17,661,052
Equity			
Issued capital	3	67,410,495	64,621,753
Accumulated Losses		(48,225,411)	(46,960,701)
Total Equity		19,185,084	17,661,052

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the half year ended 31 December 2016

	Consolidated			
	Issued Capital \$	Accumulated Losses	Other Reserves	Total \$
Balance as at 1 July 2015	61,706,476	(68,219,907)	22,544,306	16,030,875
Loss for period	-	(961,683)	-	(961,683)
Total comprehensive loss for period	-	(961,683)	-	(961,683)
Balance as at 31 December 2015	61,706,476	(69,181,590)	22,544,306	15,069,192
Balance as at 1 July 2016	64,621,753	(46,960,701)	-	17,661,052
Loss for period	-	(1,264,710)	-	(1,264,710)
Total comprehensive loss for period	-	(1,264,710)	-	(1,264,710)
Shares issued as consideration	1,288,000	-	-	1,288,000
Shares issued on conversion of options	1,238,391	-	-	1,238,391
Shares Issued on conversion of performance rights	285,000	-	-	285,000
Capital raising costs	(22,649)	-	-	(22,649)
Balance as at 31 December 2016	67,410,495	(48,225,411)	-	19,185,084

The accompanying notes form part of these financial statements.

Statement of Cash Flow

for the half year ended 31 December 2016

Notes	31 December 2016 \$	31 December 2015 \$
Cash Flow from Operating Activities		
Receipts from customers	-	-
Payments to suppliers and employees	(1,041,767)	(627,197)
Interest received	34,707	15,264
Expenditure on mining interests	(74,775)	(290,002)
Net cash used in operating activities	(1,081,835)	(901,935)
Cash Flows from Investing Activities		
Expenditure on mining interests	(78,958)	(11,842)
Purchase of Property, Plant and Equipment Investments	(181,921)	-
	(368,104)	-
Net cash used in investing activities	(628,983)	(11,842)
Cash Flows from Financing Activities		
Proceeds from issue of shares	1,238,391	-
Payment of capital raising costs	(15,318)	-
Net cash provided by financing activities	1,223,072	-
Net Increase (Decrease) in Cash Held	(487,746)	(913,777)
Cash at beginning of the Period	3,196,659	1,813,074
Cash at the End of the Period	2,708,912	899,297

The accompanying notes form part of these financial statements

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Australian Vanadium Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied with those of the previous financial periods and corresponding interim reporting period, except in relation to the matters disclosed below.

New and Revised Accounting Standards

In the current half-year, the consolidated entity 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 consolidated entity's accounting policies.

2. DEFERRED EXPLORATION EXPENDITURE

	Notes	31 December 2016 \$	30 June 2016 \$
Deferred exploration expenditure	2		
Expenditure brought forward		14,498,230	14,170,808
Expenditure incurred during the period		90,659	337,936
Expenditure written off during period		-	(10,514)
Expenditure carried forward		14,588,889	14,498,230

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 exploitation, or alternatively, sale of the respective areas of interest, at amounts at least equal to book value.

Notes to the Financial Statements

3. ISSUED CAPITAL

	Notes	31 December 2016 \$	30 June 2016 \$
Issued Capital			
Issues and paid up capital			
Ordinary shares - fully paid	3(i)	68,120,063	65,308,672
Ordinary shares - partly paid	3(ii)	8,000	8,000
Share issue costs written off against issued capital		(717,568)	(694,919)
		67,410,495	64,621,753
Movement in ordinary share in issue			
(i) Ordinary share - fully paid		No.	\$
Balance at beginning of period		1,002,118,601	65,308,672
Movement			
- Shares issued as consideration		77,000,000	1,288,000
- Shares issued on conversion of options		84,175,615	1,238,391
- Shares Issued on conversion of performance rights		15,000,000	285,000
Balance at end of Period		1,178,294,216	68,120,063
(ii) Ordinary share - partly paid (\$0.0389 unpaid)			
Balance at beginning of period		80,000,000	8,000
Movement		-	-
Balance at end of Period		80,000,000	8,000

4. 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 Energy 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.

Notes to the Financial Statements

The following tables present revenue, expenditure and asset information regarding operating segments for the half-year ended 31 December 2016.

	Exploration \$	Energy Storage \$	Unallocated \$	Total \$
Sales to External Customers	-	-	-	-
Other Revenue	-	200	34,706	34,906
Total Segment Revenue	-	200	34,706	34,906
Total Segment Results	(57,850)	(61,274)	(1,145,586)	(1,264,710)
Total Segment Assets	16,186,998	205,925	2,792,161	19,185,084
Total Segment Liabilities	57,996	13,058	108,486	179,540
Impairment of Assets	-	-	-	-
Depreciation and Amortisation	-	-	(3,333)	(3,333)
Interest Income	-	-	34,706	34,706

5. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

6. DIVIDENDS

No dividends have been declared or paid during the half-year ended 31 December 2016 or in the prior period, and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2016.

7. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods.

Directors' Declaration

In the opinion of the directors of Australian Vanadium Limited ('the company'):

1. The financial statements and notes thereto of the consolidated entity, as set out within this financial report, are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'Brenton Lewis', written in a cursive style.

Brenton Lewis

Chairman

Perth, 15 March 2017



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**Independent Auditor’s Review Report
to the Members of Australian Vanadium Limited**

We have reviewed the accompanying half-year financial report of Australian Vanadium Limited, which comprises the balance sheet as at 31st December 2016, the income statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors’ declaration.

Directors’ Responsibility for the half-year Financial Report

The directors of the Australian Vanadium Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Australian Vanadium Limited’s financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Australian Vanadium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have met the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Australian Vanadium Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Vanadium Limited is not in accordance with the *Corporations Act 2001* including:

giving a true and fair view of the Australian Vanadium Limited's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001* accordance with the *Corporations Act 2001*

GRAEME WOVODICH, C.P.A.



Registered Company Auditor No. 13421

Dated this 15th day of March 2017