

Australian Vanadium Limited

ACN 116 221 740

(formerly Yellow Rock Resources Limited)

Half Year Report

31 December 2015

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Corporate Directory

Directors

Brian Davis (Chairman)
Brenton Lewis
Leslie Ingraham

Secretary

Neville Bassett

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Principal Office

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Auditors

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

Australian Securities Exchange

Australian Vanadium Limited shares (AVL)
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 2015. This report should be read in conjunction with the 2015 Annual Report and announcements. 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:

Brian Davis (Chairman)

Brenton Lewis (Non-Executive Director)

Leslie Ingraham (Executive Director)

REVIEW OF OPERATIONS

The net loss for the half year attribute to members of Australian Vanadium Limited was \$961,683 (31 December 2014 - loss of \$541,396).

HIGHLIGHTS

The Company was active during the period, with activities focused on updating the resource estimate and completion of key mineralogy and metallurgical work on its flagship Gabanintha Vanadium Project in Western Australia. A strong focus on the new application for Vanadium as a key component of commercial Vanadium Redox Flow Batteries was included in the Company's activities. A summary of the main activities included;

- Mining Lease Application MLA 878 at Gabanintha is currently being considered by the DMP (WA) for granting.
- Discussions are advancing with the Yugunga Nya traditional owners to draw up a Mining Agreement and the first successful meeting was held in Meekatharra.
- The Company lodged two new tenement applications; E51/1685 (15 Blocks) situated to the west of Gabanintha which has good potential for vanadium and base metal exploration and E52/3349 (70 Blocks) situated north-west of the Horseshoe Lights copper-gold mine which has good potential for copper and gold mineralisation.
- An updated Mineral Resource Estimate was completed in compliance with the JORC Code 2012 for the Gabanintha Vanadium-Iron-Titanium Project (ASX release of November 10th 2015).
- The Company reported a Measured and Indicated Mineral Resource of 24.7Mt at 0.8% V₂O₅ at the Gabanintha project near Meekatharra in WA that includes a high grade zone of 11.3 Mt at 1.1% V₂O₅. This forms part of a total Mineral Resource of 91.4Mt at 0.82% V₂O₅. The updated Mineral Resource Estimate was reported in compliance with the JORC Code 2012.
- A detailed mineralogy study was completed on samples from the Gabanintha orebody by the Centre for Exploration Targeting at the University of Western Australia. Results showed that magnetic separation techniques will be applicable for both high-grade and low-grade ores.
- Further metallurgical testing on the different ore types was conducted to assess recovery potential. The tests showed high recovery rates from all the ore types, including oxidised material, using relatively coarse grind sizes, highlighting scope to keep operating costs low.
- The Company announced and commenced a vertical integration strategy focused on Vanadium Flow Batteries. Subsidiary VSUN Pty Ltd is focused on Vanadium Flow Battery market development and sales in Australia, as well as electrolyte plant development to supply battery makers.

- Australian Vanadium Limited (ASX: AVL) became the new name of Yellow Rock Resources Limited as indicated in the ASX announcement of 2nd December 2015.
- AVL appointed an internationally-renowned expert in the vanadium battery field as a consultant, supporting its strategy to become a major supplier of Australian vanadium to the high-technology battery market.
- AVL significantly advanced discussions on collaboration with Vanadium Battery Manufacturers in UK and Germany and Solar Installation Partners in Australia in order to establish working agreements and logistics for future battery and electrolyte sales.

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 final 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 2015 is included within this financial report.

On behalf of the Directors



Leslie Ingraham
Director

Perth, 15 March 2016

**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 2015 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.

GRAEME WOVDICH, C.P.A.



Registered Company Auditor No. 13421

Dated this 15 day of March 2016

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Statement of Comprehensive Income

for the half year ended 31 December 2015

| | Notes | Consolidated | |
|--|-------|----------------------|----------------------|
| | | 31 Dec 2015 \$ | 31 Dec 2014 \$ |
| Revenue | | | |
| Revenue | | 14,275 | 34,353 |
| | | 14,275 | 34,353 |
| Expenses | | | |
| Exploration and evaluation expenditure | | (277,054) | 19,421 |
| Depreciation | | (1,822) | 2,133 |
| Directors fees and benefits expenses | | (134,285) | 138,907 |
| Other expenses | | (562,797) | 415,288 |
| Loss before income tax expenses | | (961,683) | (541,396) |
| Income tax expense | | - | - |
| Net Loss for Year | | (961,683) | (541,396) |
| Other Comprehensive Income | | | |
| Other Comprehensive Income for the year, net of tax | | - | - |
| Total Comprehensive loss attributable to members of Australian Vanadium Ltd | | (961,683) | (541,396) |
| | | Cents | Cents |
| Basic/ diluted earnings per share | | (0.13) | (0.08) |

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 31 December 2015

| | Notes | Consolidated | |
|----------------------------------|-------|-------------------|-------------------|
| | | 31 Dec 2015 | 30 June 2015 |
| | | \$ | \$ |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalent | | 899,297 | 1,813,074 |
| Trade and other receivables | | 164,937 | 274,623 |
| Total Current Assets | | 1,064,234 | 2,087,697 |
| Non-Current Assets | | | |
| Plant and equipment | | 13,298 | 15,120 |
| Deferred exploration expenditure | 2 | 14,182,650 | 14,170,808 |
| Total Non-Current Assets | | 14,195,948 | 14,185,928 |
| Total Assets | | 15,260,182 | 16,273,625 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other Payables | | 190,990 | 242,750 |
| Total Current Liabilities | | 190,990 | 242,750 |
| Total Liabilities | | 190,990 | 242,750 |
| Net Assets | | 15,069,192 | 16,030,875 |
| Equity | | | |
| Issued capital | 3 | 61,706,476 | 61,706,476 |
| Reserves | | 22,544,306 | 22,544,306 |
| Accumulated Losses | | (69,181,590) | (68,219,907) |
| Total Equity | | 15,069,192 | 16,030,875 |

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the half year ended 31 December 2015

| | Consolidated | | | Total \$ |
|--|-------------------------|-----------------------|-------------------|-------------------|
| | Issued Capital \$ | Accumulated Losses | Other Reserves | |
| Balance as at 1 July 2014 | 60,257,892 | (66,785,894) | 22,544,306 | 16,016,304 |
| Loss for period | - | (541,396) | - | (541,396) |
| Total comprehensive loss for period | - | (541,396) | - | (541,396) |
| Securities issued during the period | 3,703,887 | - | - | 3,703,887 |
| Share issue costs | (96,053) | - | - | (96,053) |
| Call on partly paid shares cancelled | (2,159,250) | - | - | (2,159,250) |
| Balance as at 31 December 2014 | 61,706,476 | (67,327,290) | 22,544,306 | 16,923,492 |
| 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 |

The accompanying notes form part of these financial statements.

Statement of Cash Flow

for the half year ended 31 December 2015

| Notes | 31 December 2015 \$ | 31 December 2014 \$ |
|--|---------------------------|---------------------------|
| Cash Flow from Operating Activities | | |
| Receipts from customers | - | - |
| Payments to suppliers and employees | (627,197) | (551,253) |
| Interest received | 15,264 | 8,443 |
| R & D concession received | - | 242,032 |
| Expenditure on mining interests | (290,002) | (15,717) |
| Net cash used in operating activities | (901,935) | (316,495) |
| Cash Flows from Investing Activities | | |
| Expenditure on mining interests | (11,842) | (60,878) |
| Net cash used in investing activities | (11,842) | (60,878) |
| Cash Flows from Financing Activities | | |
| Proceeds from issue of shares | - | 3,703,887 |
| Payment of capital raising costs | - | (96,053) |
| Net cash provided by financing activities | - | 3,607,834 |
| Net Increase (Decrease) in Cash Held | (913,777) | 3,230,461 |
| Cash at beginning of the financial year | 1,813,074 | 477,454 |
| Cash at the End of the Period | 899,297 | 3,707,915 |

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 2015 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 2015 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 year and corresponding interim reporting period, except in relation to the matters disclosed below.

New and Revised Accounting Standards

In the current 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 2015 \$ | 30 June 2015 \$ |
|---|----------|---------------------------|-----------------------|
| Deferred exploration expenditure | 2 | | |
| Expenditure brought forward | | 14,170,808 | 13,162,620 |
| Expenditure incurred during the year | | 11,842 | 1,008,188 |
| Expenditure written off during year | | - | - |
| Expenditure carried forward | | 14,182,650 | 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 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 2015 \$ | 30 June 2015 \$ |
|---|-------|---------------------------|-----------------------|
| Issued Capital | | | |
| Issues and paid up capital | | | |
| Ordinary shares - fully paid | 3(i) | 61,698,476 | 61,698,476 |
| Ordinary shares - partly paid | 3(ii) | 8,000 | 8,000 |
| | | 61,706,476 | 61,706,476 |
| Movement in ordinary share in issue | | | |
| (i) Ordinary share - fully paid | | No. | \$ |
| Balance at beginning of year | | 761,283,723 | 61,698,476 |
| Movement | | - | - |
| Balance at end of year | | 761,283,723 | 61,698,476 |
| (ii) Ordinary share - partly paid (\$0.0389 unpaid) | | | |
| Balance at beginning of year | | 80,000,000 | 8,000 |
| Movement | | - | - |
| Balance at end of year | | 80,000,000 | 8,000 |

4. SEGMENT INFORMATION

The consolidated entity has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors has considered the business from both a geographic and business segment perspective and has identified one reportable segment. The identifiable reportable segment is mineral exploration within Australia.

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 2015 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 2015.

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 2015 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



Leslie Ingraham

Director

Perth, 15 March 2016

**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 2015, 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 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 (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

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 financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2015 and its performance as at the half year ended on that date; and complying with the Australian Accounting Standards AASB 134 Interim Financial Reporting and 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 financial report.

A review of a 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

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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.

Independence

In conducting our review, we have complied with 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.

Conclusion

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

1. giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
2. Complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

GRAEME WOVODICH, C.P.A.



Registered Company Auditor No. 13421

Dated this 15 day of March 2016