ASX Announcement

MOU signed with steel and alloy product company

Agreement to further discussions for project finance and purchase of vanadium for steel strengthening

Australian VANADIUM LIMITED

Highlights:

- **An MOU has been signed with Win-Win Development Group, a Chinese steel and alloy product company.**
- **The agreement initiates discussions surrounding project finance and offtake of vanadium oxides from Gabanintha**
- **Products to be used in production of vanadium carbon nitride (VCN) for use in area of micro-alloy rebar production.**
- **Win-Win's project timeline is strongly aligned with AVL's planned development of Gabanintha.**
- **Relationship initially built by AVL's China consultancy Mastermines.**
- **New Chinese rebar standard, due to be implemented in October 2018, requires additional use of vanadium with supplies inside China strongly constrained and VCN is the preferred alloy to meet the specification.**

Australian Vanadium Limited (ASX: AVL, "the Company" or "AVL") is pleased to announce that it has signed a Non-Binding Memorandum of Understanding (MOU) with the Win-Win Development Group ("Win-Win"), a private steel and alloy producer based in Chengdu, China.

Win-Win is currently building a 5,000tpa vanadium carbon nitride (VCN) production line which requires approximately 7,000-8,000tpa of 98% V_2O_5. The first stage will require 2,000-3,000tpa and be operational in 2019 and the second stage is planned for the following year. Win-Win has a shareholding in an operating production line currently producing 2,400tpa of VCN products for existing steel companies.

The timing of the Win-Win development and full production has strong synergies with the planned development of the Gabanintha Vanadium Project.

During AVL's recent visit to China, the two companies finalised the wording of the MOU with signatures completed yesterday. The trip

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Projects:

Gabanintha – Vanadium
Blesberg,South Africa – Lithium/Tantalum/Feldspar
Nowthanna Hill – Uranium/Vanadium
Coates – Vanadium

to Chengdu included visits to the Win-Win offices (Figure 1) and a site visit to the operating VCN plant at Win-Win's sister company (Figure 2).

Figure 1. Win-Win Management team with AVL at Win-Win Development Group Head Office in Chengdu.

Vincent Algar commented, *'The Win-Win team are fully in-tune with the needs of the vanadium alloy market in China. Their development plans will set them up as a significant supplier of VCN to feed the rising demand for this feedstock as the new rebar standards are implemented. Win-Win has undertaken due diligence and identified AVL's Gabanintha project as the one most likely to be able to provide the grade and quantity of product they require for the future.*

The addition of a substantial agreement with a steel and alloy producer creates a firm foundation with which Gabanintha can participate in the most established market for vanadium. We look forward to continuing discussions around the financing and development of the Gabanintha Project.'

Figure 2 Win-Win and site management with AVL at nitro-vanadium production facility

Initial contact with the group was undertaken by AVL's China consultancy Mastermines who has developed the relationship from the first meeting through to AVL's Managing Director's visit to China last week.

VCN is an alloy prepared by the reaction of vanadium oxides, graphite and nitrogen. The reaction creates a VCN product that is sold to steelmaking plants for the manufacture of micro-alloy steels, specifically in the major consumer of vanadium - steel rebar. In China VCN is often preferred over FerroVanadium (FEV) in steelmaking as it requires less vanadium to achieve the same strength characteristics, but produces a finer steel product.

The MOU focuses co-operation in the following areas;

- Finance and investment in the Gabannintha Project
- Offtake and supply of vanadium products (specifically vanadium pentoxide - V_2O_5) to Win-Win related production facilities in China
- General collaboration on marketing of vanadium products inside China

For further information, please contact:

Vincent Algar, Managing Director

About AVL

Australian Vanadium Limited holds 100% of the Gabanintha Project near Meekatharra in Western Australia. Gabanintha hosts a declared Mineral Resource at Gabanintha comprising 179.6Mt at 0.75% Vanadium Pentoxide (V_2O_5), made up of a Measured Mineral Resource of 10.2Mt at 1.06% V_2O_5, an Indicated Mineral Resource of 25.4Mt at 0.62% V_2O_5 and an Inferred Mineral Resource of 144Mt at 0.75% V_2O_5.

The Mineral Resource includes a distinct and globally significant, massive magnetite high-grade zone of 92.8 Mt at 0.96% V_2O_5 consisting of a Measured Mineral Resource of 10.2Mt at 1.06% V_2O_5, an Indicated Mineral Resource of 4.8Mt at 1.04% V_2O_5 and an Inferred Mineral Resource of 77.8Mt at 0.94% V_2O_5.

The Mineral Resource base and positive metallurgical test results provide strong support for the pre-feasibility study currently underway

AVL has a 100% owned subsidiary, VSUN Energy, which is focussed on development of the vanadium redox flow battery industry.

About Win-Win

Win-Win Development Group was founded in April 2017 as a subsidiary of the Sichuan Zhongyi Liankong Group. It was created to integrate the steel market supply chain from raw materials to end products, finance, investments and other operations.

The company is currently expanding its business to produce vanadium nitride. Construction of a 7000tpa vanadium nitride factory will soon begin near Chengdu which will be split into 2 stages. The first stage of 3000tpa will begin production by end of 2019 and second stage by end of 2020.

Win-Win claim a current workforce of 1000 and an annual production of 2400tpa nitro vanadium, planned to increase to 9600tpa at full capacity.

Competent Person Statement — Mineral Resource Estimation

The information in this report that relates to Mineral Resources is based on and fairly represents information compiled by Mr Lauritz Barnes, (Consultant with Trepanier Pty Ltd) and Mr Brian Davis (Consultant with Geologica Pty Ltd). Mr Davis is a shareholder of Australian Vanadium Limited. Mr Barnes is a member of the Australasian Institute of Mining and Metallurgy and Mr Davis is a member of the Australian Institute of Geoscientists and both have sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Specifically, Mr Barnes is the Competent Person for the estimation and Mr Davis is the Competent Person for the database, geological model and site visits. Mr Barnes and Mr Davis consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

The information is extracted from the report entitled “Significant vanadium resource upgrade at Gabanintha” released to ASX on 5 September 2017 and is available on the company website at www.australianvanadium.com.au.

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

Table 1 - Mineral Resource estimate by domain and resource classification using a nominal 0.4% V_2O_5 wireframed cut-off for low grade and nominal 0.7% V_2O_5 wireframed cut-off for high grade (total numbers may not add up due to rounding)

Zone	Classification	Mt	V_2O_5 %	Fe %	TiO_2 %	SiO_2 %	Al_2O_3 %	LOI %
HG	Measured	10.2	1.06	41.6	12.0	11.6	8.6	4.2
	Indicated	4.8	1.04	41.9	11.5	12.0	8.0	3.6
	Inferred	77.8	0.94	41.2	10.7	12.7	7.9	3.3
	Sub-total	**92.8**	**0.96**	**41.3**	**10.9**	**12.6**	**8.0**	**3.4**
LG 2-5	Measured	-	-	-	-	-	-	-
	Indicated	20.5	0.52	24.3	7.1	27.9	17.6	8.4
	Inferred	61.8	0.50	26.2	7.0	26.9	16.1	7.2
	Sub-total	**82.4**	**0.51**	**25.7**	**7.0**	**27.2**	**16.5**	**7.5**
Trans 6-8	Measured	-	-	-	-	-	-	-
	Indicated	-	-	-	-	-	-	-
	Inferred	4.5	0.66	28.4	7.2	24.5	16.6	8.4
	Sub-total	**4.5**	**0.66**	**28.4**	**7.2**	**24.5**	**16.6**	**8.4**
Total	Measured	10.2	1.06	41.6	12.0	11.6	8.6	4.2
	Indicated	25.4	0.62	27.7	7.9	24.9	15.8	7.5
	Inferred	144.1	0.75	34.4	9.0	19.2	11.7	5.2
	Sub-total	**179.6**	**0.75**	**33.8**	**9.0**	**19.6**	**12.1**	**5.4**