

Option conversion puts AVL in strong financial position to complete DFS

Highlights:

- Option conversion well subscribed by shareholders with 204,599,484 options converted to shares by 264 holders during December 2018
- \$6,161,878 raised by the Company through option conversion
- In addition, 62,750,000 options were underwritten, raising \$1,255,000 before costs
- Issue results in cash balance of \$9.68M
- Funding in place to accelerate development of AVL's Gabanintha vanadium project.
- Drilling and pilot metallurgical study underway as part of DFS

Australian Vanadium Limited (ASX: AVL, "the Company" or "AVL") is pleased to announce the successful closure of the ASX listed AVLO options which expired on 31st December 2018.

The Company now has \$9.68M in cash, which enables the acceleration of development of its Gabanintha vanadium deposit.

Confidence in the Company was demonstrated through the conversion of 204,599,484 options by 264 option holders during the final month. The conversion of options during their entire lifespan has added \$6,161,878 to AVL's cash reserves. Following the expiry date only 32,040,643 options remained unexercised.

In addition, 62,750,000 options were underwritten by Westar Capital Ltd (see ASX announcement dated 4 January 2019 'Expiry of Options and Appendix 3B') at a value of \$1,255,000 before costs.

AVL's pre-feasibility study (PFS) (see ASX announcement dated 19 December 2018 'Gabanintha Pre-Feasibility Study and Maiden Ore Reserve') demonstrated the strong economic viability of the Company's Gabanintha vanadium project.

The Company has initiated a pilot scale metallurgical study as part of definitive feasibility study (DFS). The pilot program commences with a diamond drilling sample collection program in mid-January.

Concurrent work on environmental studies and other time critical work is ongoing.

10 January 2019

ASX ANNOUNCEMENT

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Projects:

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



The AVL Gabanintha vanadium project fundamentals remain strong for the development of new production with its consistent, high-grade deposit and indicated low-cost, proven processing route. Vanadium supply remains tight throughout the world and demand continues to rise.

Underpinning the demand for vanadium from the steel market is the growing interest in vanadium redox flow batteries (VRFB) for energy storage, with many analysts predicting significant growth in the uptake of this technology in 2019. There are new companies entering the market throughout the VRFB supply chain with significant innovation in cost and marketing structures. AVL continues to incorporate new VRFB market growth and associated demand for high-purity vanadium into its project plans.

Managing Director, Vincent Algar, comments, “Starting 2019 with a healthy cash balance enables us to move swiftly forwards with our plans for the AVL Gabanintha vanadium project. Timelines can now be accelerated, and we are confident that we have a solid basis to inspire confidence in prospective investors and project partners. The option conversion gives the excellent AVL team welcome support for the work they are undertaking to take this world-class vanadium deposit into production.”

Vincent Algar, Managing Director

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Table 1 Gabanintha Project – Mineral Resource estimate at November 2018 by domain and resource classification using a nominal 0.4% V₂O₅ wireframed cut-off for low grade and nominal 0.7% V₂O₅ wireframed cut-off for high grade (total numbers may not add up due to rounding)

Zone	Classification	Mt	V ₂ O ₅ %	Fe %	TiO ₂ %	SiO ₂ %	Al ₂ O ₃ %	LOI %
HG 10	Measured	10.2	1.11	42.7	12.6	10.2	8.0	3.9
	Indicated	12.1	1.05	43.8	11.9	10.6	7.6	3.5
	Inferred	74.5	0.97	42.1	11.2	11.6	7.6	3.4
	Sub-total	96.7	1.00	42.4	11.4	11.3	7.7	3.5
LG 2-5	Measured	-	-	-	-	-	-	-
	Indicated	28.6	0.50	24.6	6.9	27.5	17.9	8.6
	Inferred	53.9	0.49	25.3	6.7	27.5	16.4	7.3
	Sub-total	82.5	0.49	25.1	6.8	27.5	16.9	7.7
Transported 6-8	Measured	-	-	-	-	-	-	-
	Indicated	-	-	-	-	-	-	-
	Inferred	4.4	0.65	28.2	7.2	24.7	16.7	8.5
	Sub-total	4.4	0.65	28.2	7.2	24.7	16.7	8.5
Total	Measured	10.2	1.11	42.7	12.6	10.2	8.0	3.9
	Indicated	40.7	0.66	30.3	8.3	22.5	14.8	7.1
	Inferred	132.7	0.77	34.8	9.2	18.5	11.5	5.1
	Sub-total	183.6	0.76	34.3	9.2	18.9	12.1	5.5

Table 2 Ore Reserve Statement as at November 2018, at a cut-off grade of 0.8% V₂O₅

Reserve classification	t	V ₂ O ₅ %	Co ppm	Ni ppm	Cu ppm	S %	SiO ₂ %	Fe ₂ O ₃ %	V ₂ O ₅ product t
Proved	9,820,000	1.07	172	571	230	0.06	9.47	58.7	65,000
Probable	8,420,000	1.01	175	628	212	0.08	10.07	59.5	56,000
Total	18,240,000	1.04	173	597	222	0.07	9.75	59.1	121,000

Competent Person Statement — Mineral Resource Estimation

The information in this announcement 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 announcement of the matters based on their information in the form and context in which they appear.

Competent Person Statement — Ore Reserves

The scientific and technical information in this announcement that relates to ore reserves estimates for the Project is based on information compiled by Mr Roselt Croeser, an independent consultant to AVL. Mr Croeser is a member of the Australasian Institute of Mining and Metallurgy. Mr Croeser has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being 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 Croeser consents to the inclusion in the announcement of the matters related to the ore reserve estimate in the form and context in which it appears.