ASX Announcement

Gabanintha PFS and Drilling Update

Highlights:

- **Pre-Feasibility Study (PFS) baseline model near completion – pending major supplier cost inputs.**
- **Geotechnical and Resource Development drilling to commence in August.**
- **Drilling program to resolve key parameters required for successful and safe long term open pit design.**
- **Program to incorporate:**
  - **Geotechnical data to optimise pit slope angles.**
  - **Advanced downhole telemetry to resolve structural domains at depth.**
  - **Increasing resolution of oxide, transitional and fresh mineralisation boundaries, and**
  - **Hydrological testing of new and existing holes.**
- **Drilling to target a conversion of Inferred to Indicated resources.**
- **Drilling to increase the understanding of the cobalt and base metal resource.**
- **Program to focus on development area in northern 2km of total 11.5km of AVL held deposit strike**

Australian Vanadium Limited (ASX: AVL, "the Company" or AVL") is pleased to provide an update on work at its Gabanintha Vanadium Project near Meekatharra in Western Australia.

PFS Progress Update

The Company is well advanced in preparation of its initial base case scenario for the Gabanintha PFS. This is the first step in a series of activities that will allow the Company to deliver a realistic and achievable study, supporting future investment decisions. At present the Company is awaiting accurate information from suppliers of major operating cost inputs and once received the initial base case will be finalised and reported.

One of the aims of the PFS is to define a low-risk, low-cost process for production of high purity vanadium products. The Company has begun to

3 August 2018

ASX ANNOUNCEMENT

Australian Vanadium Limited

ASX: AVL
FRA: JT7.F

ABN: 90 116 221 740

T: +61 8 9321 5594
F: +61 8 6268 2699
E: info@australianvanadium.com.au
W: australianvanadium.com.au

Street Address:

Level 1, 85 Havelock Street
West Perth WA 6005

Postal Address:

Level 1, 85 Havelock Street
West Perth WA 6005

Projects:

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

build relationships with end users and interim product producers such as those making vanadium carbon nitride (VCN) and vanadium electrolyte for vanadium redox flow batteries. Testwork undertaken on the non-magnetic tailings has further identified potentially economically recoverable cobalt, nickel and copper that are being incorporated into the PFS.

The Company's intention is to produce a high quality PFS with a well-defined process flowsheet and is focused on de-risking the project to allow future investment. The PFS will include a robust options study to assure that the most viable, lowest cost mining and processing operation is pursued. The Company is basing the study on conservative economic assumptions and proven technologies. The goal is to develop a vanadium operation that is low-risk, low-cost and profitable in all business conditions.

Detailed option analysis to maximise economic returns and reduce capital and operating costs will continue during 2018. Favourable outcomes will allow the Company to quickly advance the project to a Definitive Feasibility Study.

Key focuses for the Company are minimising environmental impacts, identifying and mitigating process and project risks at an early stage, developing a clear pathway to a timely design and to build a world class, long-life vanadium operation.

2018 Geotechnical Drill Campaign

The new drill program will provide valuable information to the ongoing PFS focusing on geotechnical data (see Figure 1 and 2).

AVL has appointed experienced geotechnical consultants Dempers & Seymour to manage the geotechnical requirements of the pit design being used in the ongoing PFS. This appointment will ensure the highest standard for geotechnical modelling and design for the PFS work.

Information from the drill program will provide the ongoing PFS work with:

- Evaluation of western pit slope angles by conducting drilling into the proposed western pit wall (see Figure 2)
- Downhole telemetry to resolve structural domains at depth to de-risk the pit design
- Increase the resolution of the ratio of feed material to strip material by improving oxide, transitional and fresh mineralisation understanding
- Increase Indicated Mineral Resources by increasing the density of drill data in the current Inferred Resources to the south of the existing 2.4km zone of Measured and Indicated Resources (see Figure 1)
- Increasing cobalt and base metal resource and provide additional samples for flotation test work, refining the existing processing flowsheet.
- Improved understanding of groundwater at the deposit by way of hydrological testing of drill holes

The Company has appointed an experienced drilling contractor to carry out diamond and reverse circulation (RC) drilling at Gabanintha. RC holes will be drilled into the existing resource area to identify geotechnical structures using downhole Televiewer® technology. Drilling is designed to intersect the mineralisation and will provide further supporting information for the mineral resource. Diamond drilling into the western proposed pit wall by way of two (2) diamond drill holes in a south-westerly direction will provide key geotechnical information on pit wall angles and free-dig boundaries in the waste material (see Figure 2)

Drilling is expected to commence in August 2018 subject to rig availability. AVL looks forward to reporting progress on these exploration activities as they are completed.

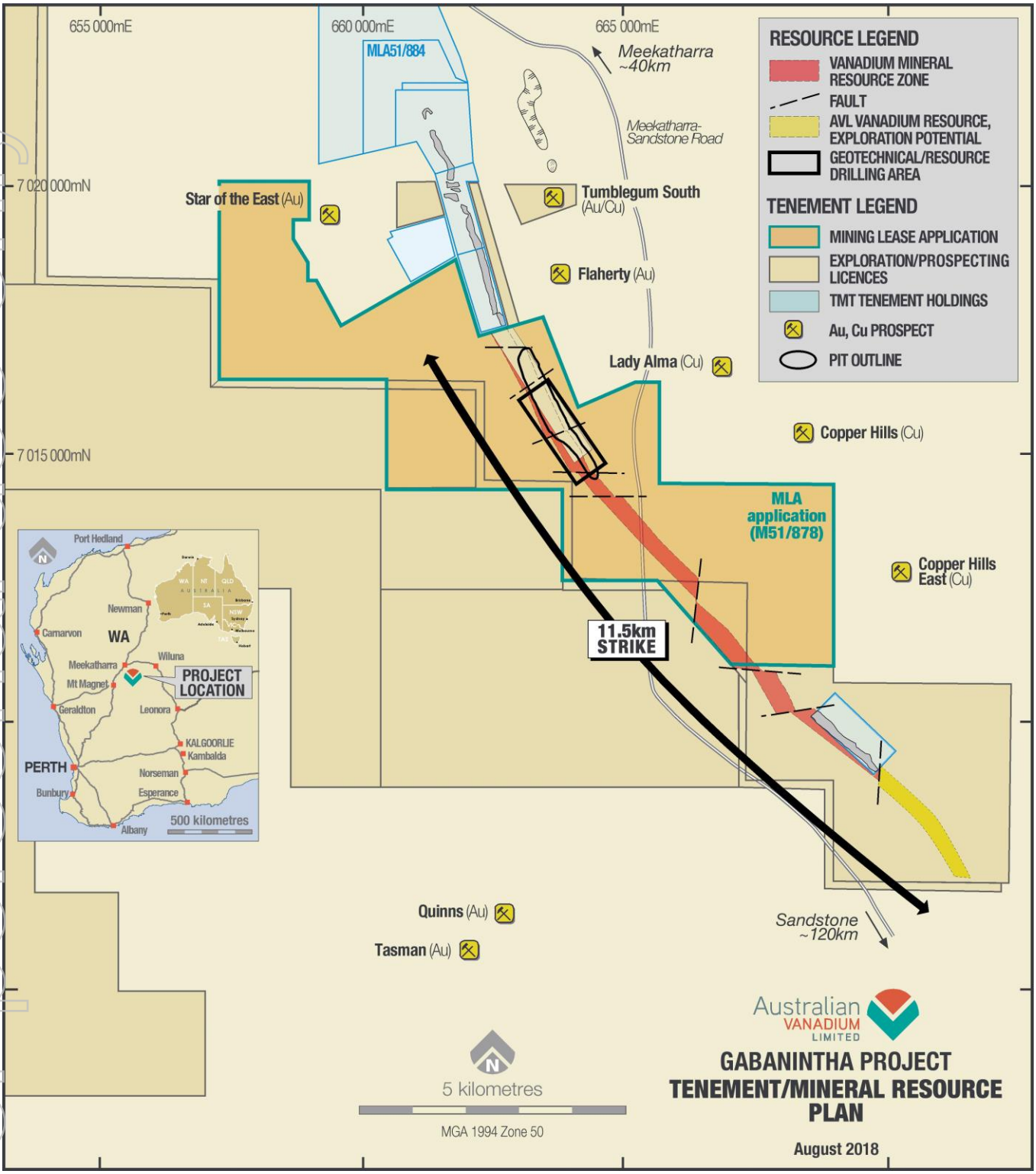

Figure 1 - Location Diagram of the Gabanintha Project.

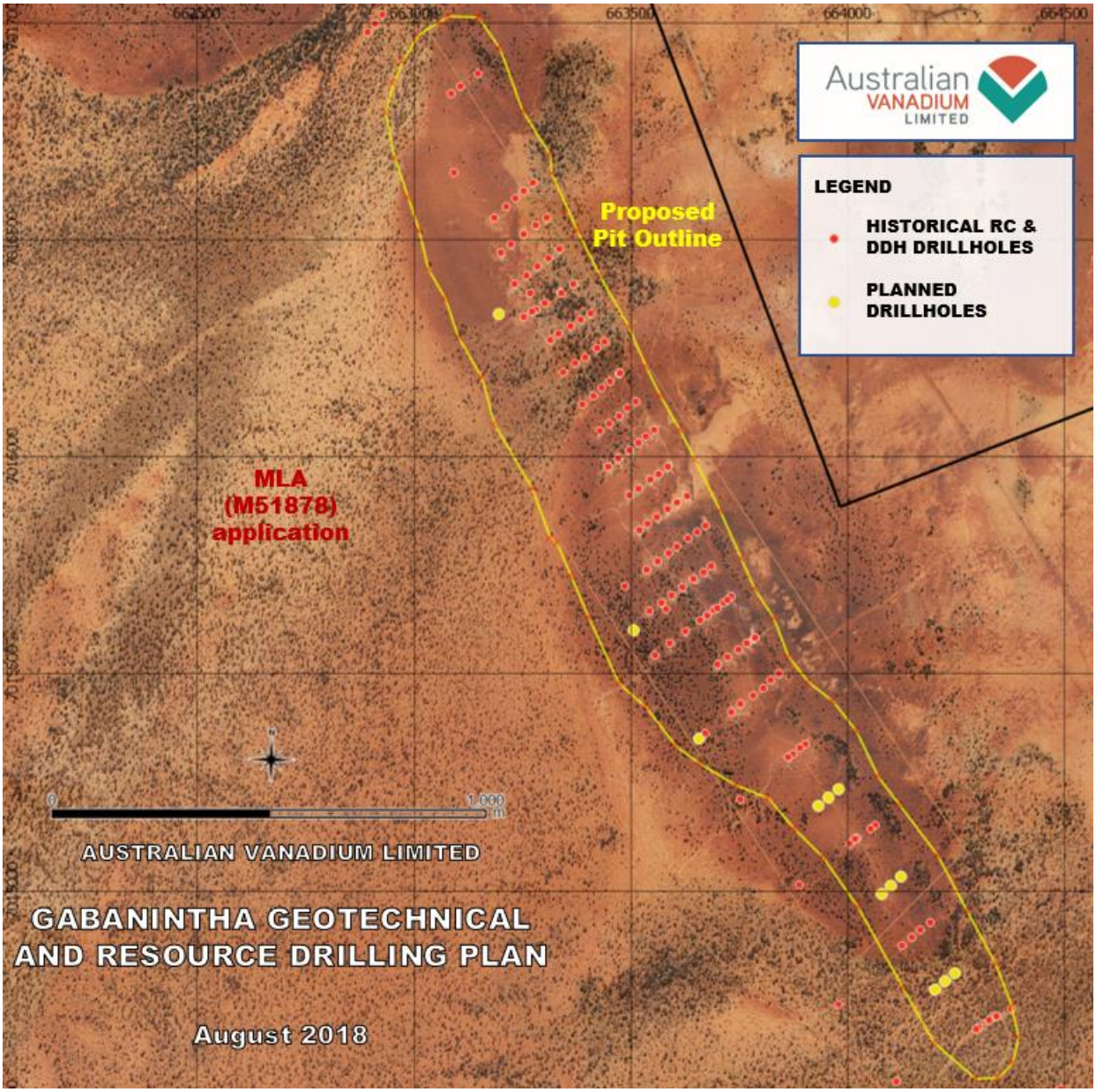

Figure 2 – Planned Geotechnical and Resource holes to test the hangingwall pit edge and structures throughout proposed pit design

For further information, please contact:

Vincent Algar, Managing Director

+61 8 9321 5594

Table 1 Gabanintha Project – 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 10	Measured	10.1	1.11	42.7	12.6	10.3	8.0	4.0
	Indicated	4.9	1.09	43.3	12.1	10.5	7.8	3.7
	Inferred	78.6	0.98	42.4	11.2	11.4	7.6	3.4
	Sub-total	**93.6**	**1.00**	**42.5**	**11.4**	**11.3**	**7.6**	**3.5**
LG 2-5	Measured	-	-	-	-	-	-	-
	Indicated	19.1	0.51	23.9	7.0	27.8	18.1	8.7
	Inferred	58.5	0.49	25.5	6.7	27.5	16.5	7.4
	Sub-total	**77.5**	**0.50**	**25.1**	**6.8**	**27.5**	**16.9**	**7.7**
Transported 6-8	Measured	-	-	-	-	-	-	-
	Indicated	-	-	-	-	-	-	-
	Inferred	4.3	0.65	28.1	7.2	24.7	16.7	8.5
	Sub-total	**4.3**	**0.65**	**28.1**	**7.2**	**24.7**	**16.7**	**8.5**
Total	Measured	10.1	1.11	42.7	12.6	10.3	8.0	4.0
	Indicated	24.0	0.63	27.9	8.0	24.2	16.0	7.7
	Inferred	141.4	0.77	35.0	9.2	18.5	11.5	5.2
	Sub-total	**175.5**	**0.77**	**34.5**	**9.3**	**18.8**	**11.9**	**5.5**

Competent Person's Statement

The information in this report that relates to Exploration Results is based on and fairly represents information and supporting documentation prepared by Mr Brian Davis (Consultant with Geologica Pty Ltd). Mr Davis is a shareholder of Australian Vanadium Limited. Mr Davis is a member of the Australasian Institute of Mining and Metallurgy and has 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 Davis consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

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 and Mr Davis are members of the Australasian Institute of Mining and Metallurgy and 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.