

ASX ANNOUNCEMENT

1<sup>ST</sup> SEPTEMBER 2022

# FIRST TERM SHEET FOR IRON TITANIUM COPRODUCT SIGNED WITH TIANZHU STEEL

*Conversion of Letter of Intent to Term Sheet for sale of AVL's FeTi coproduct*

## KEY POINTS

- AVL completes first Term Sheet with end user steel mill for sale of iron titanium (FeTi) coproduct from the Australian Vanadium Project.
- Term Sheet is key milestone confirming market interest in coproduct as AVL continues to develop FeTi customer base in China and South East Asia.
- Wingsing International Limited, the commercial arm of Tianzhu Steel has signed a conditional Term Sheet for an initial 50,000 tonnes per annum (tpa) of AVL's FeTi coproduct, with option to increase volumes after the first year.
- Tianzhu Steel has an annual steel production of 5 million tonnes per annum (mtpa) from its mill in Hebei Province, P.R. China.
- AVL plans to produce approximately 900,000 tpa of FeTi coproduct from the Australian Vanadium Project, after production of approximately 11,000 tpa of vanadium pentoxide from its proposed mine and processing facility in the Mid West region of Western Australia.<sup>1</sup>
- The FeTi coproduct will be shipped from port facilities at Geraldton.
- The non-binding Term Sheet extends the terms of the LOI and is the next step towards finalising a binding offtake agreement.

Australian Vanadium Limited (ASX: AVL, "the Company" or "AVL") is pleased to announce that it has signed a non-binding Term Sheet with Wingsing International Limited, the commercial arm of Tianzhu Steel. The Term Sheet is a further step from the Letter of Intent signed in March this year.<sup>2</sup>

Tianzhu Steel is a private owned enterprise (POE) with a mill located in the coastal Hebei province of China. Tianzhu Steel is currently under a relocation and expansion project to increase its steel

<sup>1</sup> See ASX announcement dated 6<sup>th</sup> April 2022 'Bankable Feasibility Study for the Australian Vanadium Project'

<sup>2</sup> See ASX announcement dated 17<sup>th</sup> March 2022 'Letter of Intent for Iron Titanium Coproduct Offtake Sales'

capacity to approximately 7mtpa. Tianzhu Steel is famously known to be innovative in using various types of iron ore products and it is expected that the showcase effect with Tianzhu Steel's usage will help with the potential proliferation and recognition of AVL's unique product going forward.

Managing Director, Vincent Algar, comments, *"We are delighted to make this progression with Tianzhu Steel to lock in supply of this unique product which is able to cost effectively improve mill operational efficiency. We will continue to progress the agreement through to binding offtake as we work to secure finance for the Australian Vanadium Project and commence construction."*



**Figure 1 Location of Tianzhu Steel's steel mill in China**

The Term Sheet is non-binding and has been prepared to list the key clauses which the parties intend to incorporate into future sales and purchase agreements for AVL's FeTi coproduct. The parties have agreed to negotiate and enter into a formal offtake agreement in replacement of the Term Sheet. The Term Sheet outlines the product specifications, a term of 3 years from commencement of production and an annual quantity of 50,000tpa for the first year with mutual agreement of the quantity from year two onwards.

The Term Sheet includes provisions for trial materials as they become available, as well as better definition of pricing formulas. The Term Sheet remains in full force until the earlier of the date the Term Sheet is replaced with the Offtake Agreement or at any other time by mutual agreement between the parties. The price of the FeTi coproduct will be referenced to the 62% Fe Platts Iron

Ore Index or other agreed price index, with a mutually acceptable price adjustment reflecting the market situation at the time and based on amicable consultation.

For further information, please contact:

**Vincent Algar, Managing Director**

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*This announcement has been produced in accordance with the Company's published continuous disclosure policy and has been approved by the Board.*



## ABOUT AUSTRALIAN VANADIUM LTD

AVL is a resource company focused on vanadium, seeking to offer investors a unique exposure to all aspects of the vanadium value chain – from resource through to steel and energy storage opportunities. AVL is advancing the development of its world-class Australian Vanadium Project at Gabanintha. The Australian Vanadium Project is one of the most advanced vanadium projects being developed globally, with 239Mt at 0.73% vanadium pentoxide ( $V_2O_5$ ), containing a high-grade zone of 95.6Mt at 1.07%  $V_2O_5$  and an Ore Reserve of 30.9Mt at 1.09%  $V_2O_5$  comprised of a Proved Reserve of 5Mt at 1.11%  $V_2O_5$  and a Probable Reserve of 20.4Mt at 1.07%  $V_2O_5$ , reported in compliance with the JORC Code 2012 (see ASX announcement dated 1<sup>st</sup> November 2021 '*Mineral Resource Update at the Australian Vanadium Project*' and ASX announcement dated 6<sup>th</sup> April 2022 '*Bankable Feasibility Study for the Australian Vanadium Project*').

VSUN Energy is AVL's 100% owned renewable energy and energy storage subsidiary which is focused on developing the Australian market for vanadium redox flow batteries for long duration energy storage. VSUN Energy was set up in 2016 and has since become world-renowned for its VRFB expertise. AVL's vertical integration strategy incorporates processing vanadium to high purity, manufacturing vanadium electrolyte and working with VSUN Energy as it develops projects based on renewable energy generation and VRFB energy storage.

## APPENDIX 1

The Australian Vanadium Project – Mineral Resource estimate by domain and resource classification using a nominal 0.4% V<sub>2</sub>O<sub>5</sub> wireframed cut-off for low-grade and nominal 0.7% V<sub>2</sub>O<sub>5</sub> wireframed cut-off for high-grade (total numbers may not add up due to rounding).

Zone	Category	Mt	V <sub>2</sub> O <sub>5</sub> %	Fe %	TiO <sub>2</sub> %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	LOI %
HG	Measured	11.3	1.14	43.8	13.0	9.2	7.5	3.7
	Indicated	27.5	1.10	45.4	12.5	8.5	6.5	2.9
	Inferred	56.8	1.04	44.6	11.9	9.4	6.9	3.3
	<b>Subtotal</b>	<b>95.6</b>	<b>1.07</b>	<b>44.7</b>	<b>12.2</b>	<b>9.1</b>	<b>6.8</b>	<b>3.2</b>
LG	Indicated	54.9	0.50	24.9	6.8	27.6	17.1	7.9
	Inferred	73.6	0.48	25.0	6.4	28.7	15.4	6.6
	<b>Subtotal</b>	<b>128.5</b>	<b>0.49</b>	<b>24.9</b>	<b>6.6</b>	<b>28.2</b>	<b>16.1</b>	<b>7.2</b>
Transported	Inferred	14.9	0.66	29.0	7.8	24.5	15.1	7.8
	<b>Subtotal</b>	<b>14.9</b>	<b>0.66</b>	<b>29.0</b>	<b>7.8</b>	<b>24.5</b>	<b>15.1</b>	<b>7.8</b>
Total	Measured	11.3	1.14	43.8	13.0	9.2	7.5	3.7
	Indicated	82.4	0.70	31.7	8.7	21.2	13.5	6.2
	Inferred	145.3	0.71	33.0	8.7	20.7	12.0	5.4
	<b>Subtotal</b>	<b>239.0</b>	<b>0.73</b>	<b>33.1</b>	<b>8.9</b>	<b>20.4</b>	<b>12.3</b>	<b>5.6</b>

The Australian Vanadium Project - Ore Reserve Statement as at April 2022, at a cut-off grade of 0.7% V<sub>2</sub>O<sub>5</sub>.

Ore Reserve	Mt	V <sub>2</sub> O <sub>5</sub> %	Fe%	TiO <sub>2</sub> %	SiO <sub>2</sub> %	LOI%	V <sub>2</sub> O <sub>5</sub> production kt	Ore Reserve	Mt
Proved	10.5	1.11	61.6	12.8	9.5	3.7	70.9	Waste	238.5
Probable	20.4	1.07	63.4	12.2	9.2	3.0	152.9	Total Material	269.4
<b>Total Ore</b>	<b>30.9</b>	<b>1.09</b>	<b>62.8</b>	<b>12.4</b>	<b>9.3</b>	<b>3.2</b>	<b>223.8</b>	Strip Ratio	7.7

## ASX CHAPTER 5 COMPLIANCE AND CAUTIONARY AND FORWARD-LOOKING STATEMENTS

### *ASX Listing Rules 5.19 and 5.23*

#### **ASX Listing Rule 5.19**

The information in this announcement relating to production targets, or forecast financial information derived from a production target, is extracted from the announcement entitled 'Bankable Feasibility Study for the Australian Vanadium Project' released to the ASX on 6<sup>th</sup> April 2022 which is available on the Company's website [www.australianvanadium.com.au](http://www.australianvanadium.com.au).

The Company confirms that all material assumptions underpinning the production target, or the forecast financial information derived from a production target, in the original market announcement continue to apply and have not materially changed.

#### **ASX Listing Rule 5.23**

The information in this announcement relating to exploration results and mineral resource and ore reserve estimates for the Australian Vanadium Project is extracted from the announcement entitled 'Bankable Feasibility Study for the Australian Vanadium Project' released to the ASX on 6<sup>th</sup> April 2022 which is available on the Company's website [www.australianvanadium.com.au](http://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 that all material assumptions and technical parameters underpinning the estimates in the original 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 have not been materially modified from the original market announcement.

### **Forward-Looking Statements**

This release may contain certain forward-looking statements with respect to matters including but not limited to the financial condition, results of operations and business of AVL and certain of the plans and objectives of AVL with respect to these items.

These forward-looking statements are not historical facts but rather are based on AVL's current expectations, estimates and projections about the industry in which AVL operates and its beliefs and assumptions.

Words such as "anticipates," "considers," "expects," "intends," "plans," "believes," "seeks," "estimates", "guidance" and similar expressions are intended to identify forward looking statements and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those risks or uncertainties inherent in the industry in which AVL operates.

These statements are not guarantees of future performance and are subject to known and unknown

risks, uncertainties, and other factors, some of which are beyond the control of AVL, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Such risks include, but are not limited to resource risk, metal price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as political and operational risks in the countries and states in which we sell our product to, and government regulation and judicial outcomes. For more detailed discussion of such risks and other factors, see the Company's Annual Reports, as well as the Company's other filings.

AVL cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of AVL only as of the date of this release.

The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made.

AVL will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.