

ASX Announcement

Blesberg Lithium-Tantalum Project Acquisition

AVL broadens its focus on energy storage minerals

Highlights:

- AVL secures option to acquire a minimum 50.03% interest in the Blesberg Lithium-Tantalum Project in South Africa.
- AVL interest in the project may be increased to 74%.
- Project acquisition includes the historic Blesberg Mine.
- Blesberg Mine is one of the largest known mineralised pegmatite deposits in the Northern Cape pegmatite belt.
- Historic production from Blesberg Mine includes spodumene concentrate (containing lithium), tantalite, feldspar, bismuth, beryl and mica.
- Limited production information available however a 1960's feldspar shipment of 150 tons assayed 1.74% Li₂O.
- Historical samples collected from Blesberg Mine open cut in 2013 assayed between 2.19% and 6.51% Li₂O.
- Mine is located close to sealed highway access & is connected on-site to grid power.
- First drilling programme at Blesberg Mine to be undertaken upon exercise of option.
- Consideration on exercise of option consists of:
 - 70 Million AVL Shares;
 - 80 Million Performance Rights over 2 milestones, and
 - a conditional 1.0% net smelter return royalty.
- Staged exploration earn-in phase consists of:
 - payments split over 3 tranches totalling US\$1.0M, and
 - exploration expenditure of US\$2.0M.
- Shares and Performance Rights to be issued under AVL's existing placement capacity.
- AVL is expanding its focus on energy storage minerals, leveraging off its existing experience and ongoing activities in vanadium, a rapidly emerging energy storage metal.
- Other AVL vanadium focused activities on Gabanintha Project advancement, pilot vanadium electrolyte plant commissioning and vanadium redox flow battery sales to continue unabated.

4 November 2016

ASX ANNOUNCEMENT

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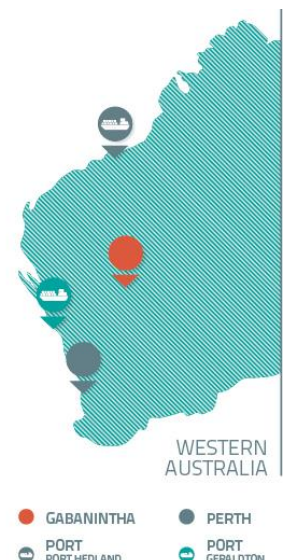
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Gabanintha Gold, Copper



Australian Vanadium Limited (ASX:AVL, “the Company” or AVL”) is pleased to announce an expansion to its energy storage minerals strategy by securing an option to acquire a minimum 50.03% controlling stake in the Blesberg Lithium-Tantalum Project.

The acquisition represents a broadening of the Company’s strategy of focusing on key commodities required for the development of the burgeoning energy storage sector, particularly vanadium and lithium.

Managing Director Vincent Algar commented “The expansion of our project pipeline and strategic focus on energy storage minerals generally is common sense and good practice. The sector is growing and we have a good understanding of all the parts of the puzzle from resource, through mining and value addition to end-product use. We aim to leverage all these to the benefit of our shareholders. Our team’s African network and experience in managing exploration and mining operations is well suited to rapidly advancing the Blesberg Project. I believe that the project holds excellent mineral resource potential and represents another great opportunity for the Company to become a producer in this growing sector within a relatively short time frame.”

Project Overview

The Blesberg Project is located approximately 80km north of Springbok in the remote Northern Cape Province of South Africa (see Figure 1).

It lies at the western end of the Northern Cape Pegmatite Belt. This belt extends from Vioolsdrif in the west for about 450 km towards the east. The deposit is one of the largest known economically mineralised and exploited pegmatite deposits in the Pegmatite Belt.

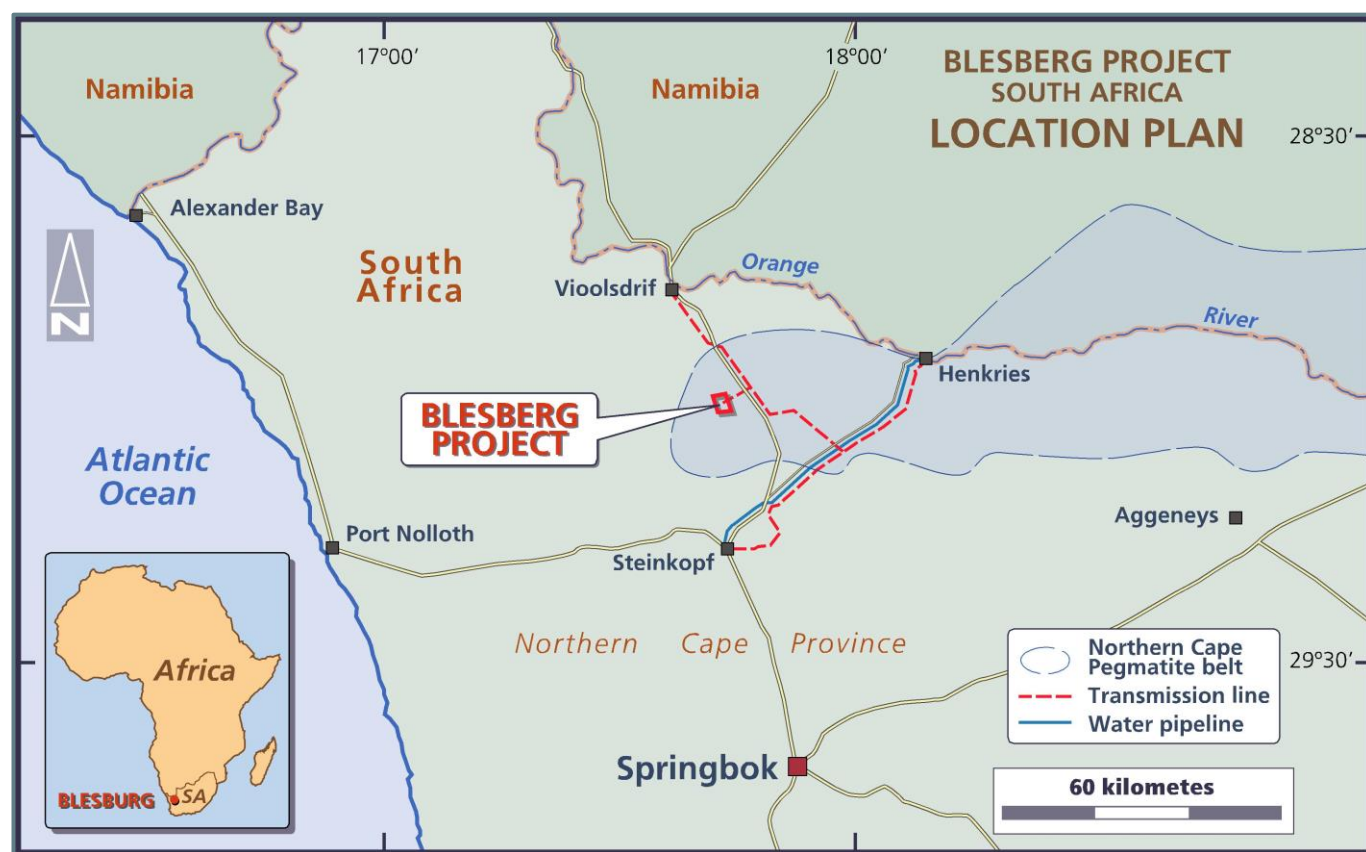


Figure 1 – Location Map

Mining at Blesberg commenced in 1925 when it was worked mainly for bismuth. The main products from later mining were beryl, bismuth, tantalite-columbite, spodumene, feldspar and mica. Feldspar production from the mine was reported to be of very high quality with the feldspar being pure white and unstained by iron oxide. Historical information about mine production quantities and quality is very limited, however a sample analysis of a 150 ton shipment of feldspar from the 1960's assayed 1.74% Li_2O (*Schutte, I. Memoir 60 Geological Survey of South Africa, 1972*).

Historical information supplied to AVL includes samples collected in 2013 from the Blesberg mine open pit which recorded grades of between 2.19% and 6.51% Li_2O . A detailed review of the source data is being conducted as part of the due diligence process.

Mining operations, which ceased last decade, have never exceeded a modest scale and as such no significant exploration drilling of the deposit and its depth potential has been undertaken. As with many other pegmatite fields globally, lithium was not considered in previous exploration and mining. The Company sees an opportunity to expedite evaluation of this deposit as well as the numerous other pegmatites within the tenement area. With successful exploration results, the Company considers the potential to commence commercial scale mining operations at Blesberg producing spodumene concentrates (containing lithium) as well as a suite of by-products such as tantalite and feldspar to be high.

Project Geology

The largest part of the worked pegmatite lies on the western slope of Blesberg Hill where it is exposed over virtually the full 140m vertical height of the hill (see Figure 2). The pegmatite has an exposed length of over 700 metres and it varies between 9 and 42 metres in width. The pegmatite strikes north-west and dips at angles of between 50° and 80° south-westward. At its north-western extremity, the pegmatite disappears beneath the sand plain (*Schutte, 1972*), where it is unexplored.



Figure 2 – Blesberg Hill showing old mine workings and numerous pegmatite veins.

The main Blesberg pegmatite itself consists of two main, steeply dipping to sub-vertical pegmatite dykes. The dykes intrude into granodiorite country rock. The two main dykes are part of an array of multiple similar but untested pegmatite bodies outcropping within the tenement area. These multiple additional likely pegmatite bodies are clearly visible as WNW-ESE white trending zones on the image in Figure 2 and are largely unexplored.

The presence of large spodumene crystals (see Figure 3), lepidolite and cleavelandite has been noted during recent site visits, which offers encouragement as to the lithium potential of the project. Extensive dumps and untested stockpiles from previous mining also remain at the site. Blesberg Hill is surrounded by a sand covered plain which may be masking other hidden pegmatites or extensions to those which outcrop elsewhere.

Figure 2 shows a recently acquired drone image of the historic Blesberg mine. The central excavation is over 330m in length (in shadow in the image) and has only been excavated, primarily by handheld methods and small equipment to a maximum level of 30m below the top of the hill.

To the south of the excavation pegmatite waste material forms the access ramp (light coloured) to the top of the highest excavation (110m above the plain). This material contains visually identifiable spodumene, beryl and feldspar material and may be treated as part of any mining operation.

The main pegmatite dykes are exposed in the open pit excavation and are anticipated by AVL to extend down to the plain level and below. Minor excavations have taken place on two other pegmatites just north of the main pegmatite near the plain level. The absence of any exploration drilling and the presence of extensive evidence of Li-Ta mineralised pegmatite material at Blesberg make it a compelling target for exploration and development.

Figure 3 showing individual spodumene crystals up to 2m in length exposed in the excavation.



Figure 3 – Exposed mine face showing large Spodumene crystals

Key Commercial Terms

AVL has secured an option expiring on 6 December 2016 to acquire 100% of the shares of South African registered company South African Lithium (Pty) Limited ("SA Lithium") for a non-refundable option fee of 7 million AVL shares to be issued within seven days.

SA Lithium has the right to acquire a 50.03% interest in Southern African Lithium and Tantalum Pty Ltd ("SALT") which wholly owns the Blesberg Project tenement.

- a) Upon AVL exercising the Option, the consideration for 100% interest in SA Lithium is:
 - i. 70,000,000 AVL shares;
 - ii. 40,000,000 Performance Rights, each convertible within 18 months into one AVL share upon AVL electing to proceed with further exploration on the Blesberg Project following completion of the first drilling programme of at least 2,000 metres,
 - iii. 40,000,000 Performance Rights, each convertible within 3 years into one AVL share upon AVL announcing a mineral resource estimate, reported in compliance with the 2012 JORC Code, which contains at least 50,000 tonnes of Lithium Carbonate Equivalent, and
 - iv. the vendor of SA Lithium retaining a 1.0% Net Smelter Return Royalty on all production from the Blesberg Project, conditional upon SA Lithium holding a minimum 50% interest in SALT.
- b) AVL is to fully fund SA Lithium's acquisition of 50.03% of SALT shares, by:
 - i. payment of US\$1,000,000 to the present shareholders of SALT in three tranches being:
 - a. US\$250,000 upon completion of Due Diligence and the execution of further documentation;
 - b. US\$250,000 upon completion of the first drilling programme, and
 - c. US\$500,000 upon announcement of a mineral resource estimate reported in compliance with the 2012 JORC Code (collectively being the "Cash Components"), and
 - ii. funding an Exploration Earn-in Phase of US\$2,000,000 by June 2018.

The issue of the 70 million AVL shares and the 80 million performance rights will be made under the Company's existing capacity under Listing Rule 7.1.

After the payment of the Cash Components and completion of the Exploration Earn-in Phase, the SALT shareholders will fund further project expenditure in proportion to their shareholding or be diluted.

If the other shareholders of SALT do not participate in ongoing funding, or elect to sell their holding to SA Lithium, the Company has the potential to acquire up to a maximum 74% interest in the Project.

SALT has established an appropriate Broad-Based Black Economic Empowerment (BEE) ownership structure with strong local partners. The minimum BEE holding in the company and/or project is fixed at 26%.

Tenure & Infrastructure

The Blesberg Prospecting Right ((NC) 940 PR) covers 887 Hectares and includes the entire historic Blesberg Hill and mine and infrastructure, including a power line to the base of the hill. The mine site is 5km off the sealed N7 Highway between Steinkopf and Vioolsdrif on the Namibian Border. The project is in a low population area known as the Richtersveld. The nearby regional capital of Springbok has a strong history of mining being intimately located with one of Africa's oldest copper mines at Okiep. Many mining and exploration skills are still available in the region.

Due Diligence Test Work

The Company is conducting due diligence on the Blesberg Project and SALT. This includes additional sampling and chemical analysis of the pegmatite zone within the Blesberg mine open pit.

A drone-based aerial survey to obtain photography was also recently completed (as shown in Figure 2) providing detailed topographical information to assist in 3-D modelling and drill planning.

Work Program

The Company intends to complete its due diligence process as soon as possible. Pending a successful outcome of the process and the exercise of the option, AVL will commence an exploration program consisting of:

- 3-D modelling and drill-hole design and planning;
- Reverse Circulation(RC)/diamond drill program and sample analysis;
- Mapping and sampling of additional pegmatite zones across the Prospecting Right area;
- Initial mineral resource modelling, and
- Metallurgical test work.

AVL Strategic Objectives

AVL's vertical integration strategy which to date has focused on vanadium, includes three pillars of activity to drive cashflow generation and shareholder value. These are:

- *Growing AVL's subsidiary, VSUN Pty Ltd to deliver additional vanadium battery sales into the many niches being identified in the commercial energy storage sector across Australia.*
- *The planned production and sale of high-purity vanadium electrolyte – a core component of flow batteries, to be achieved through the development of an Australian vanadium electrolyte plant.*
- *The progression of the Company's flagship Gabanintha Vanadium Project in Western Australia, to be achieved through the identification of strategic partners and the completion of additional studies.*

The Company is broadening its strategic focus to encompass the wider energy storage minerals market by this initial acquisition of a quality lithium asset. It is apparent that there is exceptional growth underway in energy storage markets, including storage raw materials. AVL intends to utilise its knowledge and structure to generate additional shareholder wealth by the development of a project pipeline. This strategy offers both diversification and opportunity to shareholders.

The Gabanintha Vanadium Project is currently one of the highest grade projects being advanced globally with Measured, Indicated and Inferred Resources of 91.4Mt grading 0.82% V₂O₅. It also contains a discrete high-grade zone of 56.8Mt grading 1.0% V₂O₅ reported in compliance with the JORC Code 2012 (refer to YRR ASX Announcement dated 10 November 2015).

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About Australian Vanadium Limited

AVL is a diversified resource company with an integrated strategy with respect to 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 100%-owned, world-class Gabanintha vanadium project. Gabanintha is currently one of the highest-grade vanadium projects being advanced globally with Measured, Indicated and Inferred Resources of 91.4Mt, grading 0.82% V_2O_5 and containing a discrete high-grade zone of 56.8Mt, grading 1.0% V_2O_5 reported in compliance with the JORC Code 2012 (ASX Announcement 10 November 2015).

AVL also aims to develop a local production capacity for high-purity vanadium electrolyte, which forms a key component of vanadium redox flow batteries (VRFB). The Company has recently purchased a vanadium electrolyte pilot plant from C-Tech Innovation Limited, a research, technology and innovation organisation based in the UK. C-Tech Innovation Limited has developed technologies for electrochemical preparation of vanadium electrolyte as well as many other chemical and electrochemical technologies.

This purchase will enable AVL to develop unique vanadium electrolyte production expertise and capability in Australia, through both stand-alone and planned mine-attached facilities. The pilot plant will be used to test and verify the production of vanadium electrolyte products that are suitable and approved for use in third party VRFB products being sold in Australia, New Zealand, the Pacific and Asia.

AVL, through its 100%-owned subsidiary VSUN Pty Ltd, is also actively marketing VRFB in Australia through a distribution agreement with world-leading flow battery manufacturer, GILDEMEISTER Energy Storage GmbH.

Competent Person Statement – Mineral Resource Estimation

The information relating to the Gabanintha Project 2015 Mineral Resource estimate reported in this announcement is based on information compiled by Mr John Tyrrell. Mr Tyrrell is a Member of The Australian Institute of Mining and Metallurgy (AusIMM) and a full time employee of AMC (AMC Consultants Pty Ltd). Mr Tyrrell has more than 25 years' experience in the field of Mineral Resource Estimation. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and in resource model development 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. Tyrrell consents to the inclusion in the report of the matters based on the information made available to him, in the form and context in which it appears.

The information is extracted from the report entitled "Substantial high-grade vanadium resource highlights Gabanintha's world-class potential" released to ASX on 10 November 2015 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.