

ASX ANNOUNCEMENT

2ND DECEMBER 2020

AVL SIGNS STRATEGIC OFFTAKE MOU WITH U.S. VANADIUM LLC

Cornerstone Memorandum of Understanding with key US vanadium specialty chemical producer advances AVL's USA sales strategy.

KEY POINTS

- AVL signs non-binding Memorandum of Understanding with vanadium specialty chemical producer U.S. Vanadium LLC.
- Memorandum of Understanding for future vanadium offtake.
- U.S. Vanadium LLC has deep ties across the North American vanadium end-user market and the capacity to act as a sales agent for future AVL high-purity vanadium products.
- US critical metals markets are actively seeking supply security and AVL is promoting a global sales focus for its future production.
- Vanadium is recognised as a critical and strategic metal by the United States of America and is listed as a critical mineral by the US Government¹

Australian Vanadium Limited (ASX: AVL, "the Company" or "AVL") has signed a non-binding Memorandum of Understanding (MOU) with U.S. Vanadium LLC (USV) in relation to offtake from the Australian Vanadium Project ("the Project"). USV produces and sells a range of specialty vanadium chemicals, including the world's highest-purity vanadium pentoxide (V_2O_5) at 99.6%, which is produced at its Hot Springs, Arkansas facility². The MOU sets a framework for progression to a possible formal and binding agreement before AVL's Project Final Investment Decision (FID).

Managing Director, Vincent Algar comments, "One of AVL's unique attributes is its strong relationships throughout the vanadium market. AVL's Technical Director Daniel Harris, who is also a director of USV and a US national residing in the United States, has deep vanadium experience within the USA and internationally. Working with the highly experienced team at USV will give AVL

¹ US Executive Order 13817 on the US Federal Register 'A Federal Strategy to Ensure Secure and Reliable Supplies of Critical Minerals'. Vanadium listed on the 'Final List of Critical Minerals 2018' published on 18th May 2018.

² See <https://usvanadium.com/>

the ability to negotiate at the highest level within the vanadium market and leverage the critical mineral narrative with end users.

There is an increased emphasis on security and provenance of supply chains globally and AVL has been fielding significant investor interest from Europe and the US. The relationship with USV also validates AVL's strong technical capability and the Company's considered approach to its feasibility studies. We are delighted to be aligned with a company of USV's calibre."

The MOU outlines an offtake proposal for USV to acquire of 2,000 tonnes of V_2O_5 per annum from AVL. This represents 20% of AVL's planned annual production.



Figure 1 USV manufacturing facility in Hot Springs, Arkansas, USA

USV has a manufacturing facility in Hot Springs, Arkansas which has a role in providing vanadium products as part of the US Defense Industrial Base, contributing to the national security of the United States. Mark A. Smith serves as CEO and Chairman of USV and is the former CEO of vanadium-producer Largo Resources. Daniel Harris is a Director of both USV and AVL and has more than 40 years of experience in the vanadium industry. Terry Perles, a USV Director, is a well-respected global vanadium market expert with over 30 years in the industry.

AVL's offtake strategy is globally diversified. The Company recognises China's dominant role in vanadium production and consumption, as well as the increasing need for supply chain certainty by non-Chinese consumers of critical metals such as vanadium.

The MOU with USV is non-binding in nature and contemplates commercial agreements to be negotiated on an arms-length basis.

Key terms of the agreement are:

- The MOU is non-binding.
- A formal and binding agreement may be finalised by the one-year anniversary of the MOU's execution on 1st December 2020.
- The MOU can be terminated or extended by either party with written notice if the binding agreement has not been finalised within one year.
- The Parties agree to use commercially reasonable efforts to negotiate in good faith to enter into an offtake agreement for 2,000 metric tonnes of V₂O₅.
- Each party must pay its own costs in relation to the MOU and any offtake agreements contemplated by the MOU.

For further information, please contact:

Vincent Algar, Managing Director +61 8 9321 5594

This announcement has been approved 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. The Australian Vanadium Project is currently one of the highest-grade vanadium projects being advanced globally with 208.2Mt at 0.74% vanadium pentoxide (V_2O_5), containing a high-grade zone of 87.9Mt at 1.06% V_2O_5 , reported in compliance with the JORC Code 2012 (see ASX announcement dated 19 December 2018 '*Gabanintha Pre-Feasibility Study and Maiden Ore Reserve*' and ASX announcement dated 4 March 2020 '*Total Vanadium Resource at the Australian Vanadium Project Rises to 208 Million Tonnes*').

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 Resources 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 have not been materially modified from the original market announcement.

ABOUT U.S. VANADIUM LLC

U.S. Vanadium LLC produces and sells a range of specialty vanadium chemicals, including the highest-purity V_2O_5 in the world. The company is comprised of global leaders and investors in the specialty chemicals and strategic materials sectors, including in the mining, processing, purification, and sales and distribution of vanadium specialty chemicals.

APPENDIX 1

The Australian Vanadium Project – Mineral Resource estimate 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).

2020 Feb	Category	Mt	V ₂ O ₅ %	Fe %	TiO ₂ %	SiO ₂ %	Al ₂ O ₃ %	LOI %
HG	Measured	10.1	1.14	43.9	13.0	9.2	7.5	3.7
	Indicated	25.1	1.10	45.4	12.5	8.5	6.5	2.9
	Inferred	52.7	1.04	44.6	11.9	9.4	6.9	3.3
	Subtotal	87.9	1.06	44.7	12.2	9.2	6.8	3.2
LG 2-5	Indicated	44.5	0.51	25.0	6.8	27.4	17.0	7.9
	Inferred	60.3	0.48	25.2	6.5	28.5	15.3	6.7
	Subtotal	104.8	0.49	25.1	6.6	28.0	16.1	7.2
Trans 6-8	Inferred	15.6	0.65	28.4	7.7	24.9	15.4	7.9
	Subtotal	15.6	0.65	28.4	7.7	24.9	15.4	7.9
Total	Measured	10.1	1.14	43.9	13.0	9.2	7.5	3.7
	Indicated	69.6	0.72	32.4	8.9	20.6	13.2	6.1
	Inferred	128.5	0.73	33.5	8.8	20.2	11.9	5.4
	Subtotal	208.2	0.74	33.6	9.0	19.8	12.1	5.6

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 Barnes and Mr Davis are both members of the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG). 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.