

Blesberg Lithium-Tantalum Project Update

Encouraging preliminary ground surveys completed

Highlights:

- Acquisition of 100% interest in South African Lithium Pty Ltd completed.
- Preliminary ground survey at Blesberg Mine highlights exploration potential.
- Numerous untested pegmatites including a 500 metre extension to the Blesberg Mine pegmatite identified from ground surveys.
- Orientation soil sampling traverse undertaken - aimed at identifying additional pegmatites under shallow sand plain cover.
- AVL management attend stakeholder meetings in Johannesburg and Cape Town.
- Local internationally experienced geologist appointed to manage exploration activities.
- Q1 2017 drill programme planning underway - proposed drillhole sites surveyed for access and drillers' quotations called.

Australian Vanadium Limited (ASX:AVL, "the Company" or "AVL") is pleased to announce the commencement of the staged acquisition of a controlling 50.03% interest in the Blesberg Lithium-Tantalum Project.

The Company recently announced its intention to acquire an interest in the Blesberg Lithium-Tantalum Project through the acquisition of 100% of South African Lithium Pty Ltd ("SA Lithium") (see ASX announcement dated 4 November 2016). Settlement of the acquisition of SA Lithium has now occurred.

21 December 2016

ASX ANNOUNCEMENT

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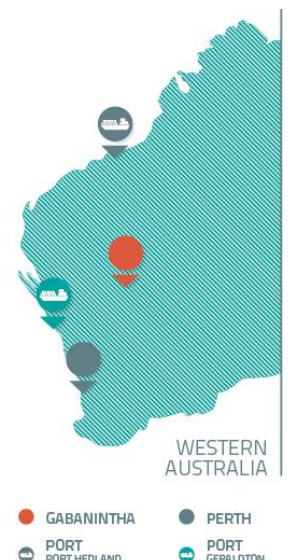
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Projects:

Gabanintha - Vanadium
Blesberg - Lithium/Tantalum



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.

The deposit is one of the largest known economically mineralised and exploited pegmatite deposits in the Pegmatite Belt.

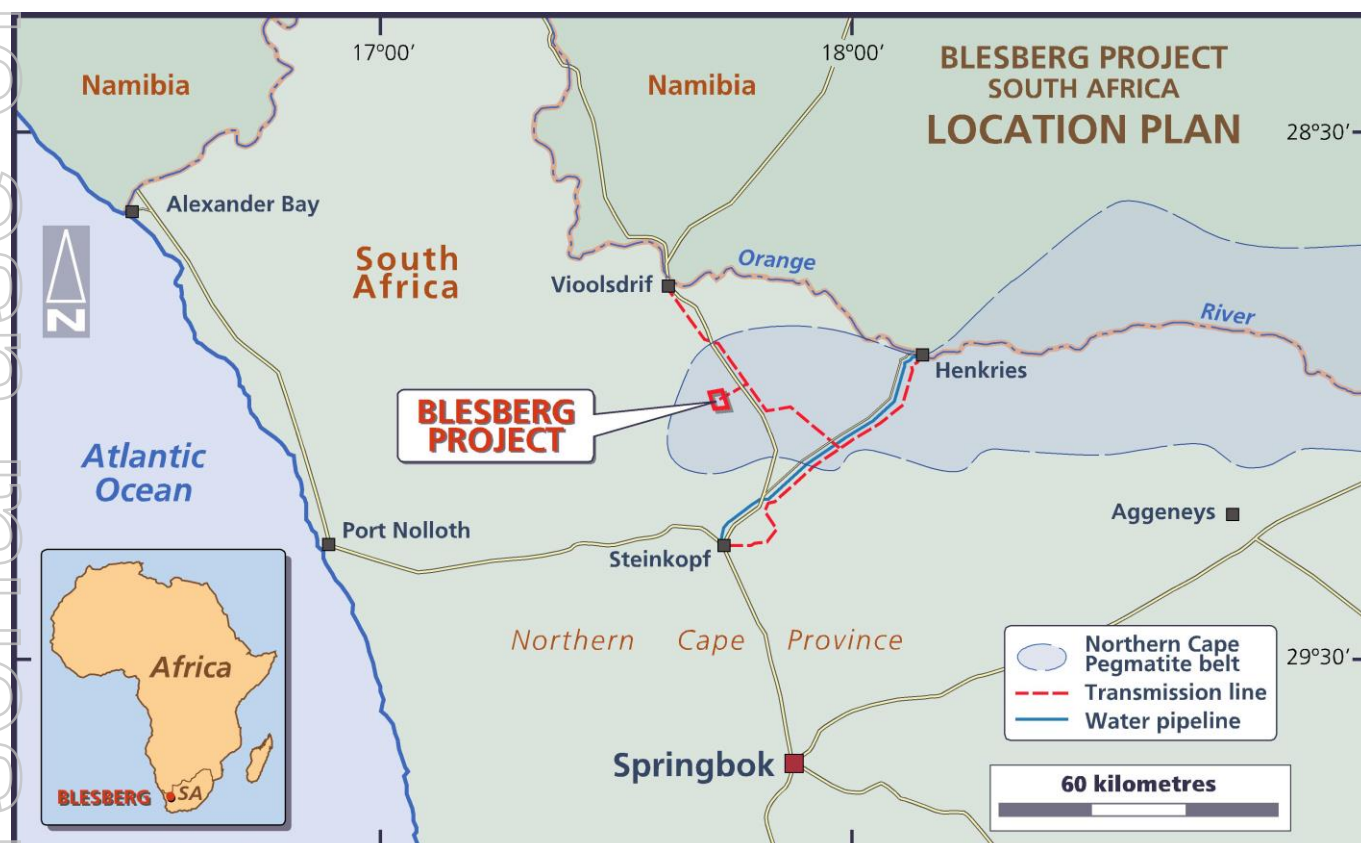


Figure 1 – Location Map

Recent Activities

Management of AVL recently attended a variety of meetings with stakeholders in Johannesburg, Cape Town and on site at the Blesberg Mine. The meetings with the existing shareholders of SALT were particularly constructive and the Company looks forward to a good working relationship with the SALT shareholders in the future.

During the visit to the Blesberg Mine preliminary exploration activities were completed, including:

- ground reconnaissance for potential extensions of the Blesberg mine pegmatites to the west of the open cut on the sand plain. Encouragingly, a zone up to approximately 50 metres in width of outcropping pegmatite was identified which is interpreted to be an extension of the main pegmatite in the open cut. The outcropping pegmatite extends approximately 500 metres to the WNW from the base of the existing Blesberg Hill before disappearing underneath the surrounding sand plain cover (see Figure 2 and Plate 1). This represents excellent potential for shallow extensions to lithium mineralisation evident in the nearby open cut;

- ground truthing of proposed drillhole collar locations, mainly to verify accessibility for a drilling rig and equipment;
- completion of a 51 point orientation soil sampling survey with the aim of identifying additional pegmatites under sand cover to the west of the Blesberg Mine open cut (see Plate 2). Soil samples were collected every 10 metres along a 500m baseline. Samples have been sieved to -2mm and will be assayed for a suite of minerals, and
- ground reconnaissance of several pegmatites identified from airborne/satellite imagery within the Prospecting Right but away from the Blesberg Mine was undertaken to assess their scale and accessibility. Whilst time limitations restricted the reconnaissance to six sites, each site visited was confirmed as hosting a pegmatite body of sufficient size to warrant follow-up mapping and sampling in 2017. Overall significant pegmatite occurrences, similar to the main Blesberg orientation, were observed over a 2km strike length, which is highly encouraging for upcoming exploration for additional Lithium-bearing pegmatites.



Figure 2 – Blesberg Hill showing old mine workings and outcropping pegmatite on sand plain. Pale NW-SE trending bodies are additional pegmatite bodies



Plate 1: View from Blesberg Mine looking WNW showing zone of outcropping pegmatite.



Plate 2: View looking ESE towards Blesberg Mine showing vegetated outcropping pegmatite and soil sampling site in foreground.

2017 Work Program

AVL has already appointed an experienced international field geologist residing in Cape Town to manage the exploration activities at the Blesberg Mine. This appointment should ensure drilling will commence in the first quarter of 2017.

The Company intends commencing a reverse circulation and diamond drilling programme at Blesberg as soon as possible. Quotations from potential drilling contractors are currently being obtained for evaluation and a drilling contract should be awarded in the coming weeks. Apart from drilling holes beneath the historical Blesberg mine workings, several holes will be drilled on the sand plain to test the outcropping pegmatite identified during the site visit.

Other activities to be undertaken in 2017 will include:

- Mapping and sampling of additional pegmatite zones across the Prospecting Right area;
- Evaluation of all potential economic minerals present at Blesberg, including feldspar, tantalum, beryl, caesium and lithium potential;
- Determination of an accurate exploration target at Blesberg (including the main Noumas I pegmatite and adjacent pegmatite bodies), and
- Volumetric and analytical assessment of the current dump and ramp material at Blesberg.

AVL looks forward to reporting progress on these exploration activities as they are completed.

Settlement of SA Lithium acquisition

Details of the commercial terms of the acquisition of SA Lithium are set out in Appendix 1.

The issue of the AVL shares and performance rights was made under the Company's existing capacity under Listing Rule 7.1.

In addition, AVL has commenced funding SA Lithium's acquisition of 50.03% of Southern African Lithium and Tantalum Mining Pty Ltd ("SALT") shares. SALT is the holder of the Blesberg Prospecting Right. The first instalment payment of US\$250,000 has been paid to the vendors of SALT shares.

As a consequence of the payment, 50 shares out of a total 1,000 shares in SALT will be transferred to SA Lithium. This represents a 5% equity holding in SALT. Further transfers of shares in SALT to SA Lithium will be undertaken as milestone events and payments are met.

For further information, please contact:

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About Australian Vanadium Limited

AVL is a diversified resource company with an integrated strategy with respect to energy storage, seeking to offer investors a unique exposure to all aspects of the vanadium value chain – from resource through to steel and energy storage opportunities as well as other energy storage metals exposure through the acquisition and evaluation of lithium/tantalum projects.

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% V₂O₅ and containing a discrete high-grade zone of 56.8Mt, grading 1.0% V₂O₅ 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 (VRB). 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.

This pilot plant 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 is installed in a research laboratory at the University of Western Australia and is being used to test and verify the production of vanadium electrolyte products that are suitable and approved for use in third party VRB products being sold in Australia, New Zealand, the Pacific and Asia.

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

Competent Person Statement – Blesberg Exploration Program

The information relating to the Blesberg Lithium-Tantalum Project exploration program reported in this announcement is based on information compiled by Mr Vincent Algar. Mr Algar is a Member of The Australian Institute of Mining and Metallurgy (AusIMM) and a full-time employee of the Company. Mr Algar has more than 25 years' experience in the field of mineral exploration. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration 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. Algar 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.

Appendix 1

Commercial Terms of Acquisition of South African Lithium (Pty) Ltd

- a) Option Details: AVL granted the right to acquire 100% of the shares of South African registered company South African Lithium (Pty) Limited (SA Lithium). 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.
- b) Option Fee: 7 million AVL shares – **issued 15 November 2016.**
- c) Option Terms: Option expires on 6 December 2016 – **exercised 17 November 2016.**
- d) Upon AVL exercising the Option, the consideration for 100% interest in SA Lithium is:
- i. 70,000,000 AVL shares – **issued 20 December 2016;**
 - 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 – **issued 20 December 2016,**
 - 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 – **issued 20 December 2016,** 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 – **deed signed 5 December 2016.**
- e) 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 (5% equity share) to be paid at settlement – **paid 19 December 2016;**
 - b. US\$250,000 (5% equity share) upon completion of the first drilling programme, and
 - c. US\$500,000 (10% equity share) 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 (to earn a 30.03% equity share) by June 2018.

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%.