VALENCE INDUSTRIES

ASIA PACIFIC I EUROPE I NORTH AMERICA

ASX ANNOUNCEMENT

ASX: VXL
ASX: VXLO

27 March 2014

HIGH PURITY GRAPHITE PROGRAM ADVANCES GRAPHENE MANUFACTURING AND GRAPHENE RESEARCH CENTRE UNDERWAY

HIGH PURITY GRAPHITE

- **Valence Industries advances program for production of value adding through bulk high purity graphite**
- **High purity plant designed to significantly value add to base flake graphite production by Valence Industries**
- **High purity facility permits direct entry to further high value graphite markets for Valence Industries**
- **Co-location of high purity plant proposed with the program for development of new Graphene Research Centre**

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GRAPHENE

- **Valence Industries and University of Adelaide launch development of the joint Graphene Research Centre**
- **Agreement for Valence Industries to commercialise all new graphene applications and develop new graphene products**
- **Graphene Research Centre reflects Valence Industries' and University of Adelaide focus on value added high-tech manufacturing**
- **Initial sales of graphene by Valence Industries to world markets can occur in the first half of 2014**

Valence Industries Limited (ASX: VXL & VXLO) (VXL or the Company) is continuing its program of bringing its existing graphite manufacturing facilities off care and maintenance and to bring those facilities to full production of 14,000 tonnes per year over the coming months (Phase 1). In addition the program to complete the Phase 2 feasibility study to increase Valence Industries' graphite manufacturing capacity by up to 60,000 tonnes to a total capacity of up to 74,000 tonnes of graphite per year is progressing to schedule. While these programs continue, Valence Industries is building on its program for advanced manufacturing and value adding with the Company's previously indicated high purity program (Phase 3) and new initiatives for the manufacturing of graphene (Phase 4).

High Purity Graphite Program on Track (Phase 3)

Valence Industries is continuing its focus on developing new markets and value-adding for its graphite. The Company has further developed its existing program for a VXL High Purity Graphite Facility with a targeted capacity of 30,000 tonnes of high purity graphite a year. The proposed VXL High Purity Graphite Facility is in addition to the already announced program for the development of a Phase 2 expansion of the existing manufacturing facilities to up to 74,000 tonnes of graphite a year. From that total 74,000 tonne capacity

Valence Industries will allocate a relevant portion to manufacture VXL High Purity Graphite at a volume the Company intends to grow to 30,000 tonnes per year. The VXL High Purity Facility program is 100% owned by the Company.

The VXL High Purity Graphite Facility will take the Company's Uley Graphite and apply new and innovative purification processes. These have been developed and established by Valence Industries metallurgical batch testing. That purification process works with the existing strong qualities of Uley Graphite and manufactures graphite with a purity level above 99.99%.

> "*The ability to produce High Purity Graphite permits Valence Industries to pursue further high-value markets including to directly manufacture expanded graphite, intercalated graphite and battery-grade graphite*" said Christopher Darby, CEO and Managing Director of Valence Industries.

This VXL High Purity Graphite Facility is an important capability for Uley Graphite. The value of that High Purity program to Valence Industries both now and in the future is significant. The price for such high-purity graphite starts at US$5,500 per tonne and lies in a range that can exceed US$10,000 per tonne. Importantly, as the Company develops its High Purity capabilities, the research and development program led by Valence Industries on its graphite means that sales of highly valued flake graphite from the base manufacturing facilities can continue to be pursued and implemented for use in these high purity applications.

The capital requirements for the VXL High Purity Graphite Facility are currently being defined along with the technical engineering, design and process optimisation program. The Company expects to fund the initial stages of the facility progressively from current cash reserves and from expected cash flows.

The Company anticipates making further announcements around the development of the Phase 3 VXL High Purity Graphite Facility over the coming months.

Graphene Production & Centre for Graphene Research

Valence Industries is pleased to advise that it has signed a Joint Research, Development & Commercialisation Agreement with the University of Adelaide for the development and commercialisation of all new Graphene Research and for the development of a new Graphene Research Centre to be based in South Australia. The Company is allocating $800,000 over 3.5 years to this research program.

This graphene research program is an initiative that has grown from pioneering work by Professor Dusan Losic and his team at the School of Engineering in the University of Adelaide. Professor Losic will continue to lead and help grow the research program as Valence Industries pursues the commercialisation of products from that research.

> "*The program to develop the Graphene Research Centre places Valence Industries, the University of Adelaide and South Australia at the forefront of real global markets and innovation in Graphene*" said Christopher Darby, CEO and Managing Director of Valence Industries.

The launch of the program has been welcomed by the University of Adelaide as its Adelaide Research and Innovation (ARI) arm continues to deliver on commercial development of the leading research conducted at the University of Adelaide.

> "*This is an exciting time for the University of Adelaide and for our team. This strong commitment by Valence Industries to the development of leading graphene research will attract the best minds to South Australia for the creation of new graphene technologies*" said Professor Dusan Losic at the University of Adelaide.

The graphene research driven and owned by Valence Industries will permit the development of new and significant applications for graphene products and sales. Those applications range from heavy industrial uses through to new technology and medical uses.

The graphene development programs will be used by Valence Industries to develop commercial graphene applications. This will be an incubator for Valence Industries to own and develop new graphene product manufacturing opportunities both in the medium term and as a future growth and innovation program for the Company.

Graphene Products and Graphene Sales

The original research undertaken by Professor Dusan Losic and his team on the production of graphene from unprocessed raw graphite was performed using the Company's Uley Graphite. That proof of concept has been further developed by the University of Adelaide with the ability to produce very high quality graphene from processed Uley Graphite clearly established.

Processed graphite from the Valence Industries is now being made available to the University of Adelaide. That graphite will be used for ongoing assessment and development of a range of graphene products for commercialisation as well as a program of graphene sales.

VALENCE INDUSTRIES – GRAPHENE POWDER

As part of the research and development process utilising Uley Graphite, the Company anticipates having commercial quantities of graphene available this year. Valence Industries expects that it will be in a position to commence initial sales of graphene in the first half of 2014.

Further announcements relating to the VXL Graphene Sales Program are expected to be made by the Company in coming months. Inquiries relating to the VXL Graphene Sales Program under the VXL GraffTEX brand can be directed to sales@valenceindustries.com.

For further information, please contact:

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About Valence Industries

Valence Industries (ASX:VXL) is the owner and operator of the only graphite manufacturing facilities in Australia located at Uley in South Australia near the regional centre of Port Lincoln. The Company is bringing existing infrastructure into production with a focus on global markets across multiple graphite product ranges. Graphite production will commence in early 2014, with plans for expanded production by the end of 2014.

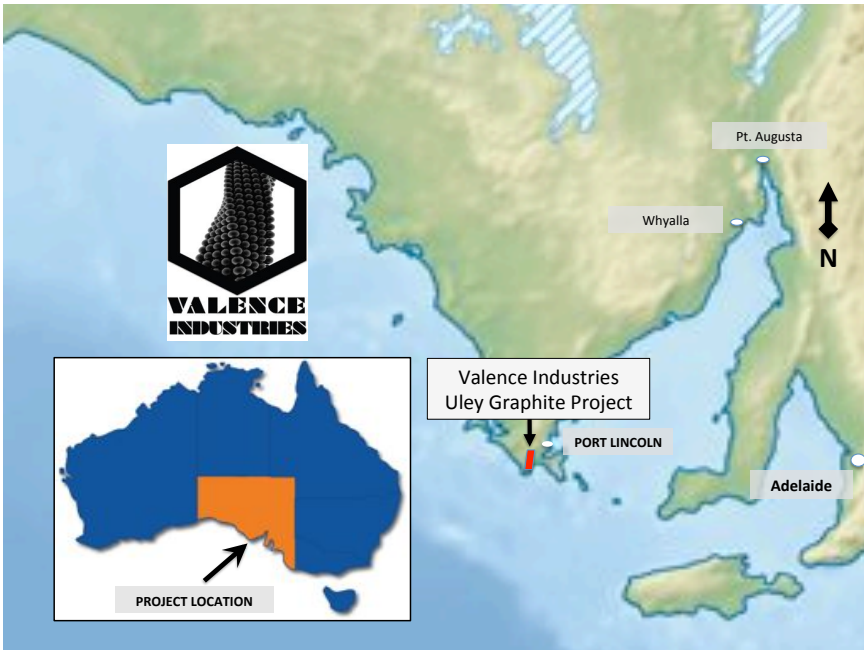
Located only 23 kilometres from Port Lincoln, the regional centre for the Lower Eyre Peninsula in South Australia, Valence Industries' Uley Graphite project is recognised as a significant area of graphite mineralisation, and one of the largest coarse flake graphite deposits in the world. The deposit contains disseminated, high-grade flake graphite and the mineralisation is near surface, with the final manufactured graphite products recognised and purchased by many customers for its high quality.

The company holds two existing Mining Licences and two associated Retention Licences, along with an extensive Exploration Licence, for the conduct of its operations. In addition Valence Industries is in the fortunate position of owning the land on which its current and proposed expanded operations are conducted along with the extensive existing infrastructure.

Manufacturing A New Carbon Future

The Company operates as an industrial manufacturer of high-grade flake graphite products for distribution and sale to global markets. Valence Industries owns established processing facilities and infrastructure to manufacture a wide range of graphite product lines for multiple applications and multiple industries. The Company produces and sells its graphite products from its Uley Graphite facilities in regional South Australia for delivery to diversified markets for graphite in the Asia Pacific, Europe and North America.

As a vertically integrated manufacturer of specialist graphite product ranges Valence Industries' branded products are designed to meet current and future customer demand. This program includes development of a significant VXL High Purity Graphite Facility program and a range of future Graphene applications.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PROJECT LOCATION