

ASX : VXL
ASX : VXLO



VALENCE
INDUSTRIES

AUSTRALIA'S ONLY GRAPHITE PRODUCER EXPANDING PRODUCTION IN 2014

Valence (noun) the combining power of an element, especially as measured by the number of hydrogen atoms it can displace or combine with: carbon always has a valence of 4.

Graphite for Global Markets

May 2014

W W W . V A L E N C E I N D U S T R I E S . C O M

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Investment Highlights



- Existing Graphite Resource, Mine & Processing infrastructure
- 6.4 Mt JORC 2012 Indicated and Inferred Resource @7.1% TGC with significant exploration upside
- Proven past production of high quality Flake Graphite
- Initial sales of reprocessed large flake >95% purity graphite commenced in April
- Processing of stockpiles from existing 14,000 tpa plant
- New 60,000 tpa Phase II plant planned to be in production in early 2015
- Scoping Study indicates graphite production costs of <\$600/t with average product pricing of US\$1,400/t
- Strong expressions of interest from major global customers for direct sales contracts



Corporate Overview



ASX Code: VXL & VXLO

Ordinary Shares on issue	167.1m
Options on issue	70.0m
Market cap (@42 cents)	\$70.2m
Cash (End Q1 2014)	~\$8.1m
Debt	Nil

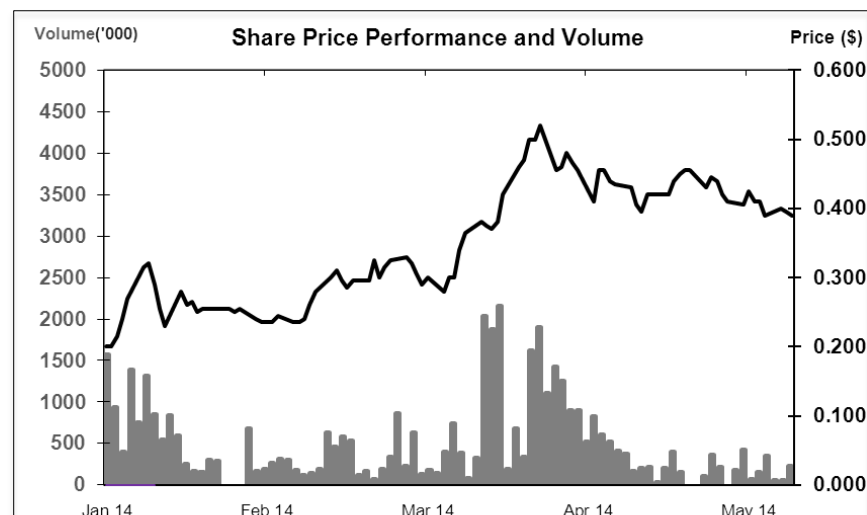
Major Shareholders

Strategic Energy Resources Ltd (Restricted)	13.04%
Avatar Energy Pty Ltd	4.60%
EERC Australasia Pty Ltd	3.97%
HSBC Custody Nominees (Australia) Ltd	3.20%
Chimaera Capital Ltd	2.79%

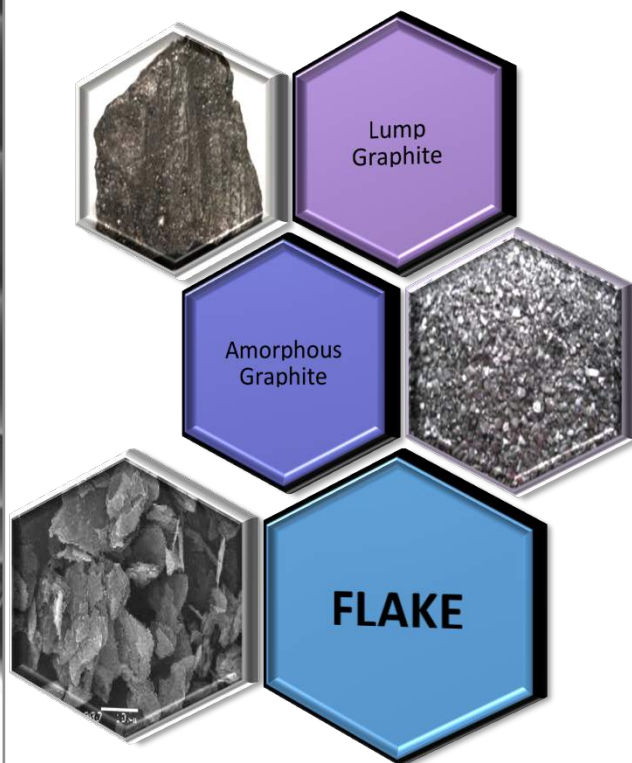
Top 20 shareholders hold 45.40%

Directors & Senior Management

Graham Spurling AM, Chairman
Christopher S. Darby, Managing Director & CEO
Glenister Lamont, Non-executive Director
Ian Schache, Non-executive Director
Jarek Kopias, Chief Financial Officer & Co. Sec.
Karen Lloyd, General Manager Technical Delivery
David J. Salari (P.Eng), Chief Development Officer

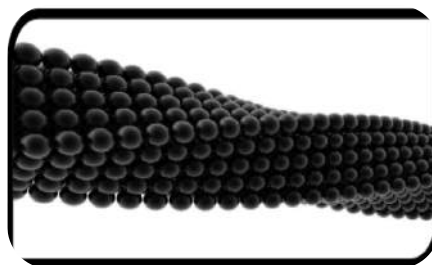


Graphite Facts



HIGH PURITY FLAKE
GRAPHITE IS IN VERY
LIMITED SUPPLY

- Graphite is relatively common, but high purity, large flake graphite is rare
- China, the world's major graphite producer is closing polluting operations



- Valence manufactures high purity flake graphite products for multiple applications
- Selling to traditional & new technologies

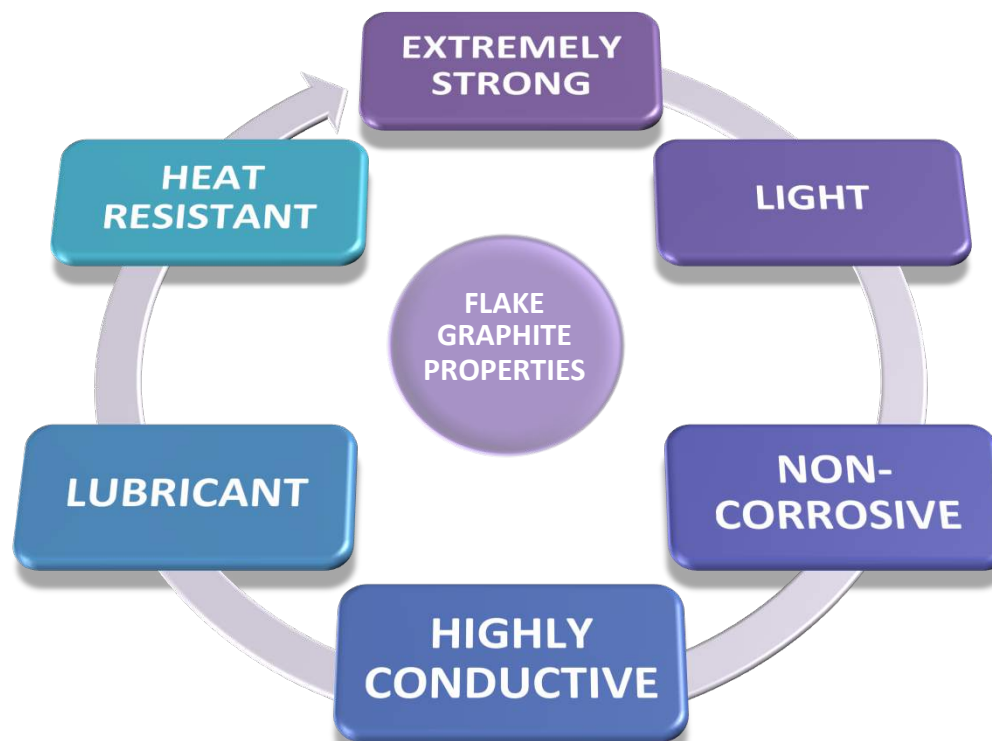
NEW TECHNOLOGIES
ARE DRIVING DEMAND
FOR HIGH PURITY
FLAKE GRAPHITE

- New technologies require high purity graphite
- Valence's Uley graphite is very low in impurities

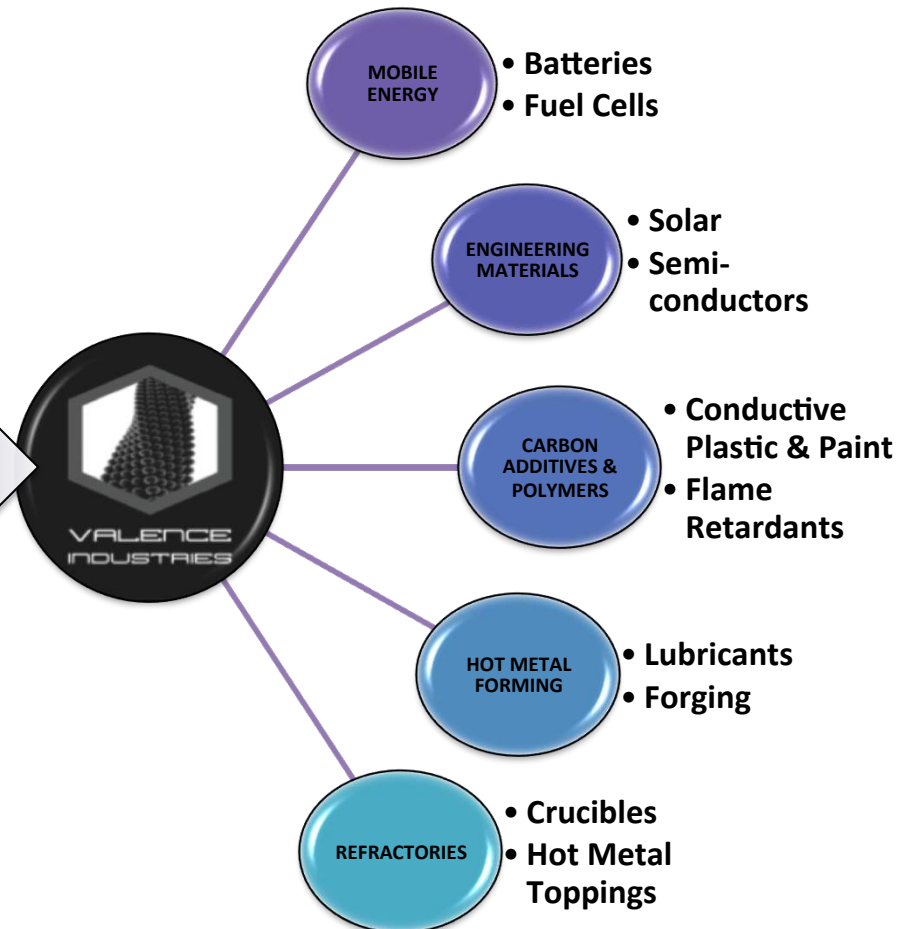
Graphite Facts



GRAPHITE DEMAND GROWTH IS DRIVEN BY ITS
UNIQUE PROPERTIES AND BENEFITS
IN BOTH TRADITIONAL AND NEW TECHNOLOGIES



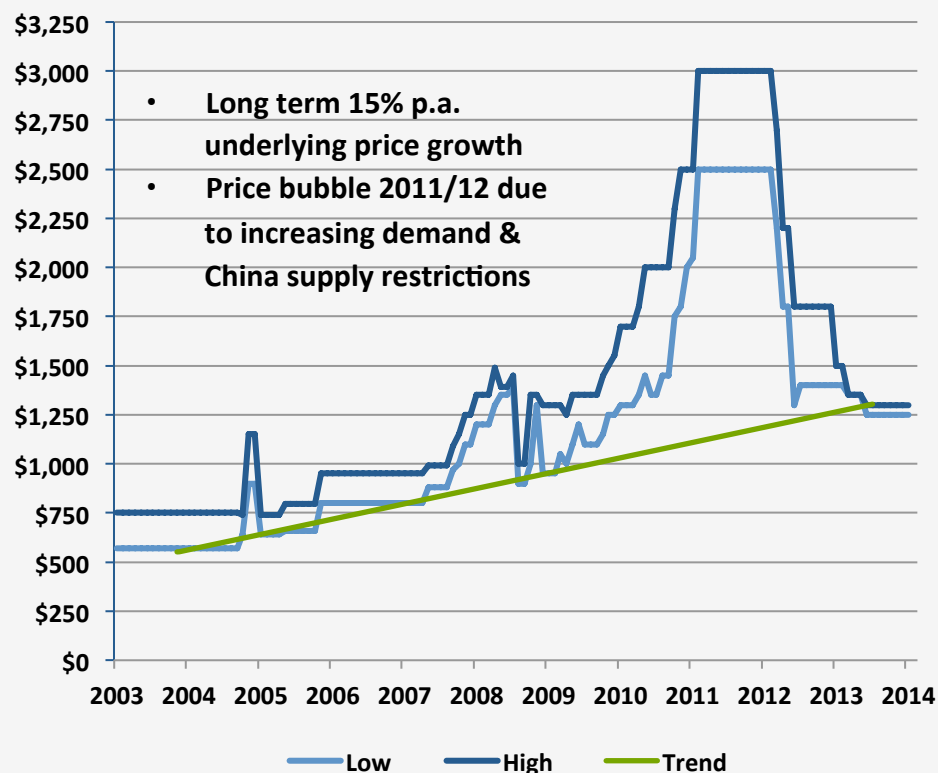
Graphite Sales & Pricing



Valence Industries has Graphite for **Multiple Applications** in **Diverse Industries** in New & Traditional Applications

Graphite Sales & Pricing

Price Range for Flake Graphite
+80 Mesh, 94-97% C, US\$/tonne



VXL Product Pricing Range is US\$890 to US\$2500 per tonne



+595

- Premium Product + High Demand
- Consistent High Purity + High Quantity

+895

- Premium Product + High Demand
- Consistent High Purity + High Quantity

-195

- High Quality + Sustained Demand
- Consistent High Purity + Consistent Quantity

-295

- High Quality + Sustained Demand
- Consistent High Purity + Consistent Quantity

-395

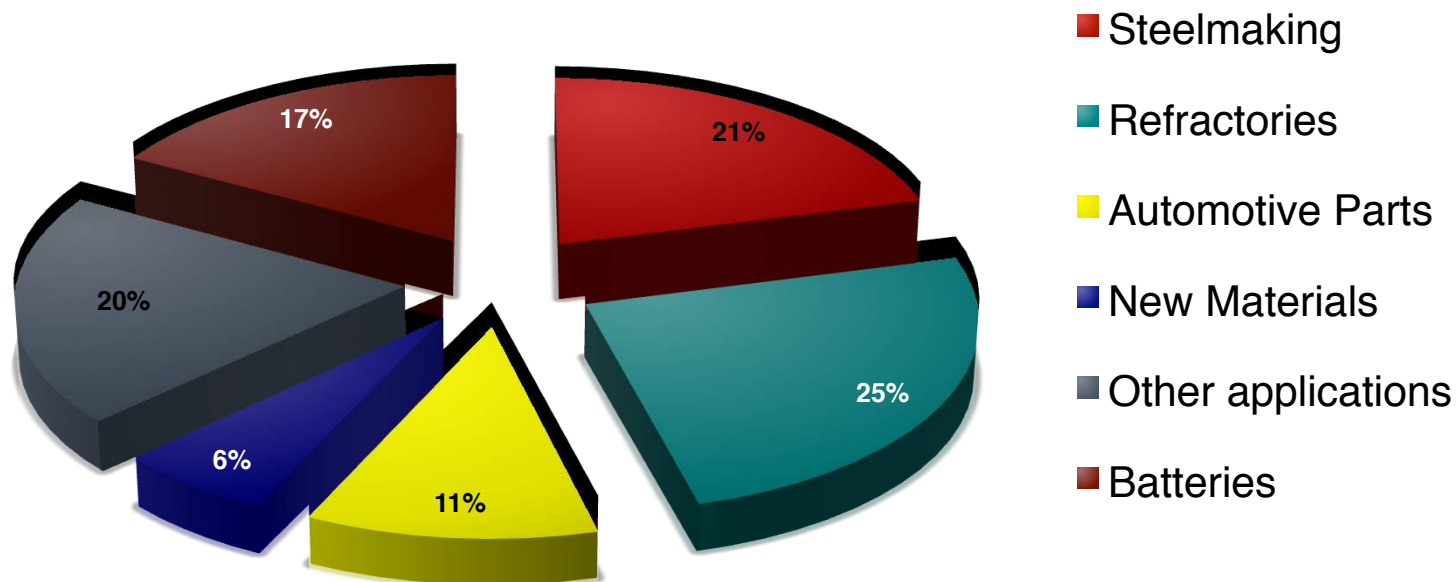
- High Quality + Increasing Demand
- New Applications + New Markets
- Consistent High Purity + Consistent Quantities

Illustrative of selected VXL 95% Graphite Products

Global Applications & Uses for VXL Graphite



World Graphite Production 2014 1,573,000 tonnes





Uley Graphite Project

Uley Established Resource



- **Current JORC 2012 Resource**
- **Extensive Existing Stockpiles**
- **Graphite mined since early 1900s**
- **Export Sales recommenced in April**
- **Mining Scheduled to recommence in H2 2014**
- **Licences Held & Work Approvals Underway**
- **Significant Exploration Acreage**

Valence Industries Uley Graphite Facilities Main Road Open Pit # 1 (JORC 2012)

Resource Classification	Lower Cutoff Grade (% Graphitic Carbon)	Tonnage (Mt)	Average Grade* (% Graphitic Carbon)
Indicated	3.5	1.9	10.7%
Inferred	3.5	4.5	5.5%
Total		6.4	7.1%

Valence Industries Uley Graphite Facilities Existing Mined Materials Stockpiles

	Tonnage	% Graphitic Carbon
Stockpile 1	800t	Up to 53%
Stockpile 2	74,000t	11% Average
Stockpile 3 & 4	TBC	TBC
Total	74,800t	

Uley Processing Facilities



- Re-commissioning of Processing Facility is highly advanced
- Existing Facilities to produce 14,000 tonnes of graphite p.a.
- Fully Funded for Phase I Production
- Sales to commence in April 2014

- Extensive 74,000t Stockpiles permit early restart of graphite processing
- Approx. 9 months Manufacturing from stockpiles
- Existing Facilities can continue to produce @ 14,000 tpa using mined feedstock



Industrial Manufacturing of Graphite



ULEY PRIMARY CIRCUIT (OUTSIDE PLANT)

Open Pit
Low Cost
Selective &
Campaign
Mining



Run of
Mine
Stockpiles



Primary
Separation
& Grinding



Sized Slurry
Readied for
Secondary
Processing
Plant



Secondary
Grinding &
Separation



Washing
&
Liberation



Sized
Slurry
Stockpile



Screening
&
Separation



Flotation
&
Liberation



Container
& Ship to
Customer



Size
Screening
Bagging to
Warehouse



Dewatering
& Drying of
Graphite

Phase I : Manufacturing Timeline



Phase I Refurbishment & Recommissioning Program

Phase I Secondary Processing Plant Refurbishment



Phase I Secondary Processing Plant Refurbishment & Recommissioning



Phase I Primary Processing Plant Refurbishment & Upgrade



Phase I Primary Processing Commences



Graphite Sales to Customers



Q1

Q2

Q3

Q4

Q1

Q2

Q3

2014

2015



Phase I First Sales of Graphite



Graphite Sales Commence

- Valence Industries commenced flake graphite sales of 30 tonnes in April 2014
- Graphite was reprocessed to customer specification from existing materials
- The sale includes a range of large flake graphite products with purity levels above 95%
- The products will be used by a range of industrial customers in Japan for uses including battery grade, lubricant and refractory applications
- The initial shipments will also be used for advanced testing and qualification for long term direct sales agreements

Customer Marketing & Engagement

- Active marketing to graphite customers has intensified over the last two months
- Meetings held with multiple customers in Australia, Europe, North America and Asia
- Customer engagement across the full range of demand from traditional industrial users, to major Asian and European technology leaders
- Very positive responses received across the board with strong interest in securing access to the quality and properties of the Valence's Uley Graphite



Program for Growth

Phase II Expand & Sustain Capacity



New Open Pit

- JORC 2012 6.4Mt @ 7.1% TGC
- In-Fill Drilling for Pit Design, Mine Planning & Advanced Metallurgy
- Low Cost Open Pit Free Dig Operation
- Inside area of existing Mining Licences

Existing Plant Continues to Operate

- 14,000 tonnes of graphite per annum
- Processing and value adding to new material from new Open Pit
- Ongoing revenue stream from proven production and sales base
- Testing of plant design and equipment for Phase II New Plant

New 50,000-60,000 Plant Construction

- Bankable Feasibility Study underway and due August 2014
- Program to finance \$34M construction underway
- Product qualification program for new production underway
- Financial modeling and forecasting for development case on track

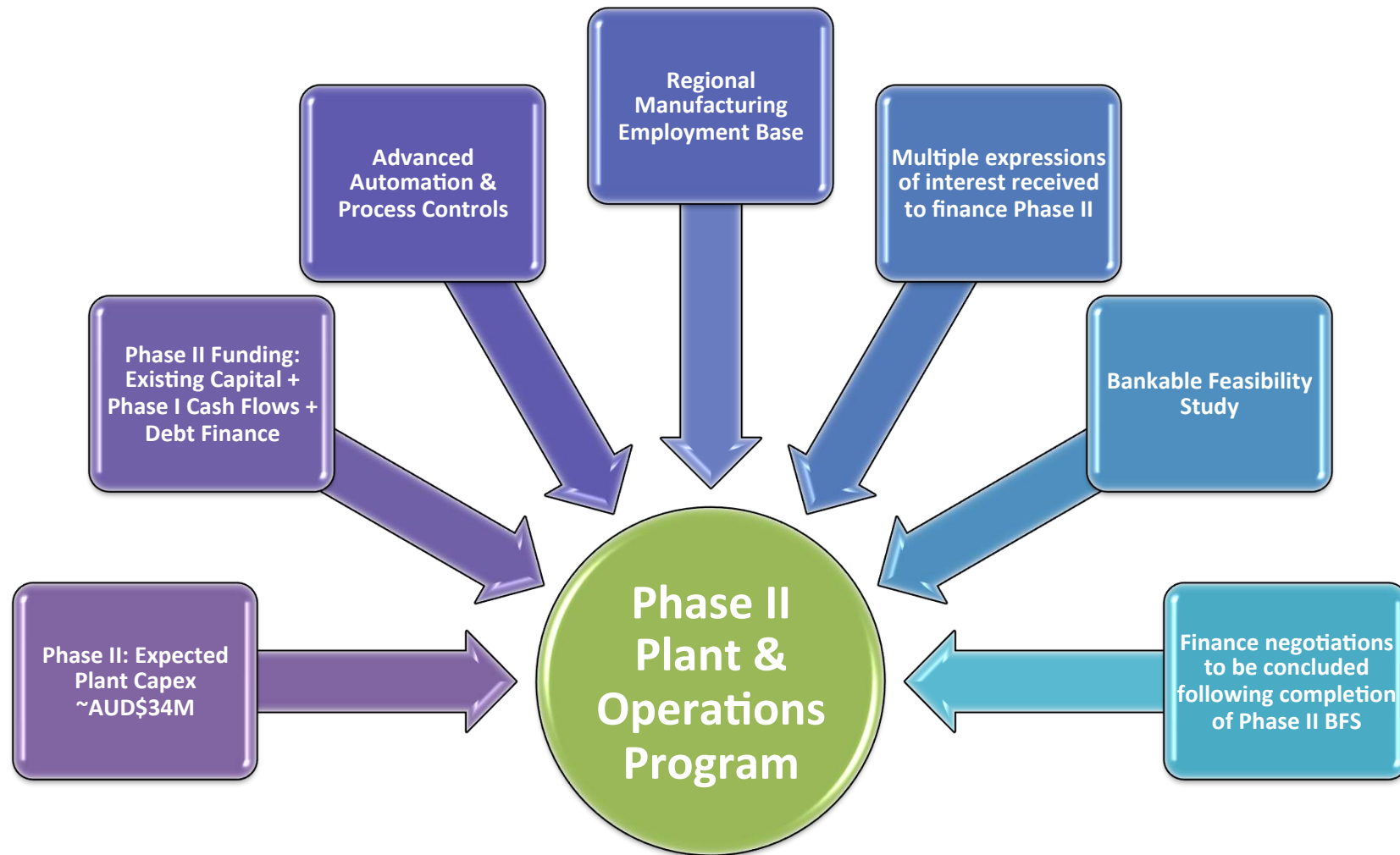
Commercialisation & Sales Program

- Existing Sales Contract in place for initial commitments
- Advanced discussions for further sales of ROM Stockpile production
- New product development and design for value adding
- Long term cornerstone sales targeted to coincide with increasing production capacity

Phase III High Purity & Graphene Programs

- Phase III Initial Design completed
- Graphene already produced from Valence Industries processed graphite
- High Purity facility design to be advanced during Phase I & Phase II
- Associated graphene research & new industrial product application program with University of Adelaide

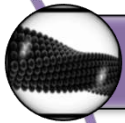
Phase II Expand Graphite Manufacturing



Phase III New High Purity Facility



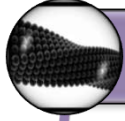
Completed preliminary designs for new High Purity Graphite Facility and Micronised Graphite**



This will be the **Only New High Purity Facility** in Southern Hemisphere



Planned capacity is up to **30,000 tonnes** of Graphite per year at Purity Levels at 99.99%+



Significant Value Add Process taking expected **prices** to US\$5,500 to US\$10,000/tonne



Direct Entry to New Technology, Battery and Medical Markets



Raw Material to be supplied from Valence Industries' Uley Graphite Facility



Capex is being defined with initial stages expected to be funded progressively from cash reserves and cash flows but estimated at ~AUD\$25M.

**Subject to completion of Scoping & Feasibility Studies

Phase III Industrial Graphene Production



Valence has a major
**R & D and
Commercialisation
Agreement** with the
University of Adelaide
led by Prof Dusan Losic

Agreement includes
proposed development of a
Graphene Research Centre
with University of Adelaide

The Graphene Research
Centre will focus on
**commercialisation of
products** including for
Industrial Applications

Initial processing has
confirmed the ability to
produce Graphene Directly
from Uley Graphite

Environmentally friendly
process with minimal
chemical processing

Existing Facilities and High
Purity Facility can provide
Feed Stock for Graphene
manufacturing

Initial **Sales** of Graphene
can Commence in H2 2014

Development of Proposed
Joint Research Facilities for
Scaling Up
Graphene Production

Funding for program will
come from existing cash
reserves and cash flows

Summary



Existing Facility

- Existing Graphite Resource, Mine & 14,000 tpa Processing infrastructure
- 6.4 Mt JORC 2012 Indicated and Inferred Resource @7.1% TGC with significant exploration upside
- Proven past production of high quality Flake Graphite

Production and Sales Commenced

- Initial sales of large flake >95% purity graphite commenced in April
- Processing of stockpiles to commence in July 2014
- Strong expressions of interest from major global customers

Rapid Growth Program

- New 60,000 tpa Phase II plant planned to be in production in early 2015
- Scoping Study indicates graphite production costs of <\$600/t with average product pricing of US\$1,400/t
- Financed from existing Capital + Phase I Cash Flows + Debt Finance

High Purity & Graphene

- Phase III High Purity program and Graphene programs ahead of schedule
- Increase purity to >99.99% at estimated value of \$5,500 to \$10,000 /tonne
- Graphene production confirmed with sales to commence in H2 2014

Valence Industries



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W W W . V A L E N C E I N D U S T R I E S . C O M