



ASX ANNOUNCEMENT

ASX: VXL & VXLO

15 July 2014

GRAPHITE PROCESSING PLANT UPDATE

- **Phase I Processing Plant recommissioning nears completion**
- **Installation of plant and equipment is progressing**
- **Production from existing fines stockpile to commence in Q3 2014**
- **Expansion of production from ROM stockpiles to follow installation of new crushing circuit**
- **Sales arrangements with key customers are advancing rapidly**
- **BFS for Phase II Plant and Open Pit is expected to be finalised in August**

Process Plant recommissioning nears completion

Valence Industries Limited (ASX: VXL & VXLO) (the Company) continues the re-commissioning and upgrading of the Company's existing graphite manufacturing facilities at Uley near Port Lincoln in South Australia.

The refurbishment and upgrade of existing plant on the land owned by Valence Industries is nearing completion. The primary (external) processing plant is used to screen, wash and grind the raw run of mine material and produce a feed product for second stage processing. The secondary (internal) plant processes material from the primary processing plant to manufacture and package Valence's graphite products.

In combination with the advances in the engineering and construction for Phase I Valence has made significant advances in the program of recruitment to match the ramp up of operations. The program to build and maintain a strong local and regional workforce has met with a very positive response. The company now has its senior site leadership team in place for the Uley Graphite operations and continues to recruit for operational personnel to match production readiness. It is anticipated that this recruitment program will also form a significant part of the Phase II expansion for the company with increasing numbers of personnel for both mining and operations through 2014 and 2015.

Phase I – Secondary Processing Plant

Valence will recommence production using the secondary (internal) processing circuit to process the Fines Stockpile (800 tonnes @ 50% average grade for 400 tonnes of contained graphite) into a range of graphite products.



The key components of the secondary processing circuit have been upgraded and tested, including:

- Primary Screening Units
- Flotation & Collection Tanks
- Main Slurry Tank
- New Fluid Bed Gas-Fired Dryer
- Travelators
- Screening
- Dust Collection

The only major outstanding element of the secondary circuit is the new Bagging System, which has been assessed off-site and will arrive at site for installation shortly, and installation and upgrades of final agitation, plumbing and fluid transfer systems to fully integrate the key components.

The Company holds Mining Leases, Retention Leases and an extensive Exploration Licence. With the close proximity of the Phase II mining and process expansion to the Phase I processing operations, the Company has been working closely with regional and State regulators to obtain regulatory approvals that incorporate both Phase I and the Phase II expansion. The approvals process is at an advanced stage. The Company expects to obtain final regulatory approvals incorporating the upgraded plant and expanded mining operations in the third quarter of 2014, after which fines production will immediately commence. Screening, bagging and delivery to further customer targets from historical production and using Valence's specialist offsite testing facilities is continuing.

Phase I – Primary Processing Plant

The primary processing circuit is being upgraded with key elements including for the pre-screening of run of mine ore, washing and crushing prior to transfer slurry to the secondary processing circuit.

The Company is in the process of replacing the existing rod mill with a new ball mill, which has been commissioned specifically for the Uley Graphite operations. Delivery and installation of the new ball mill is scheduled for August 2014.

The other components of the primary processing circuit (screens, separators and conveyors) are under construction, together with the minor related structural engineering works, in line with the recommissioning timetable.

The completion of the primary processing circuit will occur while the secondary plant is processing the fines stockpile. Processing will then ramp up progressively as treatment commences on the main stockpile (74,000 tonnes @ 10% average Graphitic Carbon grade) and continues to sustain that Phase I plant for more than 9 months of operations, after which the new run of mine ore is expected to be available for processing.

Customer demand for the company's graphite products continues to exceed expectations, and the company expects to conclude direct supply agreements in line with commencement of scaled-up production.

Phase II – Expansion – Bankable Feasibility Study

The Bankable Feasibility Study (BFS) for the proposed Phase II Plant and Open Pit expansion at Uley is progressing well. The design for the Phase II expansion includes new graphite manufacturing



facilities to significantly increase annual graphite production capacity by up to another 60,000 tonnes of graphite per annum. Valence is planning for the BFS to be finalised in August.

A diamond-drilling program has commenced across the proposed Uley Pit 2 area. The drilling program is designed to increase the geological confidence level on the existing Mineral Resource estimate (refer to Valence's Prospectus dated November 2013) in preparation for an Ore Reserve estimate, pit optimisation and design and for production feed-material handling programs. It is anticipated that the Company will make further announcements relating to the current drilling program over coming weeks.

For further information, please contact:

Christopher S. Darby
CEO & Managing Director
info@valenceindustries.com
+61 8 8418 8564

The information in this Announcement that relates to the Mineral Resources is based on information compiled by Ms Karen Lloyd, who has been engaged as General Manager – Technical Delivery by Valence Industries. Ms Lloyd is a Member of the Australian Institute of Mining and Metallurgy. Ms Lloyd has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities being undertaken to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms Lloyd consents to the inclusion in this release of the matters based on their information in the form and context as it appears.



VALENCE INDUSTRIES

About Valence Industries & Graphite Manufacturing

Valence Industries (ASX:VXL & VXLO) is the owner and operator of the only graphite mining and manufacturing facilities in Australia located at Uley in South Australia near the major regional centre of Port Lincoln. In April 2014 and just four months after listing on the ASX, Valence Industries achieved the first sales of graphite by an Australian company in more than 20 years.

The Company is bringing its existing plant and substantial infrastructure into production in Phase I with a focus on global markets across multiple graphite product ranges. Graphite production will commence in the third Quarter of 2014, with plans for expanded mining and graphite manufacturing in Phase II increasing through 2015.

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 Leases and two associated Retention Leases, along with an extensive Exploration Licence, for the conduct of its operations.

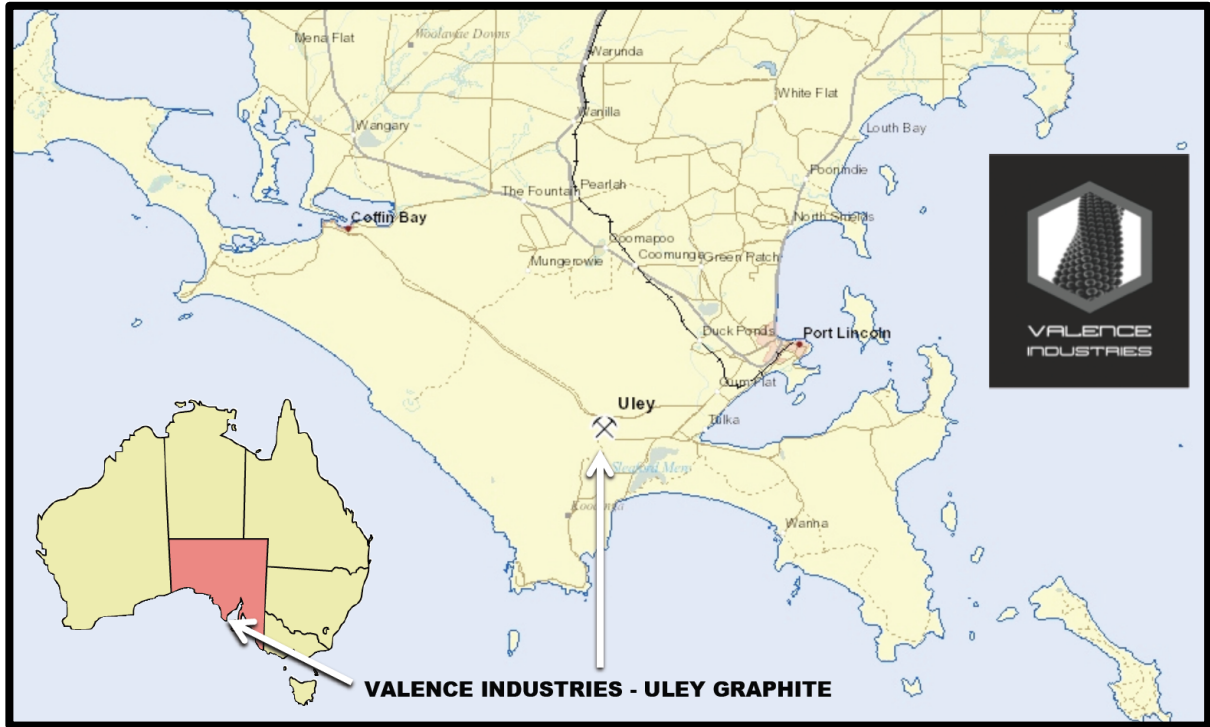
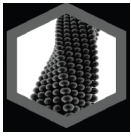
Valence Industries is in the fortunate position of owning the land on which its current and proposed expanded operations are conducted along with the extensive existing infrastructure.

Manufacturing A New Carbon Future & Advanced Graphene Program

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.

The Company is also pursuing research into advanced fields and applications for graphite. That program includes the relationship with the University of Adelaide for the establishment of a dedicated Graphene Research Centre in Adelaide. Graphene is one of the most significant steps forward in the world of advanced materials with the potential for transformative and disruptive technologies and the leading research in this area from the University of Adelaide on natural flake graphite has originated from work on the Company's Uley Graphite. The Graphene Research Centre program will see the development and commercialisation of processes and products for the application of graphene.



**VALENCE INDUSTRIES
ULEY GRAPHITE MINING & MANUFACTURING SITE
SOUTH AUSTRALIA, AUSTRALIA**