



ASX ANNOUNCEMENT

ASX: VXL & VXLO

8 August 2014

GEOPHYSICS INDICATE MAJOR NEW GRAPHITE TARGETS

- **Geophysics define significant new sub-surface targets across existing Mineral Resource**
- **Phase II feasibility study program defining Uley 2 Pit for expanded operations**

Existing 6.4Mt Resource

Valence Industries Limited (ASX:VXL & ASX:VXLO) (the Company) continues to refine its understanding of the geology and mineralisation at its flagship Uley Graphite project. The 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 existing JORC (2012) Mineral Resource defines a 6.4Mt @ 7.1% graphitic Carbon Indicated and Inferred Mineral Resource.

Valence is currently conducting an in-fill diamond drilling campaign (see *Fig 1: Below*) across the existing Mineral Resource in preparation for an Ore Reserve estimate, pit optimisation and design of the Uley 2 Pit and for production feed-material handling programs in conjunction with its feasibility study for Phase II, expected to be completed in late August 2014.



Fig 1: Valence Industries – Uley Graphite In-fill Drill Program on Uley 2 Pit (2014)



Current Drilling Program

The current drilling program being is designed to provide the company with information to support a revision to the existing Mineral Resource estimate and report an Ore reserve under JORC (2012) guidelines in preparation for the commencement of mining operations. The program is also designed to add to the understanding Valence has of the Uley 2 Pit geology and the material handling characteristics for Phase II expansion of operations.

The drilling program has been designed to allow geological, geotechnical and metallurgical data and sample collection to be undertaken concurrently.

The assaying and assessment of data is progressing and results will be made available as they are validated.

Visual inspection of the drill core from the current drilling campaign has identified significant mineralised intersections that are consistent across the target area of the existing 6.4Mt Resource.

Geophysics Unveil Significant Targets

As a part of the broader geology program Valence Industries has undertaken a detailed technical re-assessment and 3D modelling of the Company's existing geophysical surveys and of the associated existing drilling and other data for the Uley Graphite site. This program has identified major exploration opportunities for future assessment and expansion.

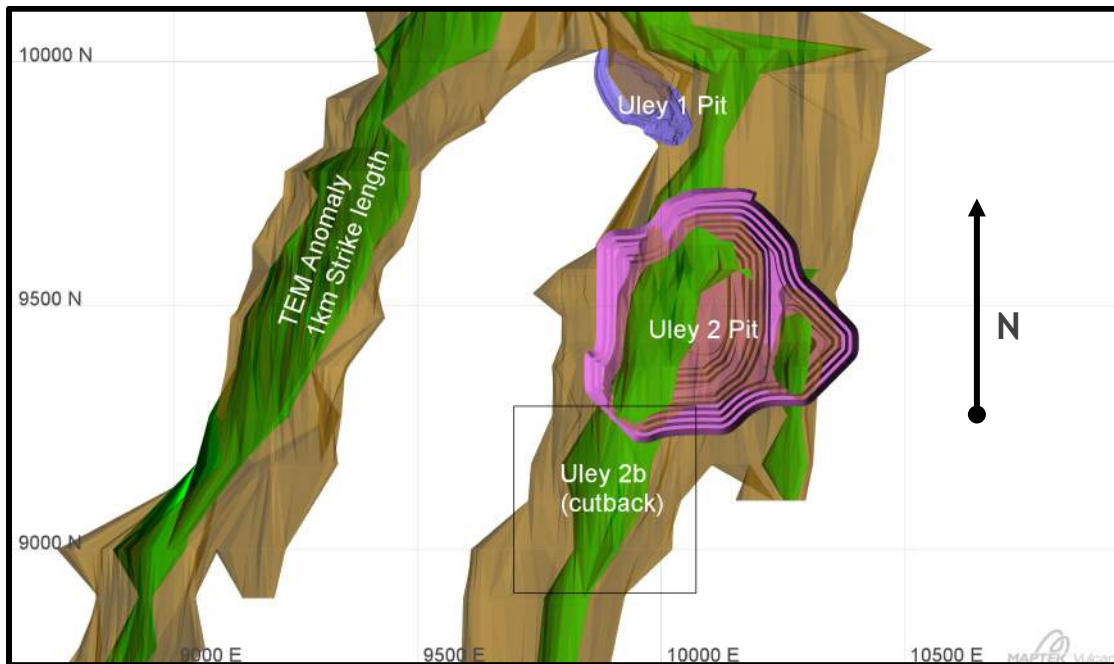
As is the case with Uley 1 Pit and Uley 2 Pit these additional opportunities are located on Valence's existing tenements. These exploration opportunities will require a further program of drilling to assess their potential.

Only a modest fraction of the total 4km strike length of the conductors identified was tested by the drilling program conducted for the development of the Company's current JORC (2012) Mineral Resource. The total vertical thickness of the conductive sequence is variable, notably up to 150m in the proposed Uley 2 Pit area. The major exploration opportunities shown by this modelling appear consistent with the broader regional geological interpretation of an anticlinorium, defined by an eastern limb, a western limb and a fold nose area which hosts the existing Uley 1 Pit.

The Valence Industries geologists are confident that these exploration areas have the potential to contain significant additional mineralisation comparable to that found during initial drilling over the proposed Uley 2 Pit area which established the existing graphite resource.

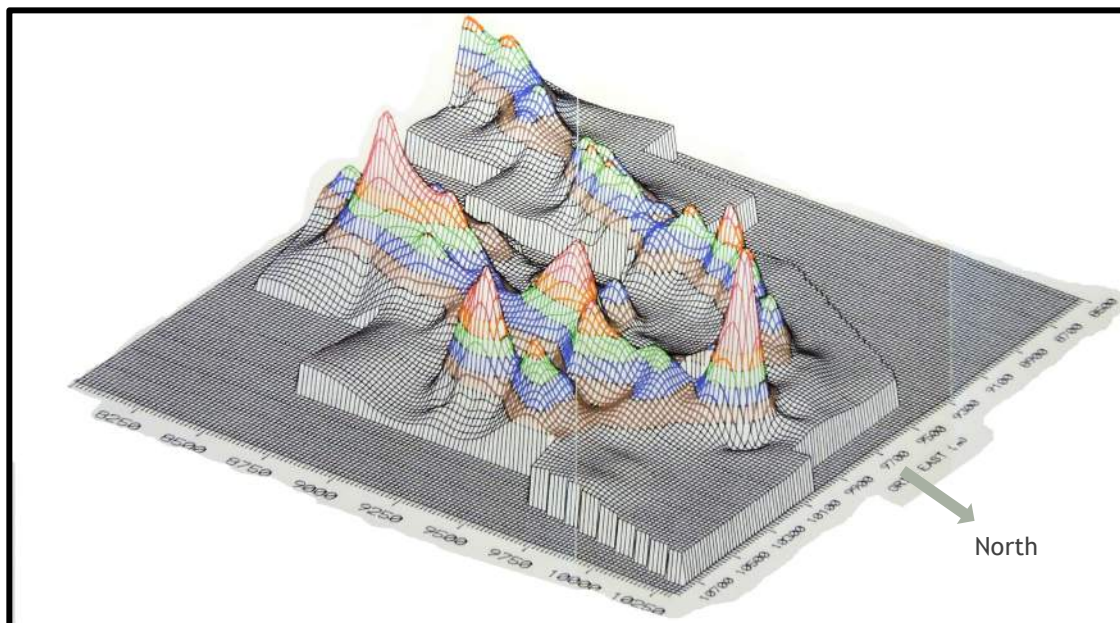
The modelling of the identified exploration opportunities is shown in the new 3D Geophysical Model (Fig 2: Below). The coloured areas designate projected mineralisation derived from electrical conductivity and magnetic susceptibility measurements and visually appears as a sub-surface mountain range. The brown area delineates relatively lower response and incorporates the area mined historically as the Uley 1 Pit. The Uley 1 Pit has previously delivered a strong range of flake graphite products.

The green area delineates an area of relatively higher geophysical response in which the Company anticipates higher average grades of graphite mineralisation. In the area of Uley 2 Pit (the existing JORC Resource) the geophysical results correlate strongly with the existing drilling data.



*Fig 2: Valence Industries – 3D Geophysical Image of Uley Graphite (2014)
Existing Uley 1 Pit (Purple) and Proposed Uley 2 Pit (Pink)*

The baseline data informing the current modelling by Valence Industries was derived from a series of electrical conductivity and magnetic susceptibility measurements made on drill core and rock specimens. A ground Time Domain electromagnetic (TEM) survey resulted in a large range of conductivity findings that correlated well with a visual assessment of graphite grade. The TEM survey produced a number of very conductive trends, essentially forming two windows within the extensive, very resistant host rock (comprising gneisses and schists of the Hutchison group) and those results are modelled in Fig 2: Above and are further illustrated in Fig 3: Below.



*Fig 3: Valence Industries – interpretive geophysics (TEM) modelling:
Conductive Trends Providing Exploration Opportunities*



Regional Exploration Upside for Valence

Further exploration work will be undertaken in future on multiple identified targets held under the Valence exploration lease EL4778. This exploration licence covers an expansive area of 75km² to the south and west of the existing Uley Graphite Mining Leases held by Valence Industries.

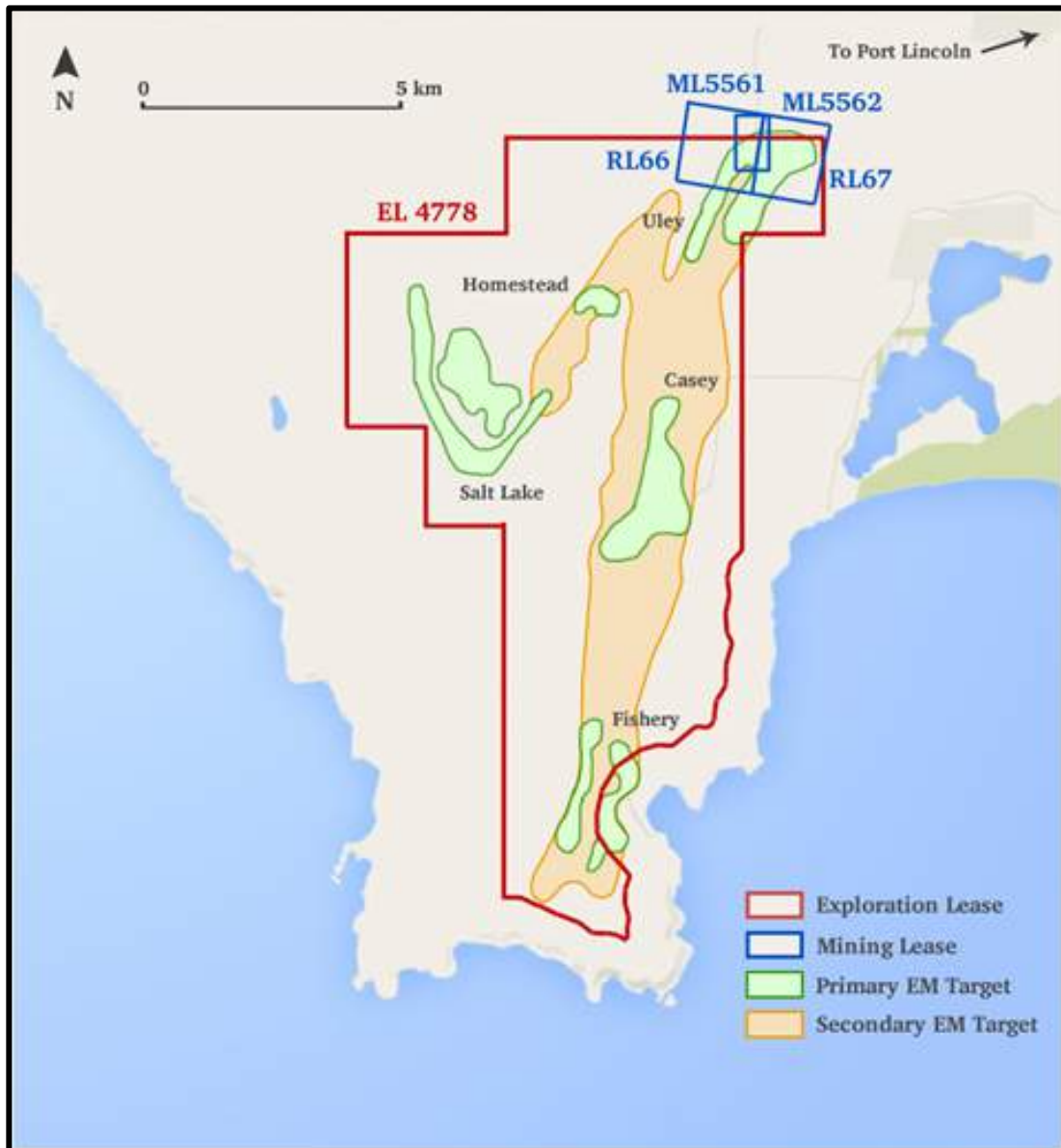


Fig 4: Valence Industries – Tenements & Regional Exploration

The Homestead, Kacey, Fisheries and Salt Lake prospects all have similar geophysical responses to Uley 1 Pit and the Uley 2 Pit and exploratory drilling and geochemical sampling will be undertaken in future as part of the Company's longer term resource planning strategy.

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The information in this Announcement that relates to the in situ Mineral Resources is based on, and fairly represent, the Mineral Resources and information and supporting documentation extracted from the report, which was prepared by a competent person in accordance with the JORC Code (2012 edition) and released to ASX by the Company on 18 November 2013. 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. All material assumptions and technical parameters underpinning the Mineral Resource estimates in that previous release continue to apply and have not materially changed.

The information in this Announcement that relates to the further interpretation of the geophysics as they relate 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.

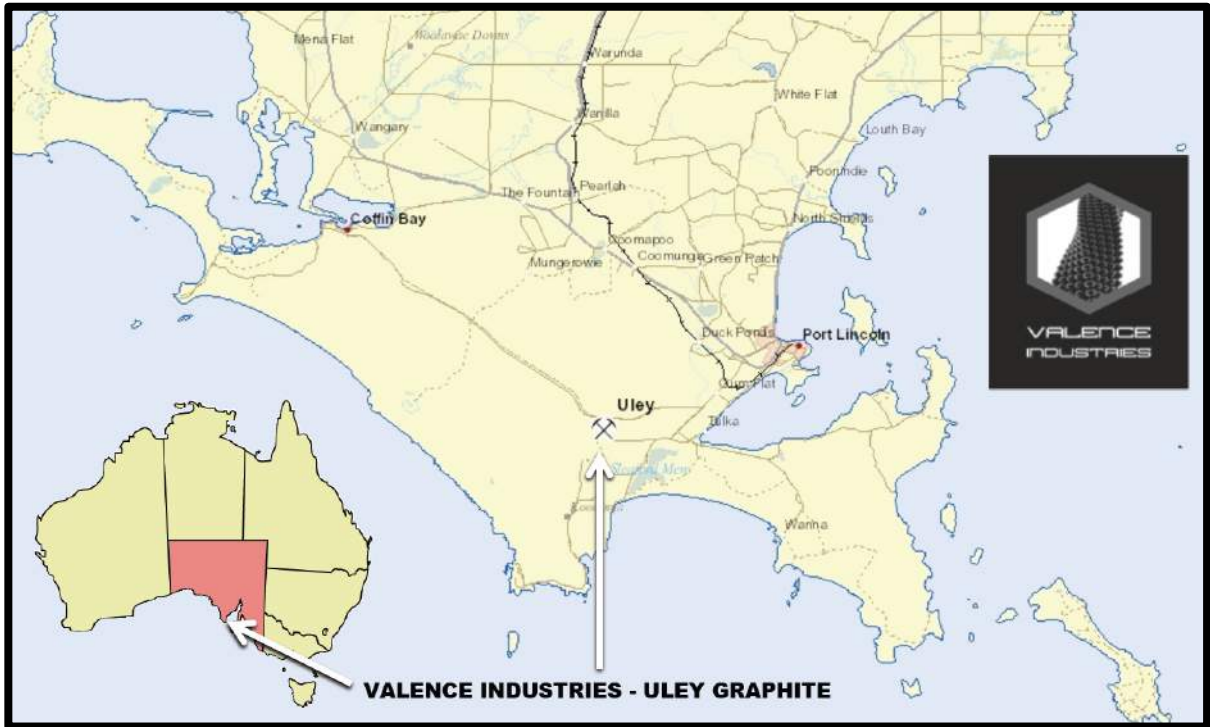
Valence Industries is in the fortunate position of owning the land on which its current and proposed expanded operations are conducted along with the extensive existing infrastructure.

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**