



ASX ANNOUNCEMENT

ASX: VXL & VXLO

Monday, 29 September 2014

GRAPHITE MANUFACTURING READY TO COMMENCE

- Phase I Mill arrives at site for installation into Australia's only graphite plant
 - Gas systems for drying plant for Phase I operations complete
 - Phase I refurbishment nears completion with production ready to commence
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Phase I Plant - Recommissioning Update

Valence Industries Limited (Valence Industries) (ASX: VXL & VXLO) is nearing completion of the refurbishment of the Phase 1 Plant at its flagship Uley Graphite facilities in South Australia.

The Phase I plant has two circuits. The Primary Processing Circuit is used to wash and grind the raw run of mine material and produce a feed product for second stage processing. The Secondary Processing Circuit then screens, dries and packages the graphite to produce Valence Industries multiple flake graphite product lines.

Phase I Program – Primary Process Circuit

Over the past week Valence Industries received delivery of the new mill that forms part of the primary processing circuit in the Phase I Plant.



New Mill Arrives at Valence Industries – September 2014

(Photograph: James Knowler)



The installation of the mill along with the remainder of the Primary Processing Circuit will be completed over the coming weeks, which fits the timing of full commissioning for run of mine stockpile treatment, as the Secondary Processing Circuit needs to be commissioned first.

Phase I Program – Secondary Process Circuit

The work on the Secondary Processing Circuit is effectively complete and ready for recommissioning using the stockpiled fines materials once final governmental approval is received. To date Valence Industries has refurbished the Secondary Processing Circuit and has successfully pressure and integrity tested each aspect of the plant and equipment. As soon as final governmental approval is received, processing of the existing graphite fines stockpiles can commence for supply to customers.

An important component of the Secondary Processing Circuit has been the installation of a new gas farm. This has allowed Valence to successfully test the upgraded graphite drying systems at the Uley Graphite site.



Valence Industries Gas Farm Installation – September 2014

(Photograph: James Knowler)

These systems are key parts of the graphite manufacturing process and are important for the delivery of quality products to Valence Industries' global customer base.



Valence Industries – Upgraded Gas Dryer – September 2014

The use of gas-fired drying facilities is consistent with the company's commitment to deliver environmentally sensitive and sustainable growth. The gas-fired system allows Valence Industries to better manage its greenhouse gas emissions in its graphite manufacturing. The use of gas provides for much lower emissions than other sources such as petrol, diesel or electricity.

The company has progressively employed and trained people from the local region to operate the Phase I processing and manufacturing plant. The recent fund raising will, along with a range of other initiatives, allow this program to be accelerated once final governmental approval has been obtained and will allow a relatively rapid ramp up time.

Completion of the Phase I refurbishment program is an exciting stage for the company and will be a significant milestone. The capacity to run the only graphite processing facility in Australia with Phase I to produce up to 14,000 tonnes of graphite each year is a significant step forward and confirms Valence Industries leadership in this area and places South Australia at the forefront of new graphite manufacturing globally.



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 in situ Mineral Resources is based on, and fairly represents, 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.

Competent Persons Statement – In-Fill Drilling Campaign**

The information in this announcement that relates to the Mineral Resources pertaining to the Company's in-fill drilling campaign results 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 and recently signed MoUs for the supply of 80,000 tonnes of graphite over a period of 2+ years.

The Company is bringing its existing plant and infrastructure into production in Phase I with a focus on global markets across multiple graphite product ranges. Graphite production will commence in the second half 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. The company anticipates regulatory works approval verification during the September Quarter of 2014.

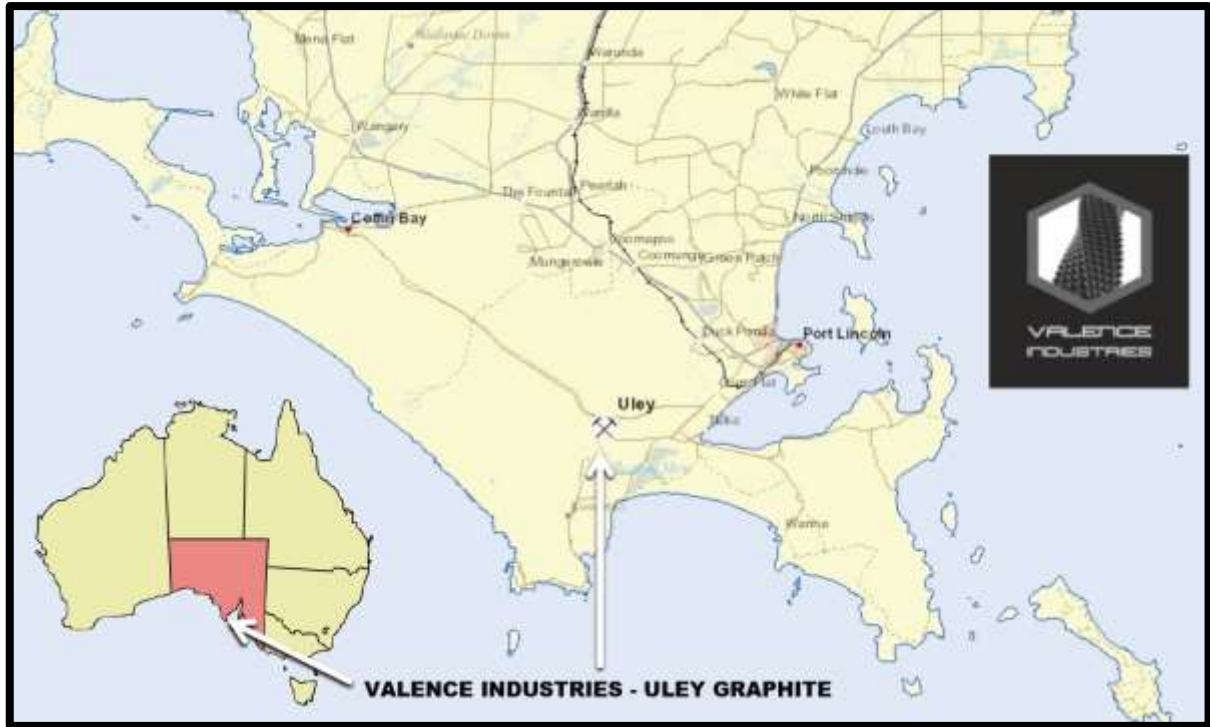
Valence Industries is in the fortunate position of owning the land on which its current and proposed expanded operations are conducted along with the extensive existing infrastructure.

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**