VALENCE INDUSTRIES

ASIA PACIFIC I EUROPE I NORTH AMERICA

ASX ANNOUNCEMENT **ASX: VXL & VXLO**

Thursday, 9th October 2014

60%+ GRADE ARTERIAL FLAKE™ GRAPHITE

- Valence Industries has discovered a new globally unique flake graphite deposit zone with intercepts exceeding 60% graphitic carbon.
- Significant intersections in the new zone include flake graphite grades of 61.5% graphitic carbon over 2.6 metres.
- Super jumbo flake graphite sizes in the new zone exceed 4 millimetres (+5 mesh).
- Results from in-fill drilling in the area of known mineralisation also demonstrate significant intersections at very high grades, including 21.7% gC over 16m (MD619).
- The full impact of the discovery has yet to be established but has the potential to significantly enhance the economics of the Uley operation for Valence Industries.

Discovery of High Grade *Arterial Flake*™ Graphite

Valence Industries has discovered new and significant high-grade very large flake graphite mineralisation. This area is a completely new area of *mineralised pegmatite* untouched by historical drilling and entirely in addition to the already known mineralisation that forms the existing JORC (2012) Mineral Resource.

This new area of graphitic *mineralised pegmatite* has been encountered from near surface at 25 metres dipping down to 120 metres and extending across a strike distance of ~75 metres.

It is anticipated that this new area is structurally controlled *mineralised pegmatite* and remobilised gneiss that has an apparent continuity which presents as an area best described as an "artery" of flake graphite. We have named the unique graphite from this new zone *Arterial Flake*™.

The features of Valence Industries' new *Arterial Flake*™ graphite include:

New Discovery	A unique and exciting new geological discovery.
Very High Grade	Very high grades exceeding 60%+ gC. Flake graphite grades like this over such significant intercepts have not been previously reported.
Easily Accessed	Found from near surface in soft dig material and so is easily accessed.
Super-Jumbo Flake	Has super-jumbo flake sizes that from independent petrology exceed 4mm (+5 mesh). This has also never been reported previously.
Globally Unique	A globally unique combination of high-grade, super-jumbo flake, bulk intersections and easily mined material.

Arterial Flake ™ from Hole MD622
MD622 Grades from 15% gC to 29.6% gC

Potential & Current Petrology

Valence Industries has commissioned independent petrological testing and assessment of the material from across the area of the in-fill drilling campaign and particularly with respect to the newly discovered *mineralised pegmatite* zone.

To date the petrology program has confirmed that the assessed material includes super jumbo flake sizes that exceed 4 millimetres (+5 mesh). The petrology assessment is the first step in determining the flake size distribution of the new *Arterial Flake*™. Further flake size distribution analysis will occur as Valence Industries identifies market applications.

Uley Graphite – Example of Oriented/Schistose Coarse Graphite (2014)

Valence Industries' is conducting further assessment of the potential associated with its *Arterial Flake*™ graphite in the *mineralised pegmatite* zone and the types of new flake graphite products and industries that the Company will be capable of manufacturing and supplying. The results of that assessment will help to inform the outcomes of the current Phase II feasibility study process as well as the program for optimising production from the existing Phase I graphite processing and manufacturing facilities.

> "*The discovery of Arterial Flake graphite is potentially game changing. This discovery sets Uley Graphite even further ahead on the Australian and the global graphite stage.*" said Christopher Darby, MD & CEO, Valence Industries.

Significant intersections of *Arterial Flake*™ in the graphitic *mineralised pegmatite* include:

- 24% graphitic carbon (gC) over 6m (from 48.0m) including **61.5% gC over 2.6m** (MD615)
- 32.9% gC over 3.8m from (46.1m) including **60% gC over 1m** (MD617)
- 60.7% gC over 2m (from 80.0m)(MD624)
- 43% gC over 2.7m (from (52.7m) including 56.6% gC over 2m (MD639)

All significant intersections across the *mineralised pegmatite* are expressed in Table 1.

Relationship between New Pegmatite Zone & Established Mineralisation

The new zone of graphitic *mineralised pegmatite* is a new discovery. Historical drilling and the existing JORC (2012) Mineral Resource did not find this area and did not take this area of mineralisation into account. The exact relationship between this new zone of *mineralised pegmatite* and the areas previously known to the Company is starting to be understood but is subject to ongoing assessment.

The new area of graphitic *mineralised pegmatite*, and the extreme flake size which has crystallised, is thought to be from the late stage dewatering of the Cook gap schist (host rock), remobilisation of the fluids through fissures, and subsequent deformation events which are likely to have controlled the mineralisation structurally.

In summary, the mineralised graphitic pegmatite post-dates (overprints) the established Uley mineralisation. The new zone is located within and below the existing mineralisation and this will be understood in greater detail in coming weeks. Importantly the combination of the new and the previously established forms of mineralisation are anticipated to add substantially to the quality and quantity of the resource held by the Company.

This is a new discovery and Valence Industries is continuing to analyse and interpret the data to develop a full picture of these structures. Valence Industries will continue to undertake metallurgical test work and detailed geological modelling over the coming weeks to develop its knowledge of the Company's new *Arterial Flake*™ as well as the areas of previously know mineralisation. Valence Industries will then update the existing JORC (2012) Mineral Resource and intends to release a maiden Ore Reserve for inclusion in its Phase II feasibility study program. Metallurgical test work will also be incorporated in the feasibility study for release towards the end of 2014.

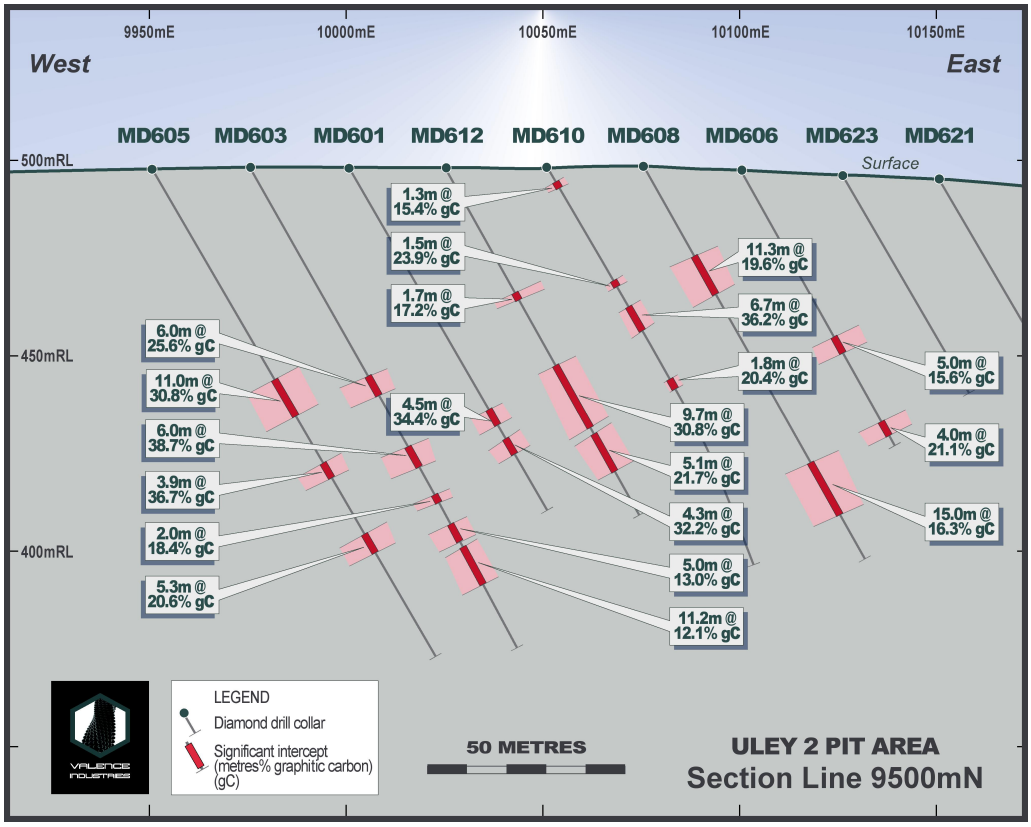
Significant New High Grade Intersections in Established Mineralisation

All data has now been received from the in-fill drilling campaign across the area of the proposed new Uley Pit 2, which contains the Company's established JORC (2012) Mineral Resource. The drill results include significant additional high-grade intersections.

These new graphite intersections within the previously known areas of mineralisation are significant in their own right.

The additional assay results from the known area of mineralisation are highly positive. The in-fill drilling results include the following significant intersections:

- 19.6% gC over 11.3m (from 26.4m depth) and 16.3% gC over 15m (from 86.8m) including 22.6% gC over 4m (MD608)
- 20.48% gC over 5.1m (from 70.7m) including 47.2% over 1.7m (MD 612)
- 19.4% gC over 9.4m (from 43.2m) (MD613)
- 21.7% gC over 16m (from 80.8m) including 36.9% over 2m (MD619)



Uley Pit 2 – Diagram of Previously Known Areas of Graphitic Mineralisation Showing Some Significant In-Fill Drilling Assay Results

These outcomes within the previously known areas of mineralisation would on their own differentiate the Uley Graphite deposit as a leading high-grade deposit globally. These are high grades of graphite over significant intervals and hosted in material that is easily excavated and transported for processing.

"Nowhere else in the world is there a flake graphite combination of high grade, easily mined, easily processed, moderate climate, close proximity to established port, close proximity to skilled personnel and contractors and a stable first world economic and political base. When this is added to the only existing graphite manufacturing plant in Australia it really sets Valence Industries apart." said Christopher Darby, MD & CEO, Valence Industries.

All significant intersections from the 2014 diamond in-fill drilling campaign are presented in Table 1.

A Good Challenge to Have – High Grades & Quality Assurance

Analysing the very high grades of flake graphite encountered in the area of previously known mineralisation and the even higher grades encountered in the new *mineralised pegmatite* posed a significant challenge for the independent laboratory. In the normal course the laboratory uses a set of certified reference graphite samples that represent the range of graphite grades found around the world but these did not have grades high enough to reference the samples provided by Valence Industries.

The lack of reference samples meant that to achieve the standards required for ISO9001 certified samples, the independent laboratory had to conduct multiple cross-checks and create new reference samples to verify the exceptionally high-grade flake graphite results. This program of QA & QC assurance has been the main reason for the delay in obtaining final results from the in-fill drilling campaign.

For further information, please contact:

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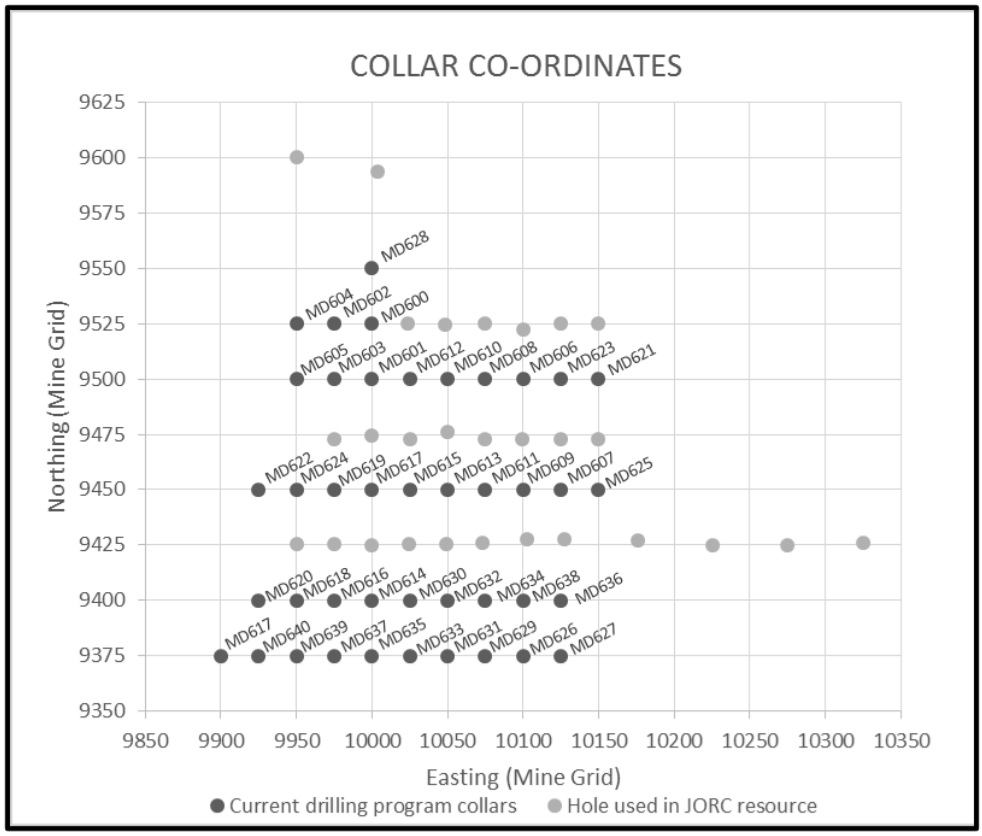
The information in this announcement that relates to the in situ Mineral Resources is based on, and fairly represents, the Mineral Resources and information and supporting documentation extracted from the report, which was prepared by a competent person in accordance with the JORC Code (2012 edition) 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.

***See also Appendix 1 – JORC Code 2012*


COLLAR CO-ORDINATES
Northing (Mine Grid)
Easting (Mine Grid)
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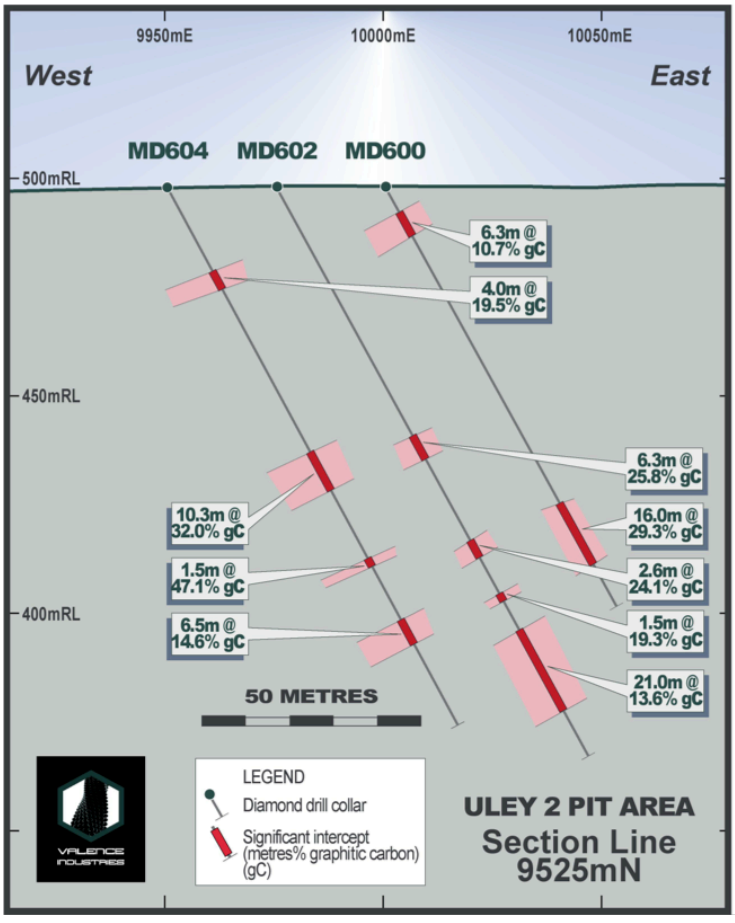
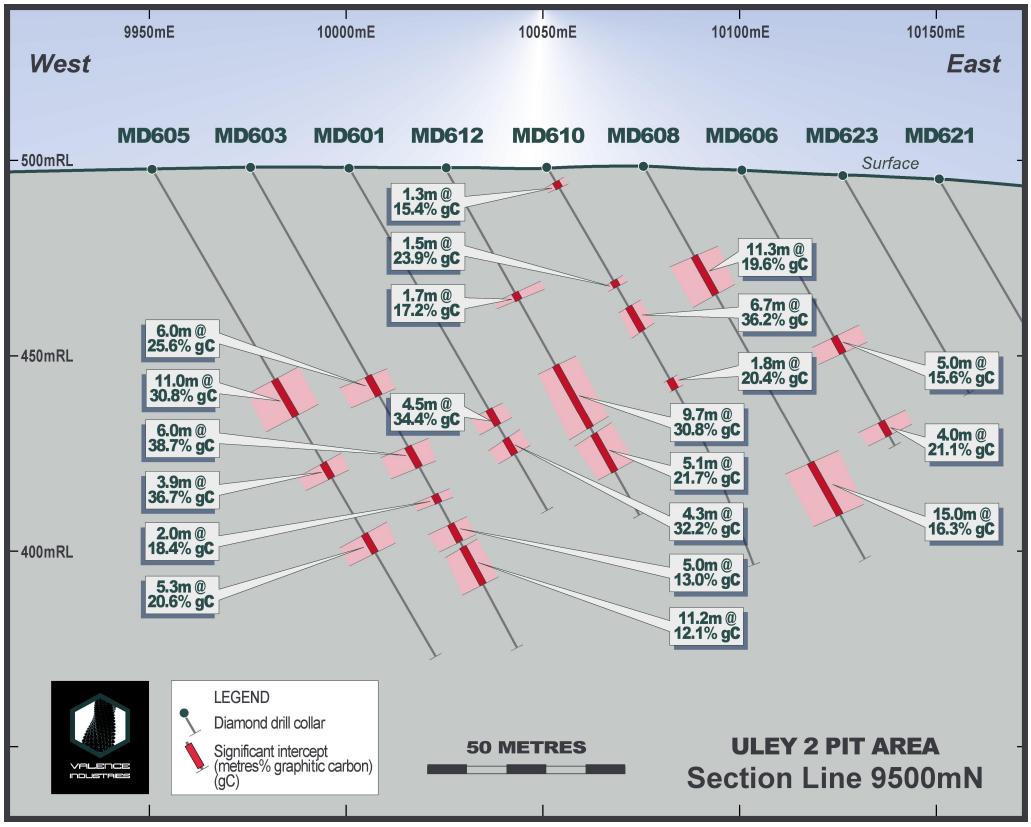
Current drilling program collars
Hole used in JORC resource


9950mE
10000mE
10050mE
West
East
MD604
MD602
MD600
500mRL
450mRL
400mRL
6.3m @ 10.7% gC
4.0m @ 19.5% gC
6.3m @ 25.8% gC
16.0m @ 29.3% gC
10.3m @ 32.0% gC
2.6m @ 24.1% gC
1.5m @ 47.1% gC
1.5m @ 19.3% gC
6.5m @ 14.6% gC
21.0m @ 13.6% gC
50 METRES
LEGEND
Diamond drill collar
Significant intercept (metres% graphitic carbon) (gC)
ULEY 2 PIT AREA
Section Line 9525mN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MD603
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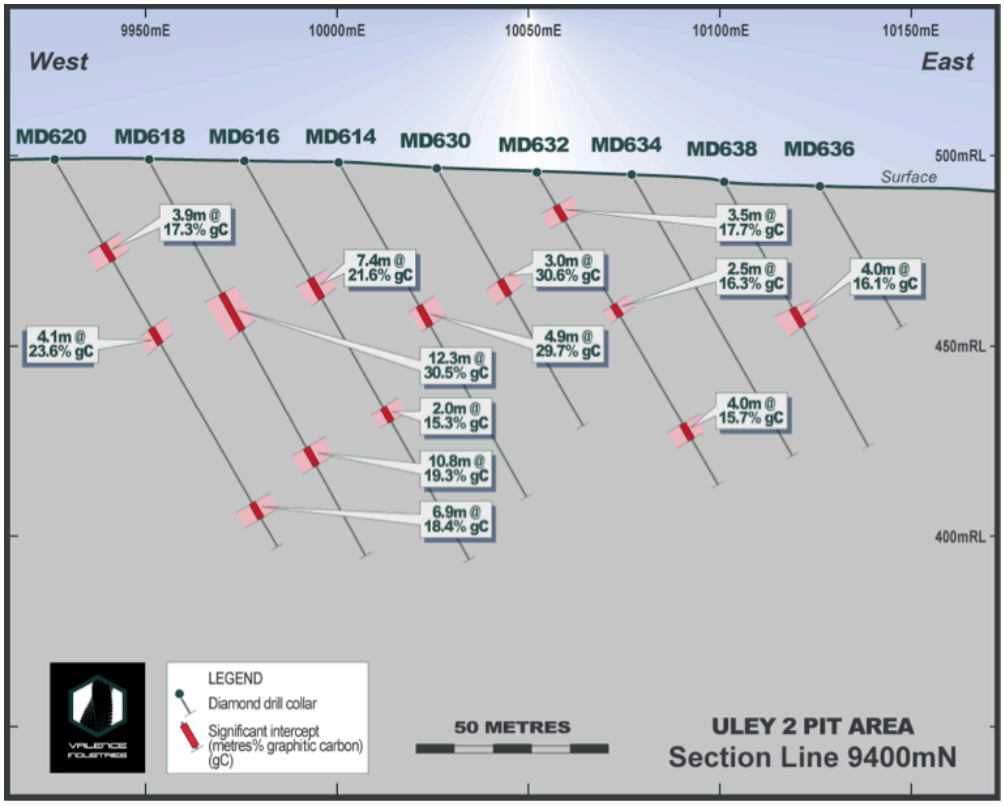
MD612
MD610
MD608
MD606
MD623
MD621
500mRL
Surface
450mRL
400mRL
1.3m @ 15.4% gC
1.5m @ 23.9% gC
1.7m @ 17.2% gC
11.3m @ 19.6% gC
6.7m @ 36.2% gC
1.8m @ 20.4% gC
5.0m @ 15.6% gC
4.0m @ 21.1% gC
15.0m @ 16.3% gC
6.0m @ 25.6% gC
11.0m @ 30.8% gC
6.0m @ 38.7% gC
3.9m @ 36.7% gC
2.0m @ 18.4% gC
5.3m @ 20.6% gC
4.5m @ 34.4% gC
9.7m @ 30.8% gC
5.1m @ 21.7% gC
4.3m @ 32.2% gC
5.0m @ 13.0% gC
11.2m @ 12.1% gC
LEGEND
Diamond drill collar
Significant intercept (metres% graphitic carbon) (gC)
50 METRES
ULEY 2 PIT AREA
Section Line 9500mN


9950mE
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MD634
MD638
MD636
500mRL
Surface
450mRL
400mRL
3.9m @ 17.3% gC
7.4m @ 21.6% gC
3.0m @ 30.6% gC
3.5m @ 17.7% gC
2.5m @ 16.3% gC
4.0m @ 16.1% gC
4.1m @ 23.6% gC
12.3m @ 30.5% gC
4.9m @ 29.7% gC
2.0m @ 15.3% gC
4.0m @ 15.7% gC
10.8m @ 19.3% gC
6.9m @ 18.4% gC
LEGEND
Diamond drill collar
Significant intercept (metres% graphitic carbon) (gC)
50 METRES
ULEY 2 PIT AREA
Section Line 9400mN

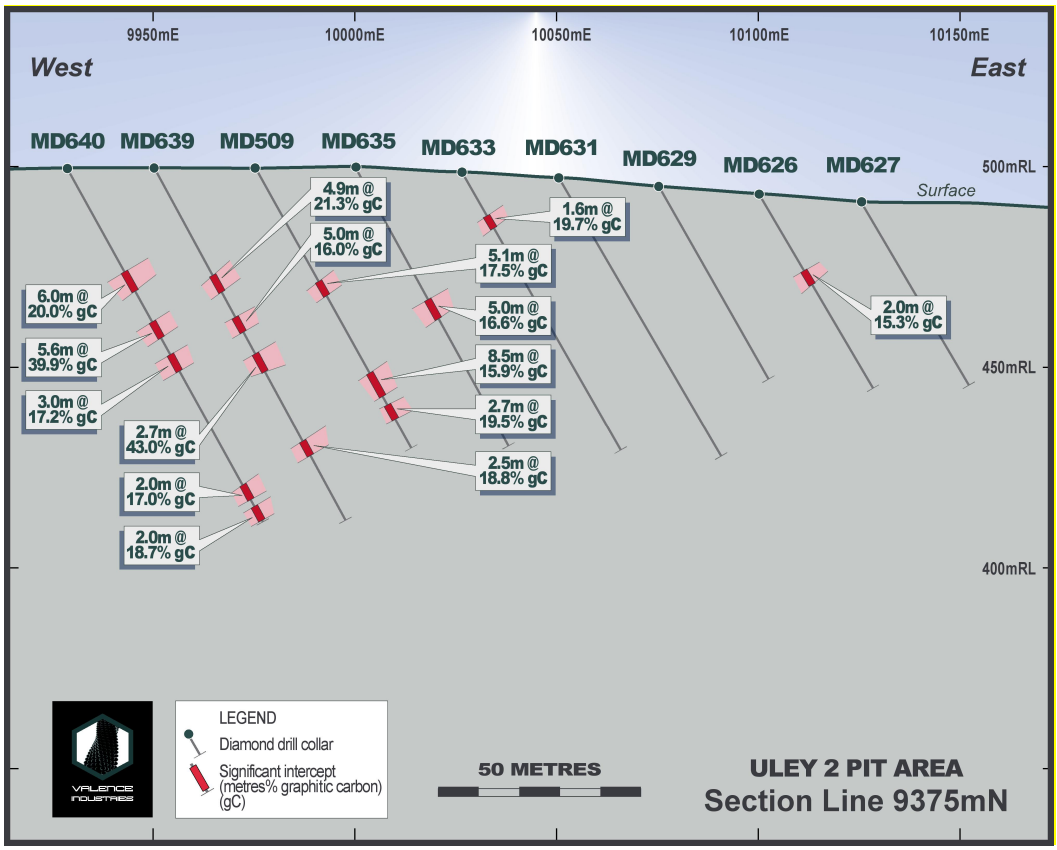


Table 1 – Valence Industries – In-fill Drilling Campaign 2014 – Uley Graphite
Assay Results Showing Significant Intersections of Graphitic Mineralisation**

Hole_ID	From *(m)*	To *(m)*	Width *(m)*	Graphitic Carbon *(gC%)*	Comments
MD600	6.7	13	6.3	10.7	Results received
MD600	83.5	99.5	16	29.3	Results received
including	83.5	93.8	10.3	38.1	Results received
MD601	71.4	75.9	4.5	34.4	Results received
including	71.4	73.9	2.5	46.0	Results received
MD601	79.8	84.1	4.3	32.2	Results received
MD602	65	71.3	6.3	25.8	Results received
MD602	75.1	77.7	2.6	24.1	Results received
MD602	92.5	97.5	5	38.5	Results received
MD602	106.3	107.8	1.5	19.3	Results received
MD602	115.8	136.8	21	13.6	Results received
MD603	61.4	67.4	6	25.6	Results received
MD603	81.7	87.7	6	38.7	Results received
MD603	95.4	97.4	2	18.4	Results received
MD603	104.3	109.3	5	13.0	Results received
MD603	110.6	121.8	11.2	12.1	Results received
MD604	21.7	25.7	4	19.5	Results received
MD604	68.7	79	10.3	32.0	Results received
MD604	97.1	98.6	1.5	47.1	Results received
MD604	112.8	119.3	6.5	14.6	Results received
including	112.8	116.1	3.3	19.3	Results received
MD605	62	73	11	30.8	Results received

Table 1 – Valence Industries – In-fill Drilling Campaign 2014 – Uley Graphite Assay Results Showing Significant Intersections of Graphitic Mineralisation**					
Hole_ID	**From** *(m)*	**To** *(m)*	**Width** *(m)*	**Graphitic Carbon** *(gC%)*	**Comments**
MD605	86.9	90.8	3.9	36.7	Results received
MD605	108	113.3	5.3	20.6	Results received
including	108	110	2	31.3	Results received
MD606	48.9	53.9	5	15.6	Results received
MD606	73.5	77.5	4	21.1	Results received
MD607	46.5	56.2	9.7	18.5	Results received
including	47.5	50.2	2.7	27.5	Results received
MD608	26.4	37.7	11.3	19.6	Results received
MD608	86.8	101.8	15	16.3	Results received
including	95.8	99.8	4	22.6	Results received
MD609	36.8	38.8	2	17.2	Results received
MD609	45.8	53.1	7.3	16.6	Results received
MD610	4.5	5.8	1.3	15.4	Results received
MD610	33.5	35	1.5	23.9	Results received
including	34	35	1	39.8	Results received
MD610	41.4	48.1	6.7	36.2	Results received
including	41.9	43.9	2	51.6	Results received
and	44.9	47.1	2.2	43.8	Results received
MD610	63.5	65.3	1.8	20.4	Results received
MD612	36.7	38.4	1.7	17.2	Results received
MD612	57.5	67.2	9.7	30.8	Results received
including	62.5	65.5	3	42.9	Results received
MD612	70.7	75.8	5.1	20.4	Results received
including	74.1	75.8	1.7	47.2	Results received
MD613	18.5	19.1	0.6	17.4	Results received
MD613	26.4	28.7	2.3	21.1	Results received
including	26.4	27.7	1.3	29.5	Results received
MD613	43.2	52.6	9.4	19.4	Results received
MD614	43.8	48.7	4.9	29.7	Results received
including	45.8	47.8	2	34.9	Results received
MD615	31.9	34.2	2.3	27.6	Results received
MD615	38.3	46	7.7	19.3	Results received
including	41	44	3	34.8	Results received
MD615	48	54	6	24.0	Results received
including	51.4	54	2.6	61.5	Results received
MD615	84.9	86.9	2	16.5	Results received
MD616	35.6	43	7.4	21.6	Results received
MD616	72.4	74.4	2	15.3	Results received
MD617	11.7	14.2	2.5	18.5	Results received
MD617	31.3	33.7	2.4	15.8	Results received
MD617	46.1	49.9	3.8	32.9	Results received
including	48.1	49.1	1	60.0	Results received
MD617	57	66.5	9.5	30.3	Results received
including	58	64.5	6.5	39.5	Results received
MD617	71.5	79.5	8	18.3	Results received
MD618	40	52.3	12.3	30.5	Results received
including	42	45	3	41.2	Results received
and	49	51.6	2.6	40.4	Results received
MD618	81.2	92	10.8	19.3	Results received
including	86.1	86.9	0.8	45.9	Results received
MD619	51.7	56.7	5	32.1	Results received
MD619	68.9	70.3	1.4	41.6	Results received

Table 1 – Valence Industries – In-fill Drilling Campaign 2014 – Uley Graphite Assay Results Showing Significant Intersections of Graphitic Mineralisation**					
Hole_ID	**From** *(m)*	**To** *(m)*	**Width** *(m)*	**Graphitic Carbon** *(gC%)*	**Comments**
MD619	80.8	96.8	16	21.7	Results received
including	81.8	83.8	2	36.9	Results received
and	84.8	86.8	2	38.0	Results received
MD620	26.1	30	3.9	17.3	Results received
MD620	50.6	54.7	4.1	23.6	Results received
MD620	103.4	110.3	6.9	18.4	Results received
MD622	9.9	12.9	3	15.0	Results received
MD622	63	66	3	17.4	Results received
MD622	102.5	106.5	4	29.6	Results received
MD622	118.9	122.8	3.9	17.2	Results received
MD624	51	61	10	28.3	Results received
including	52	56	4	37.0	Results received
MD624	80	82	2	60.7	Results received
MD624	94	105	11	18.7	Results received
MD626	24.2	26.2	2	15.3	Results received
MD628	104.7	106.8	2.1	31.5	Results received
MD630	35	38	3	30.6	Results received
MD632	11.1	14.6	3.5	17.7	Results received
MD632	41.2	43.7	2.5	16.3	Results received
MD632	77.5	81.5	4	15.7	Results received
MD633	17.5	19.1	1.6	19.7	Results received
MD635	40.7	45.7	5	16.6	Results received
including	42	43	1	51.2	Results received
MD637	31.9	37	5.1	17.5	Results received
MD637	59	67.5	8.5	15.9	Results received
MD637	68.8	71.5	2.7	19.5	Results received
MD638	38.7	42.7	4	16.1	Results received
MD639	30.3	35.2	4.9	21.3	Results received
MD639	46.2	51.2	5	16.0	Results received
MD639	52.2	54.9	2.7	43.0	Results received
including	52.7	54.7	2	56.6	Results received
MD639	77.5	80	2.5	18.8	Results received
MD640	31	37	6	20.0	Results received
including	32	34	2	35.0	Results received
MD640	40.6	46.2	5.6	39.9	Results received
MD640	53.9	56.9	3	17.2	Results received
MD640	82.5	84.5	2	17.0	Results received
MD640	93.5	95.5	2	18.7	Results received

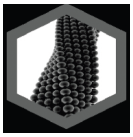


Table 2 – Valence Industries – In-fill Drilling Campaign 2014 – Uley Graphite Significant Drill-Hole Specifications**					
HOLE_ID	**EASTING**	**NORTHING**	**DEPTH**	**DIP**	**AZIMUTH**
MD600	10000	9525	100	-60	90
MD601	10000	9500	110	-60	90
MD602	9975	9525	130	-60	90
MD603	9975	9500	160	-60	90
MD604	9950	9525	150	-60	90
MD605	9950	9500	150	-60	90
MD606	10100	9500	80	-60	90
MD607	10125	9450	60	-60	90
MD608	10075	9500	100	-60	90
MD609	10100	9450	80	-60	90
MD610	10050	9500	100	-60	90
MD611	10075	9450	100	-60	90
MD612	10025	9500	100	-60	90
MD613	10050	9450	120	-60	90
MD614	10000	9400	100	-60	90
MD615	10025	9450	140	-60	90
MD616	9975	9400	120	-60	90
MD617	10000	9450	100	-60	90
MD617.2	9900	9375	120	-60	90
MD618	9950	9400	110	-60	90
MD619	9975	9450	120	-60	90
MD620	9925	9400	120	-60	90
MD621	10150	9500	50	-60	90
MD622	9925	9450	130	-60	90
MD623	10125	9500	60	-60	90
MD624	9950	9450	120	-60	90
MD625	10150	9450	40	-60	90
MD626	10100	9375	60	-60	90
MD627	10125	9375	40	-60	90
MD628	10000	9550	130	-60	90
MD629	10075	9375	60	-60	90
MD630	10025	9400	80	-60	90
MD631	10050	9375	80	-60	90
MD632	10050	9400	120	-60	90
MD633	10025	9375	70	-60	90
MD634	10075	9400	90	-60	90
MD635	10000	9375	80	-60	90
MD636	10125	9400	40	-60	90
MD637	9975	9375	80	-60	90
MD638	10100	9400	80	-60	90
MD639	9950	9375	100	-60	90
MD640	9925	9375	100	-60	90

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 substantial 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.

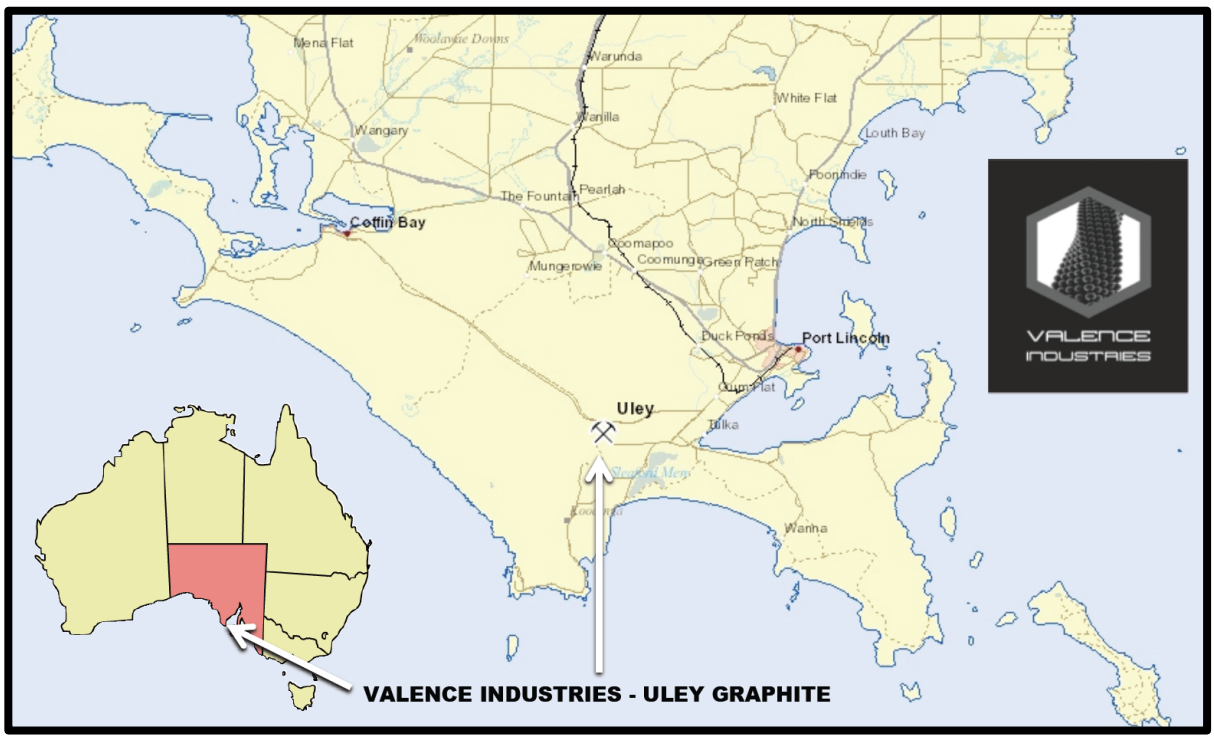
Valence Industries is in the fortunate position of owning the land on which its current and proposed expanded operations are conducted along with the extensive existing infrastructure.

Manufacturing Our 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

ARTERIAL FLAKE™ GRAPHITE CONTAINS:

VERY HIGH GRADE	60%C+	ONLY VALENCE INDUSTRIES' NEW OPERATIONS HOLD GRADES UP TO THIS LEVEL
SUPER JUMBO FLAKES	+5Mesh	SUPER-JUMBO FLAKES ARE MEASURED IN MILLIMETRES NOT JUST MICRONS
EASY TO ACCESS	FREE DIG	FREE DIGGING OPERATION FROM SURFACE & RESOURCE IS OPEN AT DEPTH

APPENDIX 1 – JORC CODE, 2012 EDITION

JORC Code, 2012 Edition

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	Triple tube Diamond (HQ3) drilling was employed to generate core for logging and sampling. Mineralised samples were submitted for assay on typically one metre intervals. Duplicate and standard samples were inserted typically every 20th sample. Diamond core was cut in half using a diamond impregnated blade on a core saw and half-core samples were sent to ALS Global for assay.
Drilling techniques	• *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	Drilling was planned on a nominal 25m X 25m collar pattern, for a total of 3,953 diamond drilling metres. Drill holes were drilled at -60 degree dip on a 090 azimuth. Diamond drilling was undertaken using triple tube HQ3 (61mm diameter) core from collar to End of Hole.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	Core recovery was recorded at the drill site and during core logging and measured for every core run. Sample recovery is deemed to be adequate for resource estimation purposes.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.* • *The total length and percentage of the relevant intersections logged.*	100% of the drill holes were geologically and geotechnically logged by qualified geologists, recording relevant data to a set database structure. All logging included lithological features, mineral assemblages, mineralisation percentage estimates and geotechnical information suitable for the development of geology models and pit slope design criteria.

Criteria	JORC Code explanation	Commentary
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	Sample preparation is consistent with industry best practice. Field QC procedures involved the use of certified reference material assay standards, blanks and duplicates for Company QC measures, and laboratory standards, replicate sampling and barren washes for laboratory QC measures. The insertion rate of each of these QAQC measures averaged 1:20. Half-diamond core samples averaged 1m in length, and are deemed appropriate for the material and analysis method.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	The samples were prepared at ALS Global (Adelaide), including crushing entire sample >70% -6mm, splitting and retention of 50% sample weight, and pulverising. The prepared samples were sent to ALS global (Brisbane) for analytical procedures C-IR18, C-CAL15, CIR17 and C-IR07 by LECO analyser to determine graphitic carbon, inorganic carbon by difference, organic carbon and total carbon. The detection limits and precision for graphitic carbon analysis are considered to be adequate for the purpose of future resource estimations. The laboratory procedures are considered to be appropriate for reporting purposes. Company QAQC samples inserted at 5% representivity demonstrate the accuracy and precision of the graphitic carbon to be satisfactory.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	Significant mineralisation intersections were verified by two company personnel. No adjustments to the assay data have been made. All data was collected, sampled and assayed according to Company procedures and validated using a Microsoft Access relational database.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	Topographical control is sufficient for this exploration drilling. Collar locations were set out using an independent surveyor. All down-hole surveying was undertaken using a Reflex multi-shot survey tool at nominal 25m intervals down hole.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	Drill collar spacing is generally 25m X 25m or 25m X 50m where existing drill holes provide sufficient geological confidence.

Criteria	JORC Code explanation	Commentary
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	The orientation of the drilling is not expected to introduce sampling bias. Drilling has generally intersected mineralisation perpendicular to strike continuity.
Sample security	• *The measures taken to ensure sample security.*	Samples were packaged and stored in secure storage from collection through the chain of custody to submission. Laboratory best practice methods were employed by the laboratory upon receipt.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	Company QAQC checks were undertaken during the drilling, logging and sampling program. No external audit of the data has been undertaken. No significant issues in drilling, sampling or analytic technique have been identified.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	The Company owns 100% interest in the EL4778 tenement. The tenement is in good standing and there are no known significant impediments to exploration or mining in the area.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	No other parties were involved in this exploration program.
Geology	• *Deposit type, geological setting and style of mineralisation.*	The Uley graphite deposit is a high-grade coarse-flake mineralised envelope within the broader “Mikkira" graphite resource. Uley graphite mineralisation is hosted by the Cook Gap Schist, a partially migmatised medium grained biotite+/-garnet+/-muscovite+/-sillimanite-quartzofeldspathic schist/gneiss with leucocratic pegmatite sweats.

Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*
	  ○ *easting and northing of the drill hole collar*
	  ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar*
	  ○ *dip and azimuth of the hole*
	  ○ *down hole length and interception depth*
	  ○ *hole length.*
	• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*
		Refer to collar table within the text of this document.

Criteria	JORC Code explanation	Commentary
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	No top cuts have been applied to the results reported in this announcement. A nominal 10% graphitic carbon lower cut-off has been applied in the determination of significant intercepts. High grade intercepts within broader low grade intervals have been separated as "including" results. No metal equivalent values are used in this report.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*	Drill holes intersected mineralisation at near perpendicular to the strike orientation of the host lithologies. All drill holes were orientated at -60 degrees on a bearing of 090.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	See figures in release
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	Representative reporting of significant intercepts has been effected within this report.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	The Company has previously reported a Mineral Resource in accordance with JORC (2012) guidelines at the Uley 2 deposit. Refer to the listing prospectus dated 15 November 2013.
Further work	• *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	Further work programs are planned including metallurgical test work to ensure optimisation of the Uley processing facilities.