



VALENCE INDUSTRIES

Australia's Only Graphite Producer

CORPORATE PRESENTATION

FEBRUARY 2015

ASX : VXL & VXLO

WWW.VALENCEINDUSTRIES.COM



VALENCE
INDUSTRIES

Disclaimer

This presentation includes certain statements that may be deemed forward-looking statements. All statements in these presentation materials (other than statements of historical facts) which address future production, reserve potential, exploration activities & events or developments that the Company expects, are forward-looking statements. Such forward-looking statements include, without limitation: (i) estimates of future graphite prices, supply, demand &/or production; (ii) estimates of future cash costs; (iii) estimates of future capital expenditures; (iv) estimates regarding timing of future development, construction, production or closure activities; (v) statements regarding future exploration results; (vi) statements regarding cost structure, project economics, or competitive position, &; (vii) statements comparing the Company's properties to other mines, projects or metals. Although the Company believes that such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance & actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation & exploration successes, continued availability of capital & financing, & general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance, that the Company expressly disclaims any responsibility for revising or expanding the forward-looking statements to reflect actual results or developments, & that actual results or developments may differ materially from those projected, in the forward- looking statements.

No representation or warranty is given by the Company as to the accuracy or completeness of the information contained in this presentation. Neither the Company nor its officers or employees accept responsibility or liability (to the maximum extent permitted by law) for any loss of damage suffered or incurred by any other person or entity however caused & relating in any way to these presentation materials including, without limitation, the information contained in the presentation material & its accuracy, completeness, currency or reliability. This presentation does not constitute a recommendation regarding the securities of the Company, & should not be construed as legal or financial advice. It has been prepared for information purposes only & contains general summary information & does not take into account the circumstances of any individual investor. Prospective investors in the Company are encouraged to obtain separate & independent advice with regard to any investment in the Company. By accepting the presentation materials, the recipient agrees to keep permanently confidential the information contained herein.

Valence Industries confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning the estimates in this announcement continue to apply and have not materially changed. The announcements previously released and referenced in the announcement are: "Valence Doubles Existing ROM Stockpiles" (6/8/14), "Discovery of High Grade Arterial Flake Graphite" (9/10/14), "Uley Graphite Grade Increases to 11.7%" (17/11/2014), "Maiden High Grade Graphite Ore Reserve" (17/12/14) and "VXL Feasibility Study Expansion and Adv Manufacturing" (2/1/2015).

Photographs, maps, charts, diagrams & schematic drawings appearing in this presentation are owned by & have been prepared by or commissioned by the Company, unless otherwise stated. Maps & diagrams used in the presentation are illustrative only & may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs & tables is based on information available at the date of this presentation. By accepting this presentation the Recipient agrees to be bound by the foregoing statements.

© Valence Industries Limited



Corporate Overview

Capital Structure (ASX: VXL)

Ordinary shares	186.7m
Options	68.4m
Market Cap (@45c)	\$84m
Cash (@ 31/12/14)	~\$8.3m
Debt	Nil
12 month share price range	87c – 23c

Major Shareholders

Strategic Energy Resources Ltd**	11.67%
HSBC Custody Nominees (Aust) Ltd	5.08%
Avatar Energy Pty Ltd	4.11%
EERC Australasia Pty Ltd**	3.55%
Top 20 shareholders own	43.9%

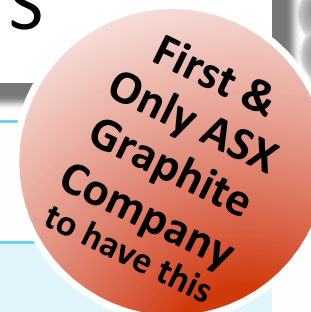
Board & Management

Graham Spurling, AM	Chairman
Christopher Darby	Managing Director & CEO
Glenister Lamont	Non-executive Director
Ian Schache	Non-executive Director
Ian Pattison	Non-executive Director
Jarek Kopias	Company Secretary
Chris Whiteley	Chief Marketing Officer
Chris Hall	Chief Operating Officer
Greg Sando	GM Info & Tech Services

**escrowed to 6 January 2016



COMPANY HIGHLIGHTS



Established Graphite Producer

Listed on ASX Jan. 2014 & best performing ASX IPO of 2014

Established Mine & Processing Infrastructure
(roads, electricity, water, workshops, laboratories, plant & equipment)

Processing Facility Commissioning Commenced Late December 2014

Production Capacity of 14000 tpa targeted from Q2 2015

Mining Licences & Environmental Operating Approvals in Place

Only ASX Company with Graphite Mining & Processing Operations

Only ASX Graphite Ore Reserve & Very High Grades @ 12.9% gC

Completed Feasibility Study for Expansion & Unique High Purity Operations



VALENCE
INDUSTRIES

ESTABLISHED FACILITIES

Screen & Resize Existing 174000t Stockpiles



New ROM Stockpiles for Grading



Primary Grinding & Slurry Circuit



Secondary Process Building & Workshops





VALENCE
INDUSTRIES

Uley Graphite™ Site



Uley Graphite™ Site - Eyre Peninsula, South Australia

Close to Major Regional Centre with Light Industry, Trades, Road, Port & Rail

Licences cover area of 75 km²

Mining Licences, Uley Pit 2 & Extension on freehold land owned by company

Full Mining Licences & Environmental Approvals in place for Operations

Graphite resources **Very High Grade @ 12.9%** graphitic carbon (gC)

Graphite grades in ore body include Arterial Flake™ **@ 60%+ gC**

Unique Maiden High Grade Graphite Ore Reserve of 2035000t **@ 12.9% gC containing 261000t** of graphite (Uley Pit 2)

- Ore Reserve Supports 5+ Year Mine Life
- Uley Pit 2 Extension Drilling Underway targeting extended mine life

Major JORC 2012 Exploration **Target 9Mt to 12 Mt @ 9%gC to 12% gC**

Feasibility Study for Expansion of Established Plant Complete (see below)



CURRENT PRODUCTION PROGRAM



Flake Graphite Production from Uley Graphite™ Facilities, Eyre Peninsula South Australia

Phase I Production Full Commissioning commenced Late December 2014

Reprocessing of 1000t Fines Stockpiles Underway with 100t processed

- Significant Quantity Large Flake +35 (Super Jumbo) +50 (Jumbo) & +80
- Consistent Grades to Match Customers from 90%gC to 95%gC

Sizing & Classifying of 174000 t ROM Stockpiles Underway

Processing of ROM Stockpiles scheduled for 10+ months from Q1 2015

Rated Capacity of 14000 tpa from Q2 2015 to match customer orders

Phase II & Phase III Eyre Peninsula & Port Adelaide (Feas. Study see below)

Phase II Increase to base capacity from 14000tpa to 39000tpa by Q4 2016

Phase II Increase to base capacity from 39000tpa to 64000tpa 2018-2019

Phase III Advanced Product Handling & Graphite Refining from Q4 2016



**VALENCE
INDUSTRIES**

CURRENT PRODUCTION PROGRAM

**First &
Only ASX
Graphite
Company
to have this**



ULEY FACILITIES

Established 14000tpa Plant

Plant Commissioning Jan-Mar 2015

Ramping Up Current Production

Exports Commence in Q1 2015





GRAPHITE SALES



Established Customer Base

Graphite Sales Commenced in mid-2014

Customer Negotiations Underway in Europe, Asia Pacific & Nth America

Graphite Samples Shipped to more than 15 customers for Qualification

New Purchase Orders Signed with 6 Customers in 2015 targeting over 8000t in Year 1

Signed MOUs 29000tpa for 3 years across multiple end use applications

Qualification Samples Shipped to more than 15 customers worldwide for industries from refractories through to electronics

Further Sales Contracts in Negotiation Exceeding Current Capacity

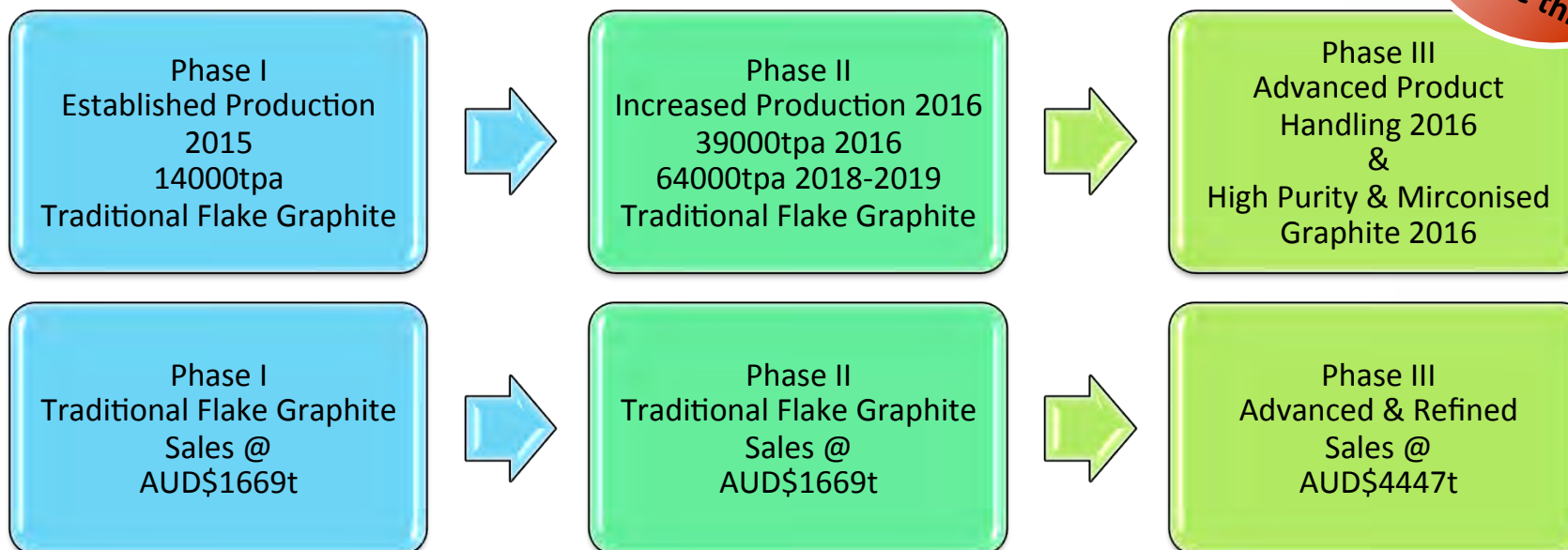
First Customer Export Shipments Scheduled for Q1 2015

Average Base Price as per Feasibility Study @ AUD\$1669 per tonne



VALUE ADD GROWTH MODEL

First &
Only ASX
Graphite
Company
to have this



Strategy: Advanced Manufacturing to Produce a High Value Range of Products for Increased & Sustainable Margins

The focus shifts from bulk tonnages to value added tonnes



VALENCE
INDUSTRIES

FEASIBILITY STUDY

First &
Only ASX
Graphite
Company
to have this

Multi-Stage Expanded Traditional Production

Phase I & Phase II

14000tpa Current Capacity 2015

Increase to **39000tpa** Capacity 2016

Increase to **64000tpa** Capacity 2018-2019

New Mining **Uley Pit 2** 2016-2022

Ore Reserve **Uley Pit 2 Extension** 2016

New Advanced Product Handling & High Purity & Micronised Production

Phase II & Phase III

Specialist Flake Graphite **Blending**

Advanced & Specialist **Packaging**

High Purity Graphite **99% to 99.95%**

Micronised Graphite for High Tech App.

Potential **Increased Capacity** 2017 Onwards

Capital Cost over 3 Years **AUD\$37M**

Advanced **Debt** Discussions Underway

Globally Competitive Mine Gate Opex
AUD\$400-\$500 per tonne

Opex Cost **AUD\$750-\$950** per tonne
(FOB Adelaide)

Strong **demand** forecast &
shortfall in **supply** over coming years

Av. Price
AUD\$1669-\$4774 per tonne



Feasibility Study - Results

First & Only
ASX
Graphite
Company
to have this

Description	Outcome
NPV 10 (after tax)	\$65m
IRR	46%
Total Ore Mined	2,035kt
Average Head Grade	12.9%
Life of Mine	5 Years
Total Graphite Concentrate Sold	235kt
NOTE: This analysis is based on current formal Ore Reserve only as the key determinant of NPV. Every 1Mt of Ore Reserve adds A\$32M to NPV.	

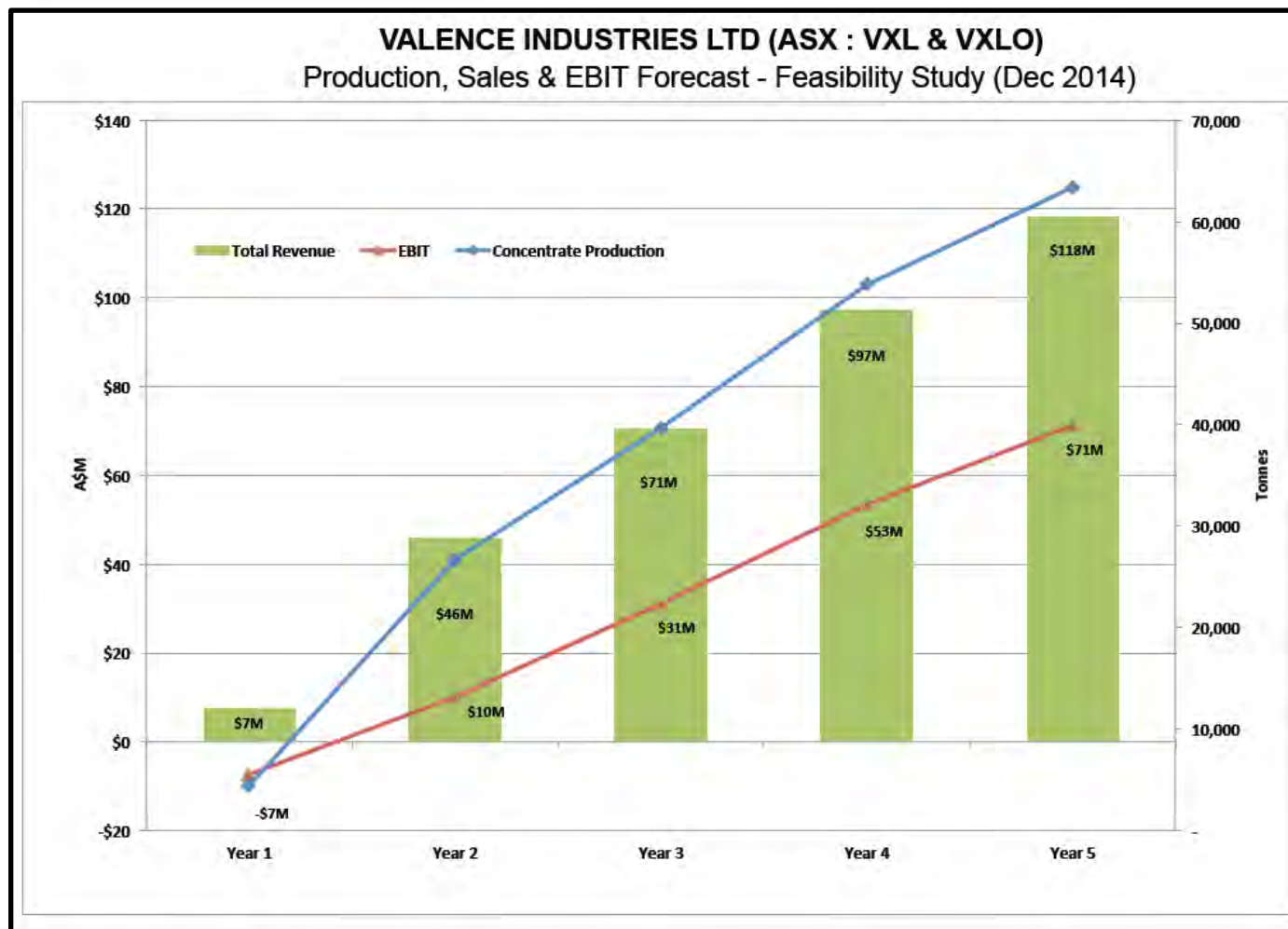
Element	Assumption / Input
Model Start Date	Dec 2014
Modelling period	Monthly
Key Financial Output	Free Cash Flow to Equity
Real/Nominal Basis	Real
Exchange Rate USD/AUD	0.80
Discount rate	10% (after tax)
Tax Modelling	After tax
Graphite Resource Mined	2,035kt (Uley pit 2)
NOTE: After Tax Free Cash to Equity representative of cash flows likely over CURRENT life of the expanded operations as determined by current Ore Reserve only	



VALENCE
INDUSTRIES

Revenue & Dividend Forecast

First &
Only ASX
Graphite
Company
to have this



Year 4
Revenue
~\$97M

Year 4
EBIT
~\$53M

Year 4
Dividend
25% of EBIT
distribution

Note: Conservative estimate at <5% of volume contributed by advanced processing. Margin & revenue increases for each tonne of advanced processing.



Capital Allocation & Funding

**First &
Only ASX
Graphite
Company
to have this**

- Capital allocation spread across 4 years to match planned sales growth
- Phased capital approach offers flexibility as capacity increases
- Modest capital draw relative to revenue and EBIT target over period
- Term sheets and negotiations with a range of potential debt funders in progress
- Intended funding sources include capital reserves, revenues, debt and equity

Plant	Capital**	
Expanded Traditional Plant & New Uley Pit 2	2015-2016	\$36.7M
Expanded Traditional Plant	2017-2018	
Advanced Product Handling	2015-2016	\$13.2M
Advanced Manufacturing Plant	2015-2016	

** Data sourced from Feasibility Study, 31 December 2014 & Working Capital Not Included



SUMMARY

- Producing Unique High Quality Flake Graphite from Uley Graphite™ Facilities on Eyre Peninsula
- Graphite production commenced in late 2014
- Customer Sales Commenced mid 2014
- New Sales Orders Signed in 2015
- Multiple MoUs @ 29000tpa for 3 years
- Strong Demand & Strong Prices from AUD\$1669-AUD\$4447
- Significant High Grade Ore Reserve @ 12.9% gC
- Major Immediate Exploration Targets 9mt-12Mt @ 9%-12%
- Positive Feasibility Study for Traditional & Advance Graphite Products
- First & Only High Purity Facility in Western Economy
- Phase II & Phase III Production Scheduled for Late 2016
- Globally Competitive Opex Costs from Mine Gate to Shipped Products
- Advanced Debt Finance Discussions Underway

* Feasibility Study, 31 December 2014



VALENCE
INDUSTRIES

Contact

Christopher S. Darby
CEO & Managing Director
Valence Industries Limited

info@valenceindustries.com | +61 8 8418 8564



VALENCE
INDUSTRIES



www.valenceindustries.com



Additional Materials & Background Information

APPENDIX





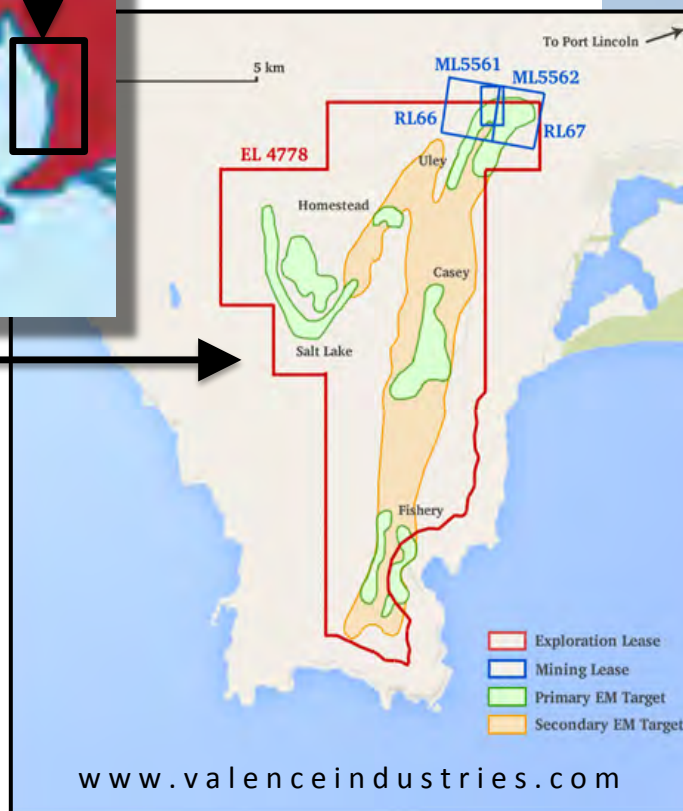
VALENCE
INDUSTRIES

OPERATING LOCATIONS



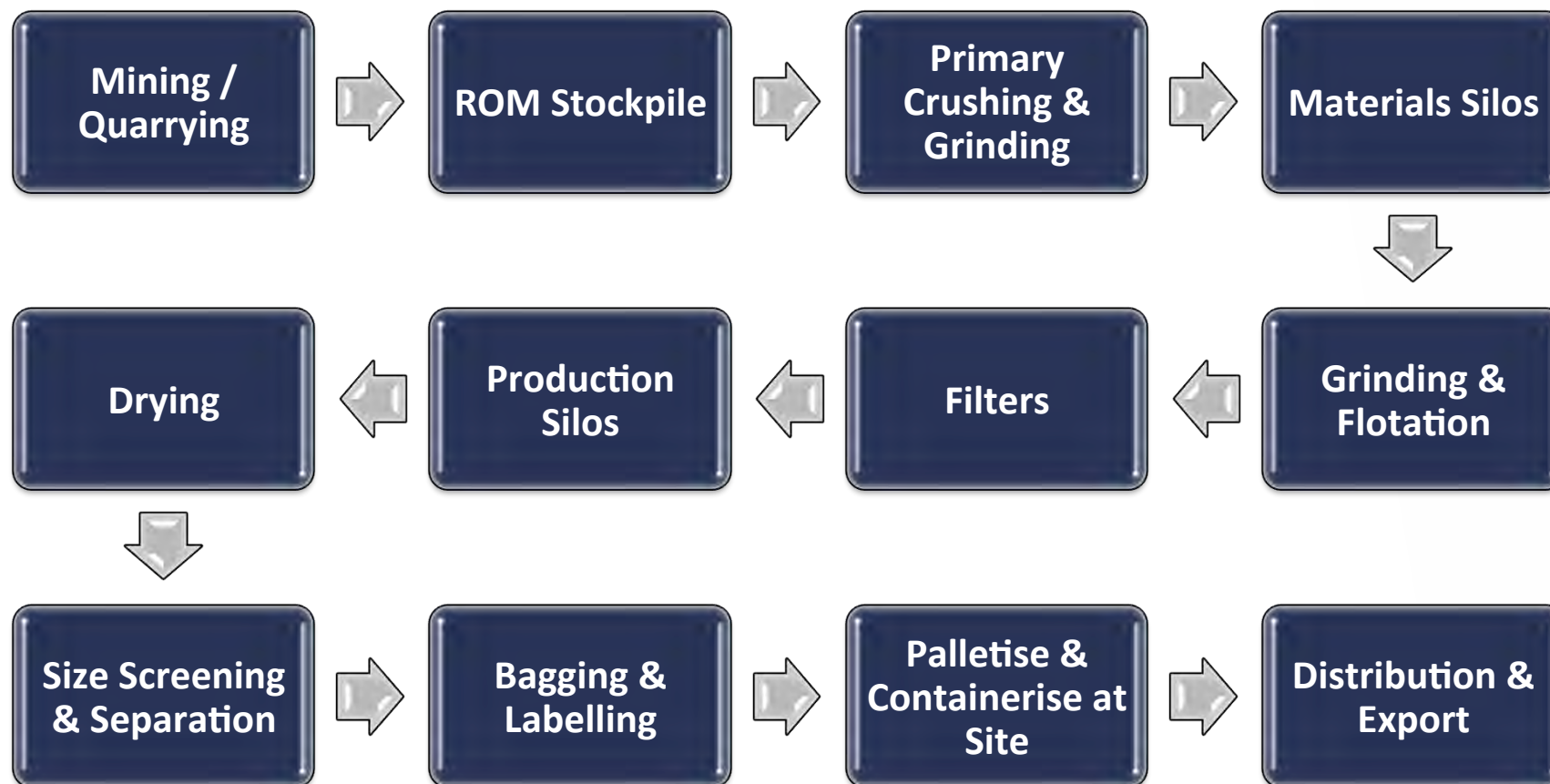
ADELAIDE
FACILITIES

ULEY GRAPHITE
FACILITIES





FLAKE GRAPHITE PROCESSING





Reserves and Resources

ORE RESERVE – ULEY PIT 2 (JORC 2012)		
Classification	Tonnage	Average Grade %C
Proved	319,000	17.9
Probable	1,716,000	11.9
Total	2,035,000	12.9



MINERAL RESOURCE & EXPLORATION TARGETS (JORC 2012)		
Classification	Tonnage	Average Grade %C
Measured	340,000	17.92
Indicated	1,850,000	11.84
Indicated (Stockpiles)	174,000	6.23
Inferred (Uley Pit 2)	850,000	8.89
Total	3,214,000	11.54
Exploration Target	9,000,000 to 12,000,000	9 to 12

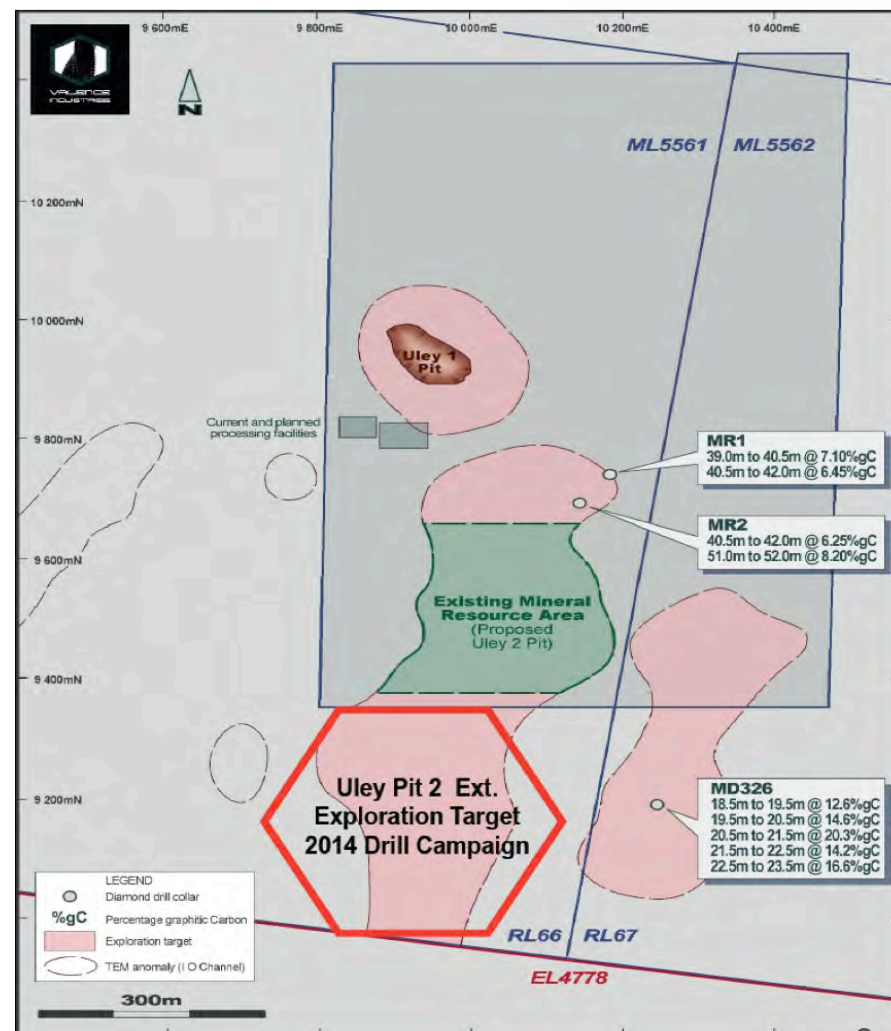


VALENCE
INDUSTRIES

Reserve & Resource Growth Potential

- Uley Pit 2 Extension drilling underway 9900m @ 25M grid.
- Designed to deliver Reserve and Resource upgrade to support Phase II expansion.
- Results due Q2, 2015.
- Further longer term expansion potential from 75km² exploration tenure within project area – south and west of Uley Pit 2.

**** AREAS IN PINK = JORC 2012 EXPLORATION TARGET AREAS**





Mining Tenements

VALENCE INDUSTRIES MINING TENEMENTS		
Number	Status	Area
ML5561	Current	44 ha
ML5562	Current	22 ha
RL 66	Current	225 ha
RL 67	Current	187.5 ha
EL 4778	Current	75km ²

- (**Renewal and extension of tenements is anticipated to be granted in the normal course)