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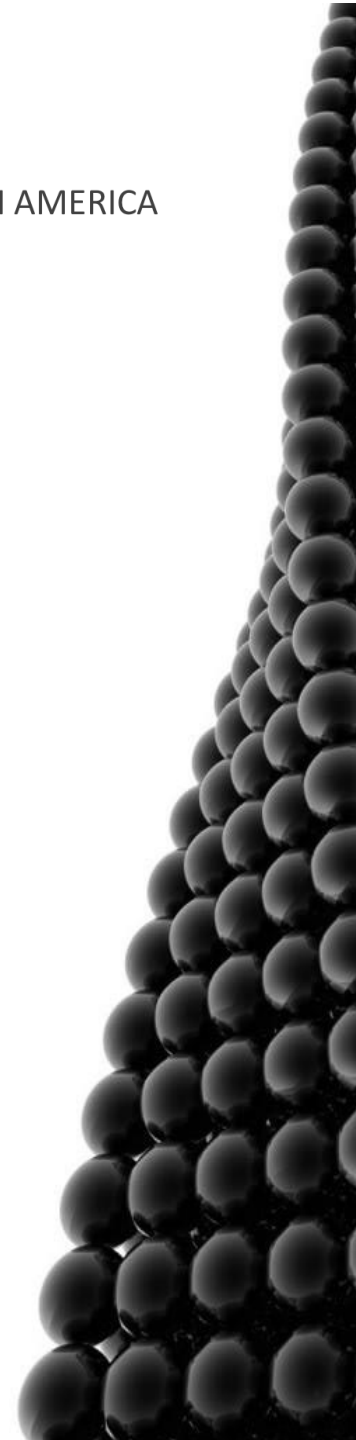
Adelaide, 19 February 2015

Advanced Manufacturing of Graphite

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Current Status

- Government Approvals obtained in late December 2014
- Graphite production is now underway from existing Stockpiles
- Strong customer demand exceeds production capacity
- Export shipments to commence in the current quarter
- Feasibility Study completed for Phase II plant expansion to 64,000 tpa
- Negotiations for Phase II financing is expected to be concluded by April 2015
- Planning for high purity processing is on track





Processing Commenced

Since obtaining the final Government PEPR approval in late December 2014:

- Fines stockpiles successful testing for flotation systems, fluid transfers, piping, valves, drying and bagging of graphite
- Operating personnel trained across full process including integration of primary crushing, screening and ball mill with the flotation and drying circuits
- Processing of Run of Mine (ROM) Ore Stockpiles underway & combining with remaining fines stockpiles as feed
- Low impact liberation from clay hosted soils provides ease of production and maximises recovery of large flake sizes
- Export logistics now in place from Uley processing site to Port Adelaide



Production Plan

- Production is being increased progressively at the Uley Graphite™ Phase I Plant.
- The existing plant has a nameplate capacity of 14,000 tpa processed graphite
- Production rates are being increased progressively with a production target of ~8,000 tonnes of graphite product in the first year
- Output rates will also increase as production shifts from ROM stockpiles at 6%gC to 9% gC to higher grade ore from the new Uley Pit 2 at 12.9% gC
- The transition to new higher grade ore from Uley Pit 2 is expected in Q4 CY 2015
- Full run-rate production capacity from the existing plant is expected to be reached by Q3 CY 2015



Customer Engagement

- Exports are set to commence from site at end of Q1 CY 2015
- Customers are located in:
 - Europe
 - Asia Pacific &
 - North America
- Customers are segmented into the following industry sectors right across Valence Industries branded product lines:
 - Refractories, foundries & lubricants (HEATPRO™)
 - Industrial manufacturing & construction (StratGRAFF™)
 - Battery & energy storage (PowerGRAFF™)
 - Electronics & consumer goods (GraffTEXT™)
 - Biomedical (*GraffMED™*)





Sales: Qualification Process

- Product qualification is an essential step in graphite marketing for all higher value uses of graphite
- Qualification involves customers taking sample product to confirm its suitability for their specific industrial, chemical or electronic processes
 - Qualification can take 3, 6, 9 or 12+ months depending on the application
 - Higher value applications tend to have longer qualification lead times
 - Samples are typically small initially and progress to industrial scale samples through grams, kgs, tonnes and sometimes 20+ tonnes
 - Qualification must be from actual plant output not just lab-scale
- Qualification samples have been provided to 15 customers
 - Final rounds in current qualifications will typically lead to multi-tonne trial orders
 - Full qualification completed with 1 customer in Q1 CY 2015
- No adverse issues have been raised by customer qualification of Uley graphite to date.



Sales: Contracts

- The Company's sales strategy is focused initially on rapid qualification industries while longer qualification customers complete their product qualification process
- Sales Contracts have now been signed with 6 new customers
 - These 6 customers are located in Europe and in the Asia Pacific
 - Refractory & foundry customers targeted initially in line with growth strategy
 - First shipments on orders are scheduled over the coming 3 months
 - Orders scheduled to reach 8,000 tonnes or 90%+ of Year 1 production volume
- Valence Industries has also signed MoUs for volumes exceeding 29,000 tpa over periods between 2 and 3 years
 - Negotiations continue for transition of MoUs to additional sales contracts
- Average pricing across full range of traditional flake graphite products is A\$1,667t



Phase II Expansion

- Current plant nameplate capacity is 14,000 tpa
- New Phase II plant designed to increase production in stages to 64,000 tpa
 - Initial increase to 39,000 tpa capacity 2016
 - Increase to 64,000 tpa capacity 2018-2019
- Uley Pit 2 extension planned for 2017 onwards
- Advanced product handling & specialist blending facility in planning for 2016
- High purity & micronisation production facilities in planning for 2016
- Feasibility study indicates:
 - Capital cost over 3 years:
 - Phase II Plant & New Uley Pit A\$37m
 - Adv. Prod. Handling, HP & Micronising A\$13m
 - Globally competitive all-in opex cost A\$750 – A\$950 /tonne (FOB Adelaide)
 - Ave selling price A\$1,669 – A\$4,774 /tonne



Project Finance

- Valence Industries has received multiple term sheets for project finance
- Since release of Feasibility Study in early January 2015
 - Interest has been received from a range of financiers to fund expansion
 - Negotiations are progressing with multiple US, UK, Asia Pacific & Australian financiers
 - Finance facilities are expected to also provide for working capital requirements over the 2015-2016 construction & commissioning periods
- Valence Industries expects to conclude financing arrangements by April 2015



Growth Outlook

- Graphite production underway with volumes ramping up
- Sales Contracts signed for volumes scheduled for 90%+ of Year 1 production
- Export shipments to commence end of Q1 CY 2015
- Broad customer engagement with product qualification and further sales negotiations underway
- Resource expansion drilling program results expected end Q2 CY2015
- Financing for Phase II plant expansion expected to be concluded by April 2015
 - Construction of Phase II plant expansion to commence in Q2 CY2015
 - Advanced product handling & specialist blending facility in planning for 2016
 - High purity & micronisation production facilities in planning for 2016
- Australian Graphene Research Centre programs continuing



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