



VALENCE  
INDUSTRIES

ASIA PACIFIC | EUROPE | NORTH AMERICA

# Manufacturing Our Carbon Future™

presentation by Christopher S. Darby MD & CEO  
to the

South Australian Resources Energy & Investment Conference

14 April 2015

ASX : VXL & VXLO





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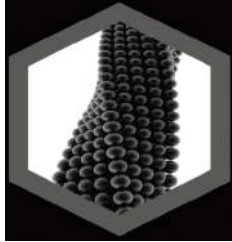




# Current Status

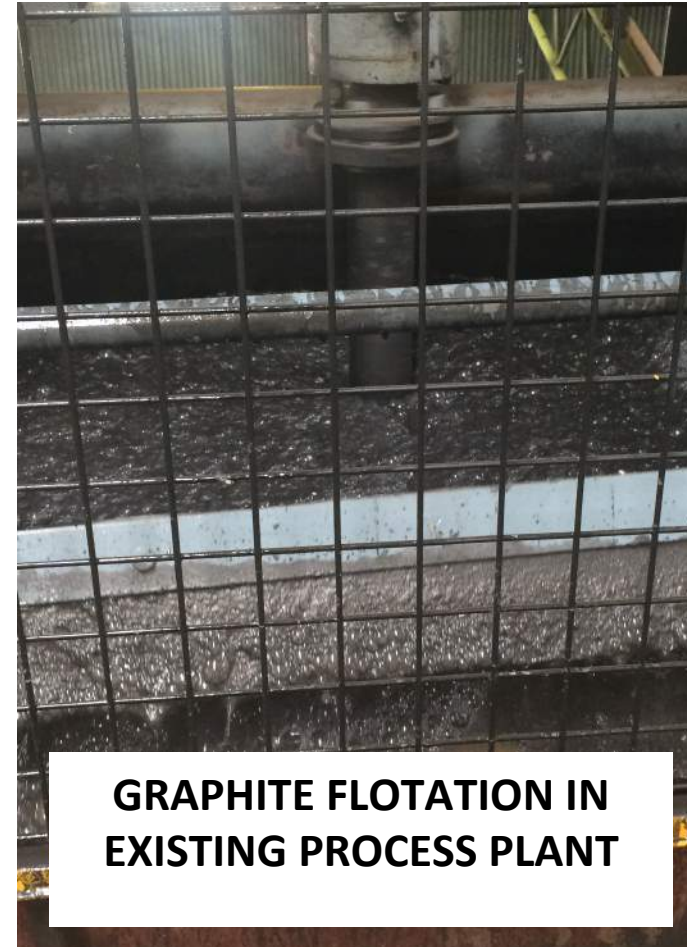
- Graphite production underway from existing ROM Stockpiles
- Strong customer sales exceeding current production capacity
- First export scheduled for shipping overseas **TODAY** 14 April 2015
- Feasibility Study for expansion program completed for:
  - New mining from Uley Pit 2
  - Expanded traditional production up to 64,000tpa
  - New advanced materials handling facilities
  - New advanced processing and refining facilities
- Negotiations for expansion program finance currently being concluded





# Current Processing

- Commissioning ramp-up program continuing as planned in Q2 CY 2015
- Processing of Run of Mine (ROM) Ore Stockpiles as part of commissioning program
- Low impact liberation from clay hosted soils maximises recovery of large flake sizes
- Logistics in place from existing Uley Graphite™ processing site to Port Adelaide for export



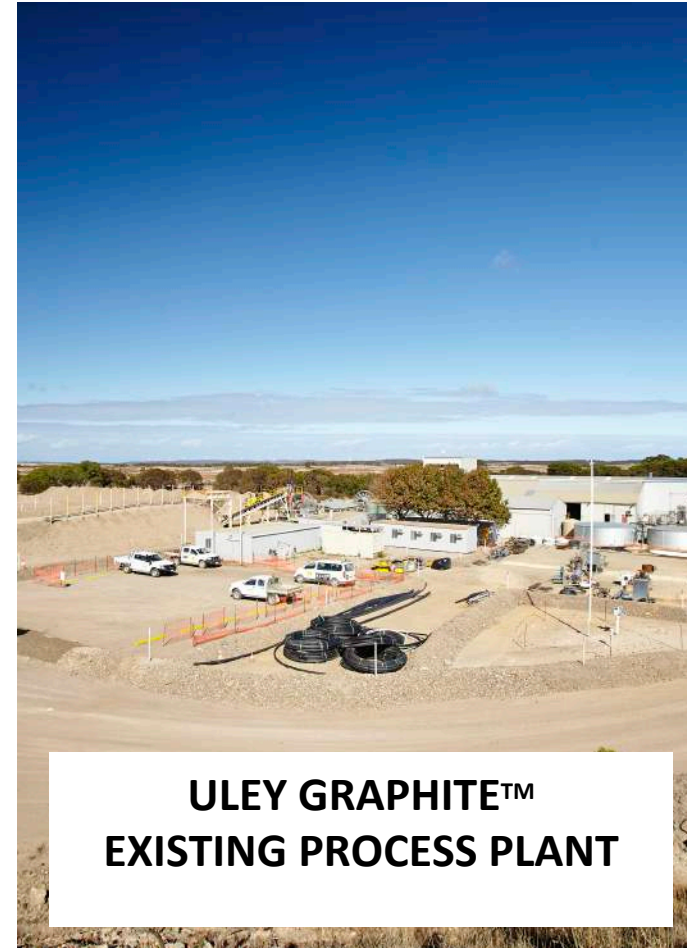
**GRAPHITE FLOTATION IN EXISTING PROCESS PLANT**





# Production Plan

- Existing plant nameplate capacity is 14,000 tpa of processed flake graphite
- Full run-rate capacity from existing plant by Q3 CY 2015
- Production increasing progressively in line with commissioning program
- Output increases as move from ROM Stockpiles to higher grade from new Uley Pit 2 @12.9%gC
- Mining from new Uley Pit 2 is expected to commence in Q4 CY 2015 as ROM Stockpiles deplete





# Customer Engagement

Existing customers are located in: Europe, Asia Pacific & North America and are segmented into industry sectors across branded product lines:



- **Thermal Management** - Refractories, Crucibles, Foundry, Forging, HMF, Mould Release Agents, Descalents, Billet Coatings



- **Engineered Products** - Lubricants, Friction, Ceramics, Carbon Brush, Powder Metallurgy, Foils, Pencils, Ceramics, Dispersions, Geothermal



- **Plastics & Polymers** - PTFE, PEEK, Power Cables, Rubbers, Coatings & Paints, Fire Retardants



- **Energy Storage** - Alkaline Battery, Fuel Cells, Lead Acid Battery, Super Capacitors, Primary Lithium Battery, Li-Ion Battery



- **High Tech Industrial & Consumer Goods** - Construction Materials, Electronics, Aerospace, Nuclear, Defence, Colloidal Graphite, Agriculture and GRAPHENE



- **Medical Device & Medical Treatments** - Medical Consumables, Pathology, Medical Research, Scientific / Medical Glass, Hematology, Oncology





# Sales Qualification Process

- Product qualification is an essential step in graphite marketing for all 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 start small initially and progress to industrial scale through grams, kgs, tonnes & sometimes 20+ tonnes
  - Qualification must be from actual plant output not just lab-scale or test-scale
- Valence Industries has provided qualification samples to 15 customers:
  - Final rounds in current qualifications typically lead to multi-tonne trial orders
  - Full qualification completed with 6 customer in Q1 CY 2015
  - No adverse issues raised by customer qualification of Uley Graphite





# Existing Sales Contracts

- Valence Industries' sales strategy focuses initially on rapid qualification industries while completing longer qualification customers
- Sales Contracts signed with 6 new customers
  - These 6 new customers are located in Europe & the Asia Pacific
  - Refractory & foundry customers targeted in line with growth strategy
  - Shipment on orders to these 6 customers set for next 3 months
  - Orders set to reach 8,000 tonnes equivalent to 100% Year 1 production
- Valence Industries has also:
  - Signed MoUs with 4 other customers for volumes exceeding 29,000 tpa over periods ranging from 2 to 3 years
  - Negotiations continue 4 MoUs to move to sales contracts timed to match ramp up of output
- Average pricing across full range of traditional flake graphite products will be AUD\$1,669/t







# 4 Part Concurrent Expansion Program



Part 1:  
New Open Pit  
Uley Pit 2



Part 2:  
Increased Traditional  
Production Capacity  
up to 64,000tpa

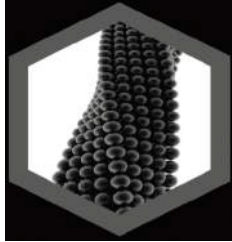


Part 3:  
Advanced Materials  
Handling Facilities



Part 4:  
Advanced  
Manufacturing  
Facilities





# Part 1: New Open Pit

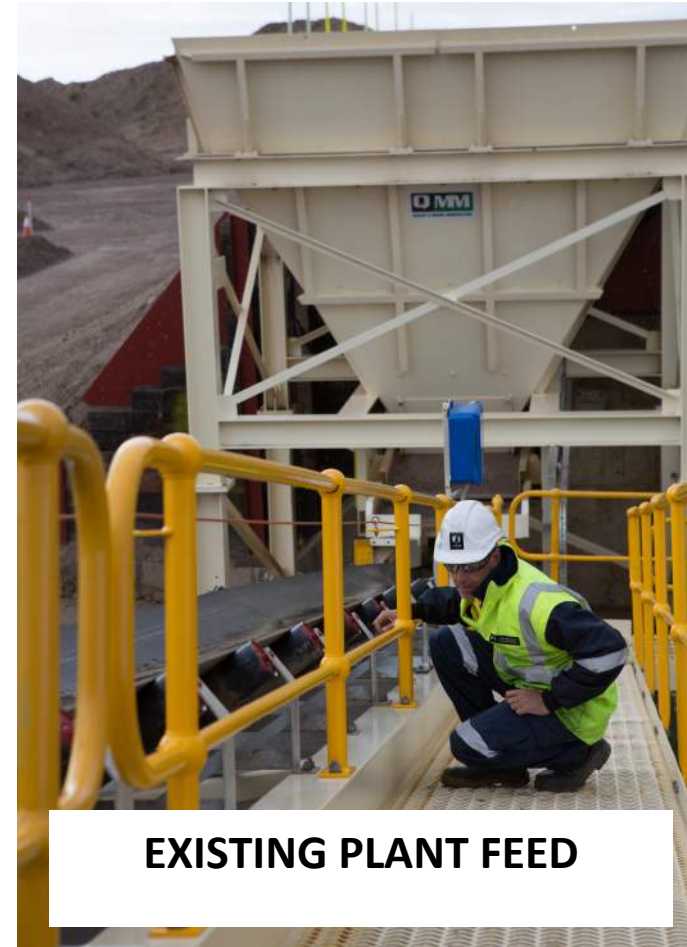
- Open pit mining from Uley Pit 2 set to commence Q4 CY 2015
- Uley Pit 2 contains JORC Ore Reserve of 261,305 tonnes of contained graphite
- Very high average grade for Ore Reserve of 12.9%gC
- JORC 2012 Exploration Target 9Mt-12Mt @ 9%-12%gC adjacent to Uley Pit 2
- Free dig quarry operations with very short haulage ~180m to stockpiles
- Uley Pit 2 Southern Extension resource assessment due 2015
- Land, Mining Leases and PEPR owned 100% by Valence Industries

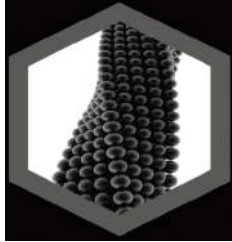




# Part 2: Increased Output

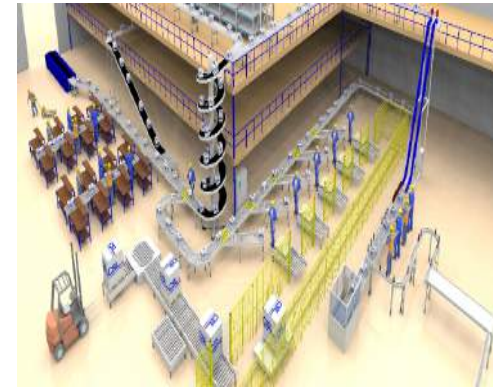
- Existing Plant
  - » Commissioning
  - » 14,000 tpa
  - » Q3 CY 2015
- 1<sup>st</sup> Increase to
  - » 39,000 tpa
  - » 2016
- 2<sup>nd</sup> Increase to
  - » 64,000 tpa
  - » 2018–2019
- Traditional flake graphite production
- Multiple high-quality baseline flake graphite grades
- Automated systems and increasingly flexible processing options





## Part 3: Adv. Materials Handling

- Construction and commissioning of Advanced Materials Handling facilities located in Adelaide
- Advanced Blending, Packaging and Logistics of flake graphite products for export
- Receives traditional flake graphite concentrate from Uley Graphite™ facilities
- Close proximity to export port facilities
- Delivery of rapid response to customer specifications
- Agility on final value adding stage for flake graphite product inventory
- Flexibility to produce and manage specialist product range up to 200SKUs (Stock Keeping Units)
- Scheduled for operation during 2016





# Part 4: Adv. Manufacturing

- Construction of Advanced Manufacturing Facility during 2016
- Achieving purity levels in a defined and intended range from 99.5% to 99.95%
- Reprocessing and resizing of graphite to multiple classified micron sizes
- Designed for delivery of increasingly advanced and manufactured end products to meet customer demand
- Significant value adding processing moving average price from US\$1,400/t range to average of US\$3,800/t





# Expansion Finance Program

Expansion Feasibility Study completed December 2014

Capex cost

Over 3 years

- Uley Pit 2 &
- Expanded Traditional Plant
- Advanced Product Handling &
- Advanced Manufacturing Plant

AUD\$37M

AUD\$13M

Globally competitive all-in  
Opex cost (FOB Adelaide)

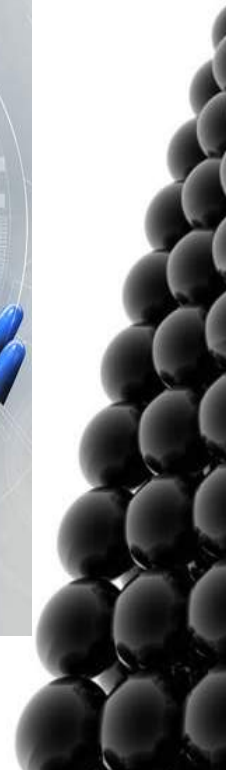
AUD\$750-AUD\$950  
per tonne

Average selling price  
(FOB Adelaide)

AUD\$1,669-AUD\$4,774  
per tonne

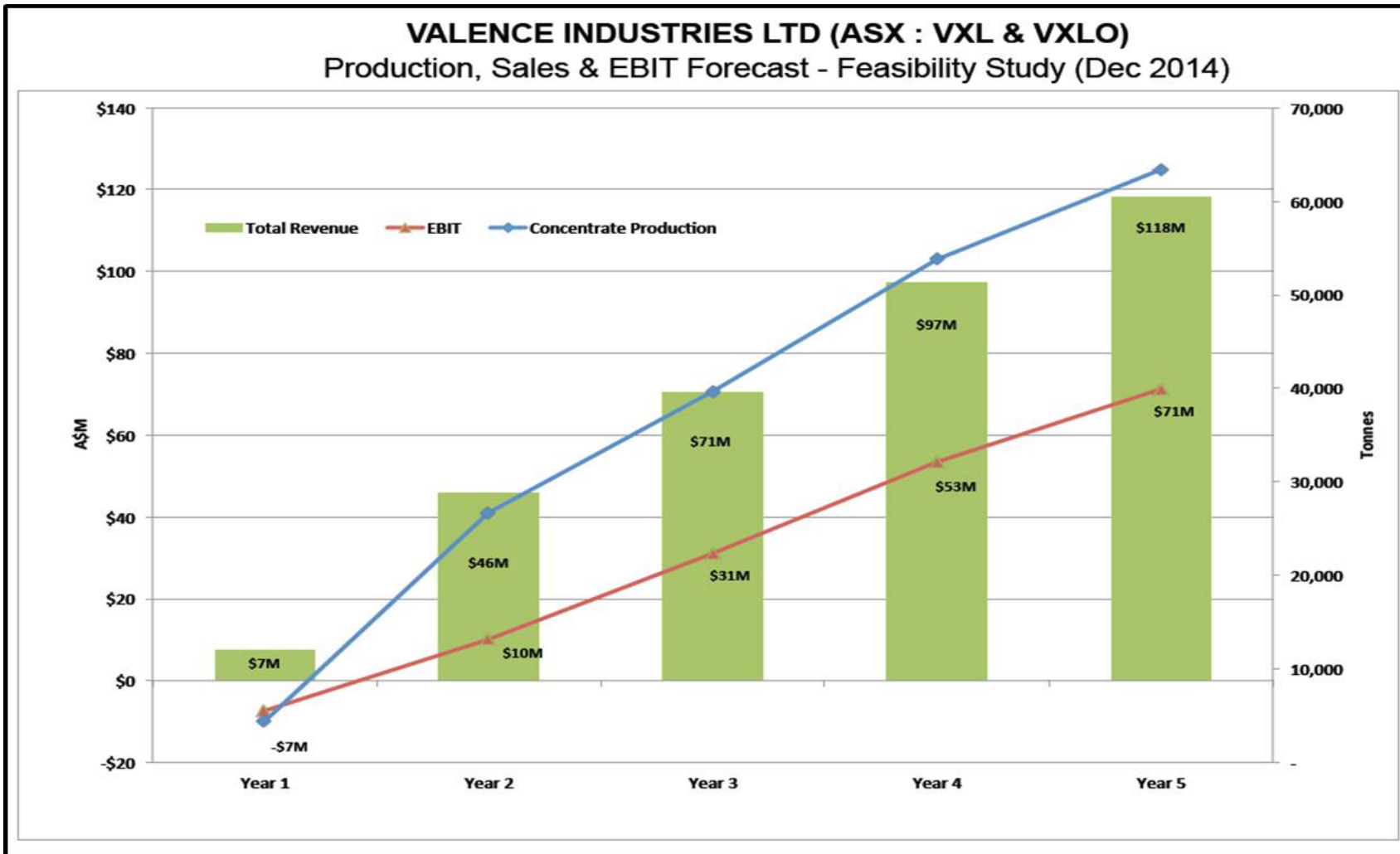
Finance program for expansion due for completion with  
multiple financiers proposing facilities

Closing on finance will initiate detailed engineering, design  
and construction program for expansion





# Production and Revenues

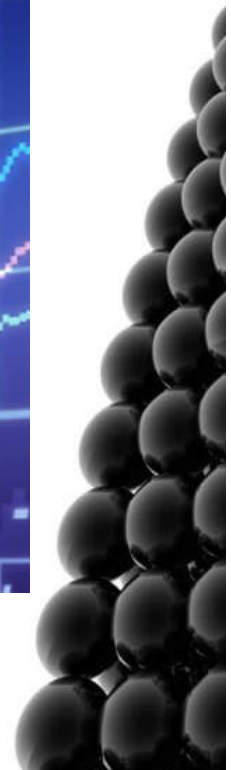


Note: Conservative estimate at <5% of volume contributed by advanced processing.  
Margin & revenue increases for each additional tonne of advanced processing.



# Growth Outlook

- Graphite production underway with volumes ramping up in planned commissioning stages
- Export shipments commenced at end of Q1 CY 2015 on schedule to global customers
- Broad customer engagement with product qualification and more sales negotiations underway
- Mineral Resource expansion drilling program results and first part of updated resource from Q2 CY 2015
- Finance for Four Part Expansion Program due for completion with financiers
- Australian Graphene Research Centre program continuing for further value adding



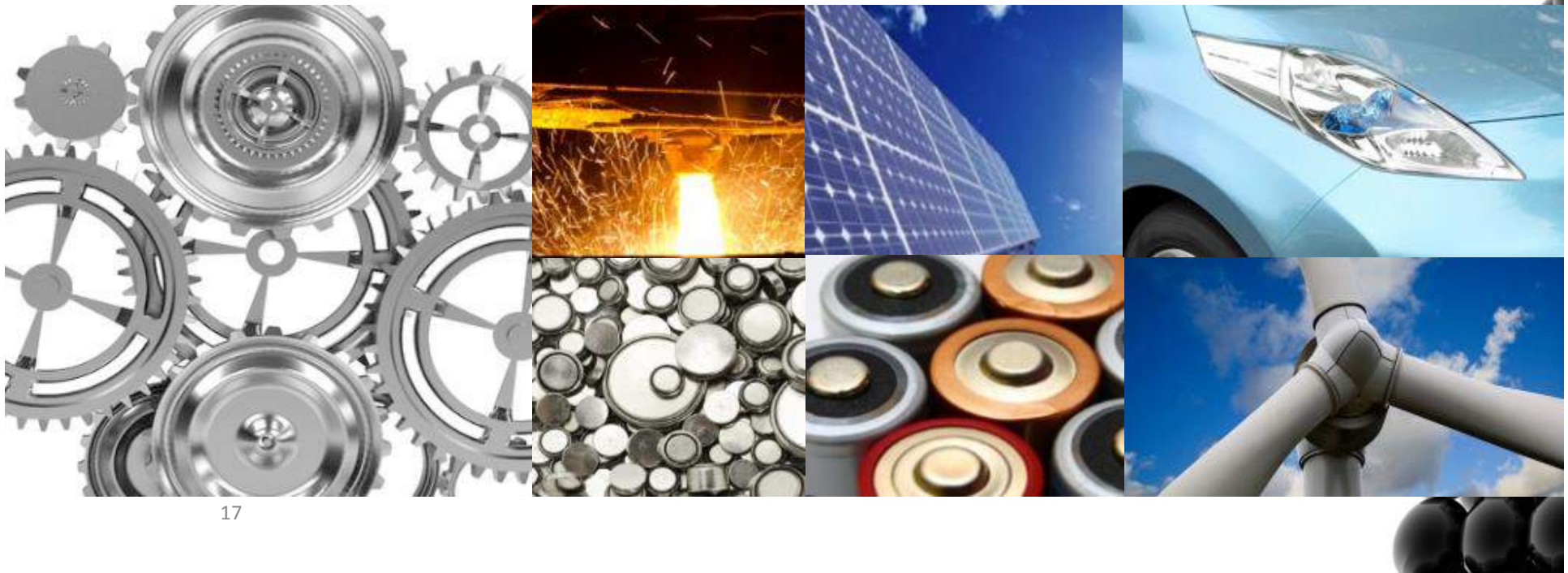




# Contact

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CEO & Managing Director  
Valence Industries Limited

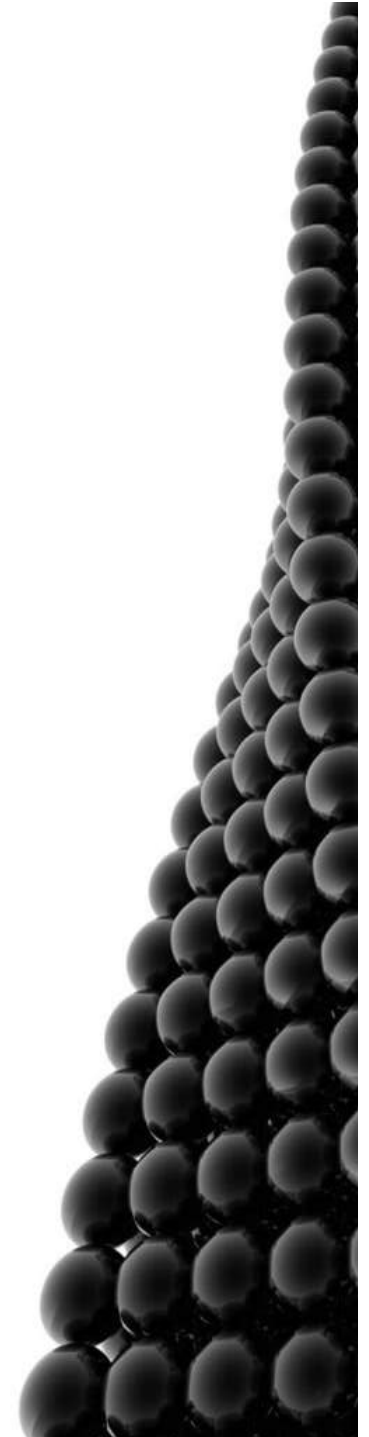
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Appendix & Supplementary Information

# **VALENCE INDUSTRIES**





# Corporate

## Capital Structure

(ASX: VXL & VXLO)

Ordinary shares	186.7m
Options (@ 25c \$18.0m 31.7.16)	71.9m
Options (@ \$1.10 \$6.05m 31.7.17)	5.5m
Market Cap (@38c)	\$71m
Cash (@ 31/12/14)	\$8.3m
No Debt	\$0
12 month sh. price range	87c – 27c

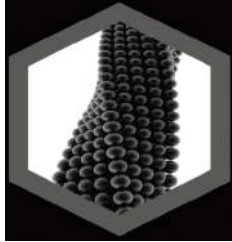
## Major Shareholders

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%

\*\*restricted securities to 6/1/2016





# Corporate

## Board

Graham Spurling AM  
(Chairman)

Christopher S. Darby  
(Managing Director & CEO)

Glenister Lamont  
(Non-executive Director)

Ian Schache  
(Non-executive Director)

Ian Pattison  
(Non-executive Director)

Jarek Kopias  
(CFO & Company Secretary)

## Senior Executives

Christopher S. Darby  
(Managing Director & CEO)

Jarek Kopias  
(Chief Financial Officer & Co. Sec.)

Christopher S. Whiteley  
(Chief Marketing Officer)

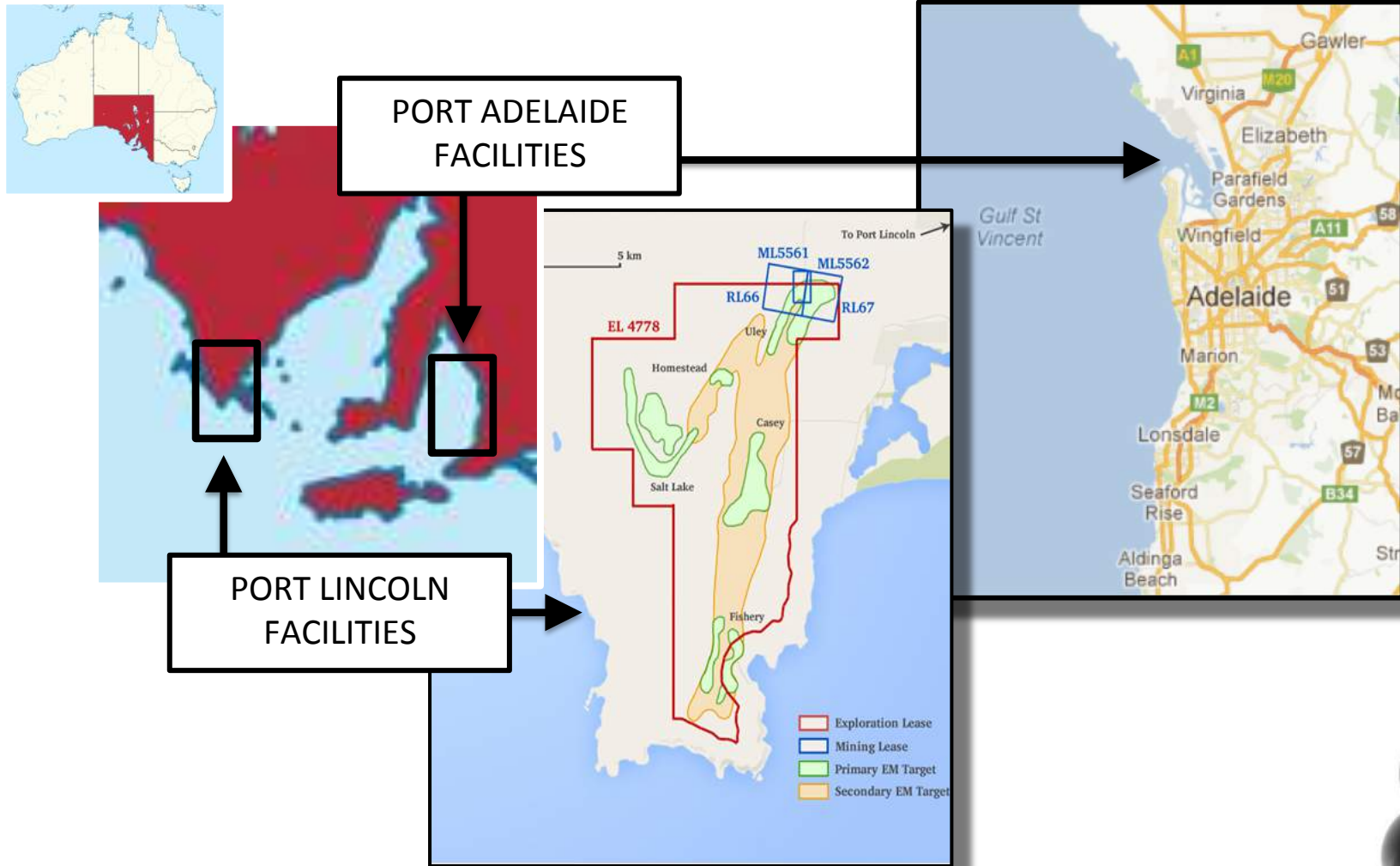
Chris Hall  
(Acting Chief Operating Officer)

Greg Sando  
(Chief Information Officer)



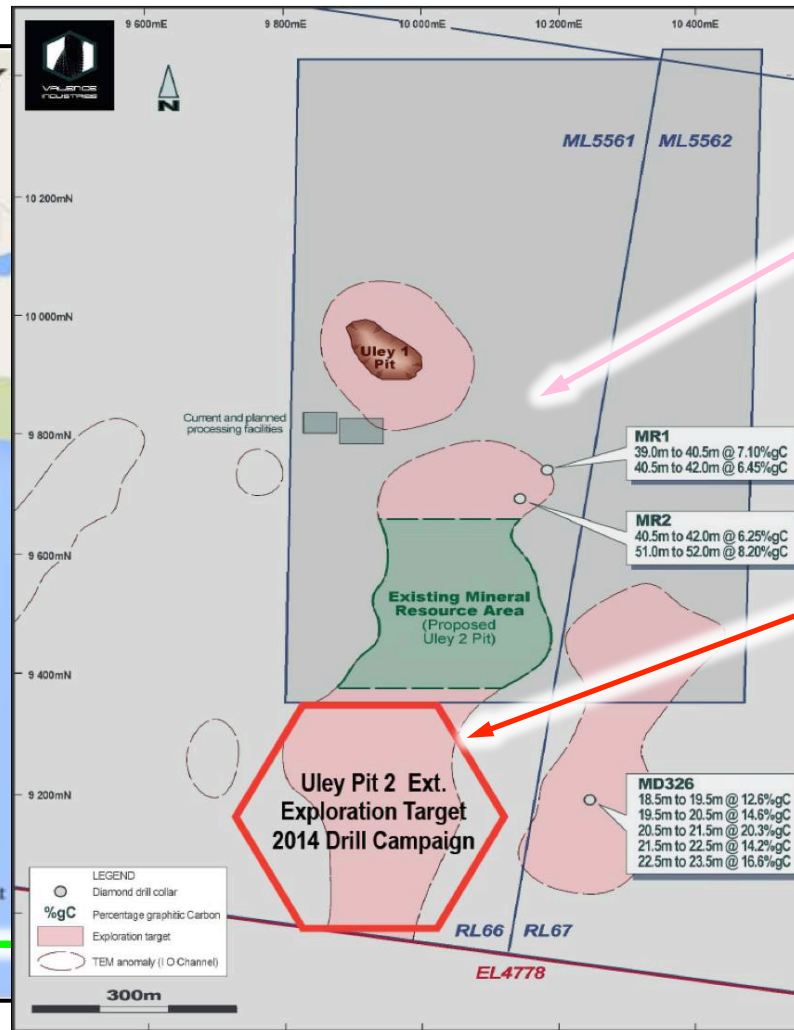
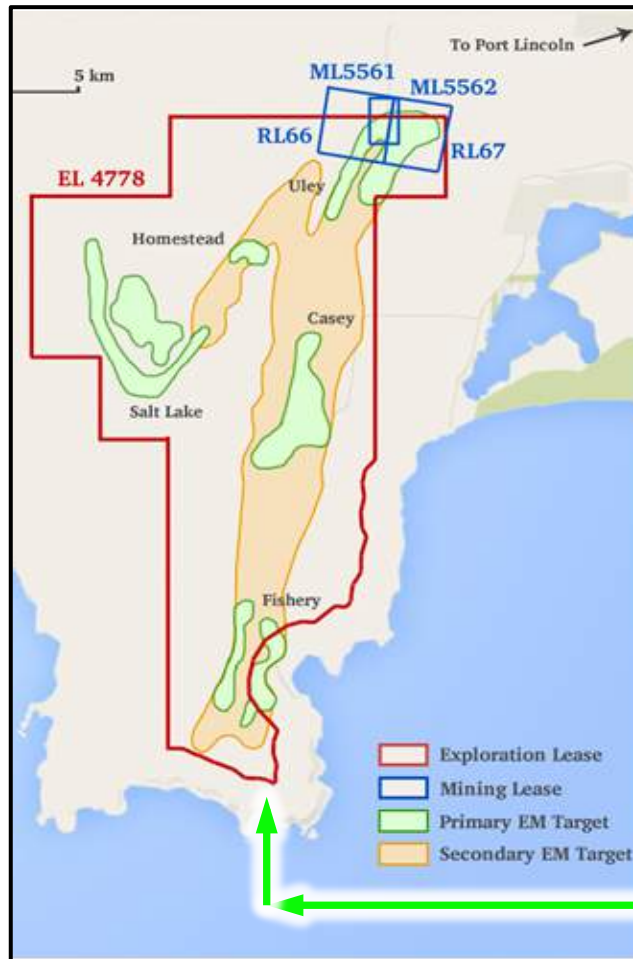


# Operating locations





# Land, tenements & resources



JORC 2012  
Exploration Target  
**9Mt-12Mt @**  
9%gC-12%gC  
(ALL PINK AREAS)

Extension drilling  
underway  
on  
**990m @**  
**25M grid**  
&  
Results due  
Q2 CY 2015

Major expansion  
**75km<sup>2</sup> EL**  
South & West of  
Uley Pit 2.



# Ore reserve & mineral resource

## ORE RESERVE\*\* – ULEY PIT 2 (JORC 2012)

<i>Classification</i>	<i>Tonnage</i>	<i>Average Grade %C</i>
Proved	319,000	17.9
Probable	1,716,000	11.9
<b>Ore Reserve Total</b>	<b>2,035,000</b>	<b>12.9</b>

\*\*This is the only graphite ore reserve on the ASX

## MINERAL RESOURCE & EXPLORATION TARGET (JORC 2012)

<i>Classification</i>	<i>Tonnage</i>	<i>Average Grade %C</i>
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
<b>Mineral Resource Total</b>	<b>3,214,000</b>	<b>11.54</b>
Immediate Exploration Target	9 Mt to 12 Mt	9%gC to 12%gC

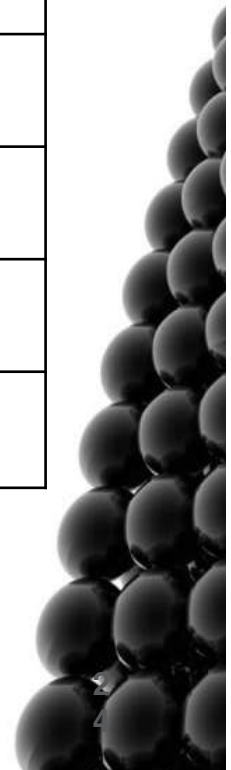




# Tenements

<b>VALENCE INDUSTRIES MINING TENEMENTS</b>		
<b><i>Type &amp; Number</i></b>	<b><i>Status</i></b>	<b><i>Area</i></b>
Mining Licence ML5561	Current	44 ha
Mining Licence ML5562	Current	22 ha
Retention Lease RL 66	Current	225 ha
Retention Lease RL 67	Current	187.5 ha
Exploration Licence EL 4778	Current	75km <sup>2</sup>

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







# Contact

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