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ASX: VXL & VXLO

AUSTRALIAN STOCK EXCHANGE ANNOUNCEMENT & MEDIA RELEASE

GRAPHITE PRODUCTION UPDATE

- Production rates increasing
 - Graphite shipments scheduled to commence over next 6 weeks
 - High proportion of coarse flake graphite production up to +35 mesh (0.5mm)
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Valence Industries (the 'Company') is pleased to provide an update on graphite production at Uley in South Australia.

The production throughput rate at the Company's Uley Graphite™ processing plant in South Australia has increased progressively since commencement of production in mid June 2015.

The plant has been operating around the clock, subject to periodic stoppages every few days for on-going process enhancements and calibration. Throughput rates have increased over the past three weeks to the current rate of 15 tonnes per hour, moving towards nameplate capacity of 20 tonnes per hour.

Operational production continues to confirm the ability of Valence Industries to produce very large flake sizes from the existing stockpiles. Larger flake sizes are in demand and typically command a premium price in the market. The existing plant is currently producing more than 71% in the larger flake fractions from existing stockpiles, and is producing a significant 33% of +50 mesh (jumbo flake) and +35 mesh (super jumbo flake).

The Company is pleased with the performance of the plant with purity levels exceeding 89% being achieved at this early stage of production. Purity levels are anticipated to continue to increase as the plant moves to nameplate capacity. The Company still expects to reach nameplate capacity at 20 tonnes per hour in September 2015 as planned.



Graphite Flotation Tanks in operation



Processed Graphite



The Company is processing existing stockpiles with an average contained graphite of 6.3% and will transition to higher grade (12.1%) run of mine material from the new open pit, Uley Pit 2, in Q4 CY 2015. The combination of increased feed rate and higher grade will allow for increased output capacity.

The Company is building inventories of processed graphite for specific orders (in purity and flake size) to supply existing sales contracts. Sales shipments are expected to commence from site over the next 6 weeks, and will increase progressively as production rates increase.

For further information, please contact:

Investor enquiries:

Christopher S. Darby
CEO & Managing Director
info@valenceindustries.com
+61 8 8215 6400

Media enquiries:

Rebecca Lawson
Associate Director, Media & Capital Partners
Rebecca.lawson@mcpartners.com.au
+61 433 216 269

Forward Looking Statements

All statements other than statements of historical fact included in this announcement including, without limitation, statements regarding future plans and objectives of Valence Industries Limited (Valence Industries) are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the company, its directors and management of Valence Industries, that could cause Valence Industries' actual results to differ materially from the results expressed or anticipated in these statements.

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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 since the announcements previously released as "Valence Doubles Existing ROM Stockpiles" (6/8/14) and "Major Increase to Graphite Ore Reserve and Mine Life" (14/5/15).