VALENCE INDUSTRIES

Robert Mencel, Managing Director (As of 1 December 2015) Presentation

Manufacturing Our Carbon Future ™

25 November 2015

ASIA PACIFIC I EUROPE I NORTH AMERICA

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ASX : VXL & VXLO

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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. 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) , "50% Increase in Uley Graphite Resource" (5/5/2015), "VXL Uley Graphite NPV Up 38% to $90M" (2/6/15), "Major Increase to Graphite Ore Reserve and Mine Life" (14/5/15).
The Company cautions that the Exploration Target of 9 Mt to 12 Mt at 9% to 12% gC referenced in this presentation is conceptual in nature. The Exploration Target estimation is an expression of the potential for geological extensions to the Uley Pit 2 prospect based on prior work by third parties and interpretation of that data by Valence Industries. There has been insufficient exploration to estimate a Mineral Resource on the extension and it is uncertain if further exploration will result in the determination of a Mineral Resource on the extension. The Company notes that the work in relation to the Exploration Target has relied upon historic data from open file and archived reports and the information relied upon cannot be duplicated or otherwise verified by the Company. The estimate made here is an Exploration Target under JORC 2012 Clause 17.

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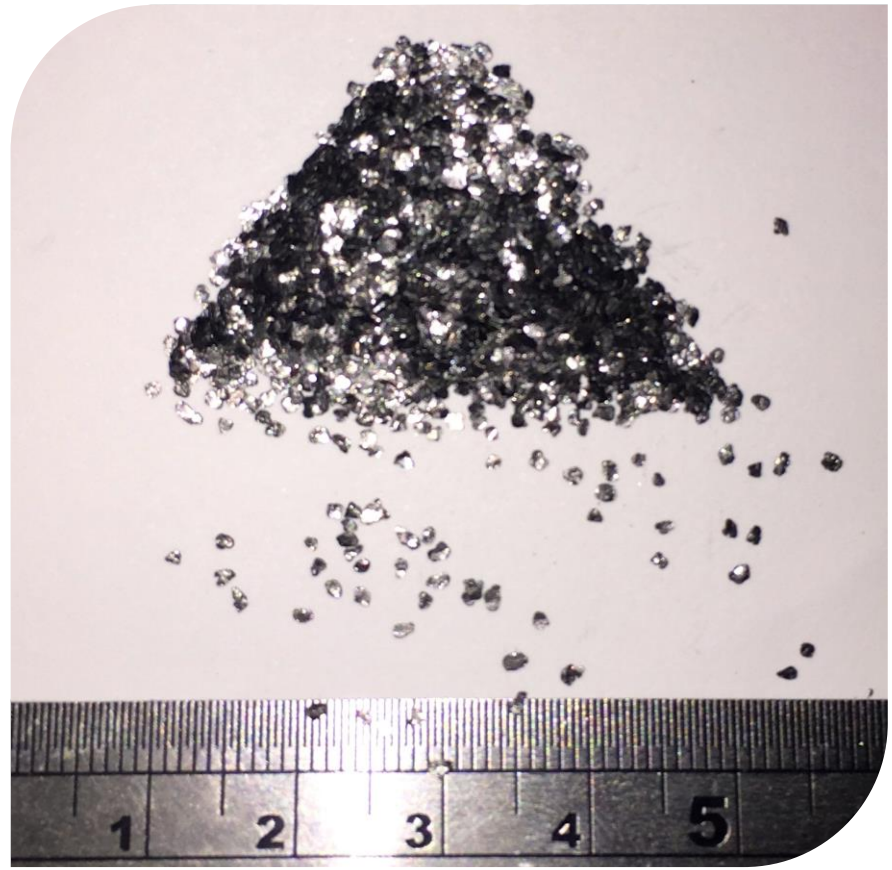
Operational Plan

Corporate Strategy

"To be a lowest quartile cost , highly profitable graphite producer"

Valence will achieve this by

- Maximising cash flow – Improving early cash flow (highest grade first), minimising capital and debt requirements
- Improved efficiency – De-bottlenecking of process plant, increased instrumentation and automation, improved reliability and optimised manning levels
- Exceed customers expectation - Supplying a consistent, high quality product, to specific customer specs, on time and at a price customers value
- Reserve development - Establishing additional long life, low cost reserves at Uley
- Maintain and maximise shareholder value through disciplined allocation of Capital



Current Status

- Original 1990's Uley Graphite plant refurbished & recommissioned – September 2015
- Installed secondary grinding, screening and bagging capacity found to be undersized at nameplate capacity
- Technical review has identified enhancements necessary to remove bottlenecks and increase capacity
- Plant throughput rate reduced in the short term to maintain customer product specifications 90%-96% LOI, reflecting limited grinding capacity
- Current plant operating with reduced manning levels. Production rate 1- 2 "In-spec" tonnes per day
- Continued strong customer demand
- To date 75 tonnes of in-specification product created in readiness for first commercial sales

Operational Focus

Short Term

- Address immediate bottlenecks by installing a spare ball mill with related process upgrades to increase production to 240 tonnes per month
- Planned upgrades to cost $500,000

Long Term

- Remedy the larger plant deficiencies and expand output to 21,000 tonnes per annum
- Full upgrade is subject to further technical engineering and design, however is expected to included the installation of 2 or 3 vertical mills and improvements in drying, screening and bagging circuit
- The longer term upgrade is subject to debt funding and is expected to be completed for an estimated capex of $7m

Plant Modification /Expansion

- Independent review completed by Orway Mineral Consultants (Process engineering arm of the Lycopodium Group)

What are the planned major improvements?	
Grinding	Additional regrinding to delaminate flakes & release gangue materials but no major reductions in flake size Installation of 2 or 3 vertical (50kw-100kw) mills and associated services

What are the key advantages of the program?	
Production	50% increase in output by removing bottlenecks
Lower Cost	Low capex @~A$7m subject to detailed engineering & design

Plant improvements – ROM Pricing	
Met test work, Engineering	$1.0m
Regrinding Circuit Upgrade	$4.5m
Drying, Screening, Bagging Upgrade	$1.0m
Contingency	$0.5m
Total	$7.0m

Final upgrade design and budget is subject to further technical engineering and design.

Development Timeline

Q4 CY2015

- Production at reduced throughput
- Building stocks in warehouse for customer qualification and in readiness for first commercial sales

Q1 & Q2 CY 2016

- Secure financing
- Engineering & design program for immediate expansion completed

Q3 & Q4 CY 2016

- Implement short term and long term plant upgrade programs
- Stocks to warehouse & initiate exports
- New mining from Uley Pit 2

Q1 CY 2017

- Graphite production reaches 21,000 tpa

Financing Plan

Financing Plan

- The company’s shares are currently in voluntary suspension
- Negotiations underway with numerous parties to secure capital to meet both short term and long term requirements
- Shares will come out of suspension as soon as the company concludes its financing program

Financing Plan

- Financing required due to
  - Refurbished process plant's poor performance and resulting absence of early cash flows
  - Payments to creditors
  - Requirement for additional capital to upgrade plant

- Forecast capital requirements – next 12 months

$5.5m	Payment of creditors
$5.5m	Payment of debt
$7.0m	Process plant upgrade
$22m	Working capital to being cash flow positive, build inventories of product, interest and other costs
$40m	Total (Up to)

Summary

Summary

- Currently operating plant at reduced throughput rate to meet sales/marketing requirements
- Processing issues identified, and solutions specified by independent technical review
- Operational focus
  - Short Term - $500k Installation of spare ball mill/ minor plant improvements, increase production to 240t per month
  - Long Term - $7m plant upgrade to fix identified problems and expand the plant to 21,000 tpa.
- Forecast capital requirements – next 12 months
  - $5.5m Payment to creditors
  - $5.5m Payment of debt
  - $7.0m Process plant upgrade
  - Potentially up to $22m Working capital to cash flow positive, interest and other costs