

Valence Industries Drilling & Phase II Feasibility Study

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Adelaide, Australia (ABN Newswire) - On 1 September 2014 [Valence Industries](#) (ASX:VXL) announced unique high-grade in-fill drilling results with 29.8% graphitic Carbon over 16m including 10m @ 38% graphitic Carbon, and further assay results are pending.

Given the significance of the high-grade in-fill drilling results, the feasibility study is now being reviewed to optimise the Phase II development.

Phase II Feasibility Study

The purpose of the feasibility study is to define the program for mining the proposed new open pit (Uley Pit 2), evaluate the construction of a new Phase II graphite processing facility and assess the opportunities to market the Company's increased production into the growing global markets for graphite.

Valence Industries has been able to refine estimates and is able to announce some key preliminary conclusions, which will be verified as the feasibility study process continues:

Phase II Capital Cost (Capex)

A\$34M-A\$35M

This anticipated capex is consistent with the 2013 Scoping Study but includes the base infrastructure to allow for a proposed increase in future processing capacity (see below). The capex requirements remain relatively modest.

Phase II Operating Cost (Opex)
A\$450-A\$500 (per tonne of graphite concentrate)

The anticipated opex is lower than the A\$650 per tonne of graphite production as estimated in the 2013 Scoping Study. This opex level is considered to be globally competitive.

Average Sales Price

USD\$1,400 (per tonne of graphite concentrate)

This average sales price remains consistent with the anticipated average sales price expressed in 2013 Scoping Study. This confirmation is also supported by the current MOUs and ongoing negotiations with customers by Valence Industries.

Phase II Plant Capacity

Phase IIA-50,000 (tonnes of graphite concentrate per year) + Phase IIB-50,000 (tonnes of graphite concentrate per year)

This capacity is consistent with the 50,000 tpa capacity planned in the 2013 Scoping Study but provides a new flexibility to increase output capacity by a further 50,000 tpa taking total Phase I and Phase II potential capacity to 114,000 tonnes of graphite concentrate each year.

Uley Pit 2

Open pit free-dig operations.

Consistent with 2013 Scoping Study the in-fill drilling campaign has verified the ability to implement free dig open pit operations for the proposed Uley Pit 2 to feed the Phase I Plant and the Phase II Plant.

On the basis of the key initial conclusions from the feasibility study, Valence Industries is satisfied that Phase

II expansion of operations at the Uley Graphite facilities will provide strong growth outcomes.

Valence Industries has now identified significantly higher grades of graphitic mineralisation with further assay results pending. In addition, visual inspection of the new mineralised pegmatite zone indicates the potential existence of a unique flake graphite mineralisation of considerable grade (assays pending). With this in mind Valence Industries intends to review the feasibility study in order to optimise the benefits to be gained from the higher-grade mineralisation identified, and the further assays to be received from the drilling program.

In particular the extension of the feasibility study program will consider:

Mineral Resource

The full nature and extent of the Mineral Resource that can be expressed from completing the analysis of the in-fill drilling results and updating the established JORC (2012) Mineral Resource. In particular, to incorporate the new results from the previously known area of graphitic mineralisation and the new mineralised pegmatite zone.

Mining Program

The opportunities presented to further optimise the proposed layout and mining optimisation for Uley Pit 2 and correspondingly deliver relevant adjustments to capital and operating costs. This may include re-assessment of optimal mining methods to recover both flake graphite material in the mineralised pegmatite zone alongside the extraction of the known flakegraphite mineralisation.

Process Program

The processing changes to take advantage of the high-grades in the area of previously known graphitic mineralisation and to factor in manufacturing from the new mineralised pegmatite zone. This is anticipated to be reflected in minor adjustments to the Phase II Plant design to optimise the value can be realised from both areas of high-grade graphitic mineralisation.

Market Program

Assessment of the flake sizing and product characteristics of the new grades of material and the potential applications and associated market opportunities. Valence Industries recently completed metallurgical test drilling to provide samples to assess the metallurgical characteristics. The metallurgical testing results will inform the potential for further market opportunities from the new high-grade areas.

Economics

Review and reassessment of the opex, capex and resultant economics for the Phase II expansion program in light of the advantages to be achieved from both the new high-grade material from the previously known areas of graphitic mineralisation and from the new mineralised pegmatite zone.

The revision of the feasibility study program is underway and is not anticipated to involve fundamental reengineering or redesign. The updated feasibility study program will be completed over the coming months. Valence Industries proposes to implement as soon as possible those stages of Phase II that can commence early. This may include preparation of Uley Pit 2, baseline civil work, preparatory infrastructure, longer lead time orders, detailed design and engineering and early contractor involvement (ECI).

The feasibility study program will be pursued in parallel with the re-commissioning of the Phase I Plant to process the existing run-of-mine stockpiles. That Phase I program is tracking well to commence production subject to receipt of the revised regulatory works approval (PEPR) from the South Australian government.

Valence Industries will continue to receive assay results over the coming weeks and will interpret and express those results in the context of the established JORC (2012) Mineral Resource.

About Valence Industries:

[Valence Industries Ltd.](#) (ASX:VXL) is an industrial manufacturing company producing high grade flake

graphite products for distribution and sale to global markets. Valence Industries owns established processing facilities and infrastructure to manufacture a wide range of graphite product lines for multiple applications and multiple industries. Valence Industries produces and sells its graphite products from its Uley Graphite facilities in regional South Australia for delivery to diversified markets for graphite in the Asia Pacific, Europe and North America.

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