Valence Industries Discovery of High Grade Arterial Flake Graphite

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Melbourne, Australia (ABN Newswire) - Valence Industries (ASX:VXL) has discovered new and significant high-grade very large flake graphite mineralisation. This area is a completely new area of mineralised pegmatite untouched by historical drilling and entirely in addition to the already known mineralisation that forms the existing JORC (2012) Mineral Resource.

This new area of graphitic mineralised pegmatite has been encountered from near surface at 25 metres dipping down to 120 metres and extending across a strike distance of ~75 metres.

It is anticipated that this new area is structurally controlled mineralised pegmatite and remobilised gneiss that has an apparent continuity which presents as an area best described as an "artery" of flake graphite. We have named the unique graphite from this new zone Arterial Flake(TM).

The features of Valence Industries' new Arterial Flake(TM) graphite include:

Very High Grade

New Discovery A unique and exciting new geological discovery.

Easily Accessed
Very high grades exceeding 60%+ gC. Flake graphite grades like this over such significant intercepts have not been previously reported.

Super-Jumbo Flake
Found from near surface in soft dig material and so is easily accessed.

Globally Unique
Has super-jumbo flake sizes that from independent petrology exceed 4mm (+5 mesh). This has also never been reported previously.

A globally unique combination of high-grade, super-jumbo flake, bulk intersections and easily mined material.

Potential & Current Petrology

Valence Industries has commissioned independent petrological testing and assessment of the material from across the area of the in-fill drilling campaign and particularly with respect to the newly discovered mineralised pegmatite zone.

To date the petrology program has confirmed that the assessed material includes super jumbo flake sizes that exceed 4 millimetres (+5 mesh). The petrology assessment is the first step in determining the flake size distribution of the new Arterial Flake(TM). Further flake size distribution analysis will occur as Valence Industries identifies market applications.

Valence Industries' is conducting further assessment of the potential associated with its Arterial Flake(TM) graphite in the mineralised pegmatite zone and the types of new flake graphite products and industries that the Company will be capable of manufacturing and supplying. The results of that assessment will help to inform the outcomes of the current Phase II feasibility study process as well as the program for optimising production from the existing Phase I graphite processing and manufacturing facilities.

"The discovery of Arterial Flake graphite is potentially game changing. This discovery sets Uley Graphite even further ahead on the Australian and the global graphite stage." said Christopher Darby, MD & CEO, Valence Industries.

Significant intersections of Arterial Flake(TM) in the graphitic mineralised pegmatite include:

- 24% graphitic carbon (gC) over 6m (from 48.0m) including 61.5% gC over 2.6m (MD615)

- 32.9% gC over 3.8m from (46.1m) including 60% gC over lm (MD617)

- 60.7% gC over 2m (from 80.0m)(MD624)

- 43% gC over 2.7m (from (52.7m) including 56.6% gC over 2m (MD639)

All significant intersections across the mineralised pegmatite are expressed in Table 1 in link below.

Relationship between New Pegmatite Zone & Established Mineralisation

The new zone of graphitic mineralised pegmatite is a new discovery. Historical drilling and the existing JORC (2012) Mineral Resource did not find this area and did not take this area of mineralisation into account. The exact relationship between this new zone of mineralised pegmatite and the areas previously known to the Company is starting to be understood but is subject to ongoing assessment.

The new area of graphitic mineralised pegmatite, and the extreme flake size which has crystallised, is thought to be from the late stage dewatering of the Cook gap schist (host rock), remobilisation of the fluids through fissures, and subsequent deformation events which are likely to have controlled the mineralisation structurally.

In summary, the mineralised graphitic pegmatite post-dates (overprints) the established Uley mineralisation. The new zone is located within and below the existing mineralisation and this will be understood in greater detail in coming weeks. Importantly the combination of the new and the previously established forms of mineralisation are anticipated to add substantially to the quality and quantity of the resource held by the Company.

This is a new discovery and Valence Industries is continuing to analyze and interpret the data to develop a full picture of these structures. Valence Industries will continue to undertake metallurgical test work and detailed geological modeling over the coming weeks to develop its knowledge of the Company's new Arterial Flake(TM) as well as the areas of previously know mineralisation. Valence Industries will then update the existing JORC (2012) Mineral Resource and intends to release a maiden Ore Reserve for inclusion in its Phase II feasibility study program.

Metallurgical test work will also be incorporated in the feasibility study for release towards the end of 2014.

Significant New High Grade Intersections in Established Mineralisation

All data has now been received from the in-fill drilling campaign across the area of the proposed new Uley Pit 2, which contains the Company's established JORC (2012) Mineral Resource. The drill results include significant additional high-grade intersections.

These new graphite intersections within the previously known areas of mineralisation are significant in their own right.

The additional assay results from the known area of mineralisation are highly positive. The in-fill drilling results include the following significant intersections:

- 19.6% gC over 11.3m (from 26.4m depth) and 16.3% gC over 15m (from 86.8m) including 22.6% gC over 4m (MD608)

- 20.48% gC over 5.1m (from 70.7m) including 47.2% over 1.7m (MD 612)

- 19.4% gC over 9.4m (from 43.2m) (MD613)

- 21.7% gC over 16m (from 80.8m) including 36.9% over 2m (MD619)

These outcomes within the previously known areas of mineralisation would on their own differentiate the Uley Graphite deposit as a leading high-grade deposit globally. These are high grades of graphite over significant intervals and hosted in material that is easily excavated and transported for processing.

"Nowhere else in the world is there a flake graphite combination of high grade, easily mined, easily processed, moderate climate, close proximity to established port, close proximity to skilled personnel and contractors and a stable first world economic and political base. When this is added to the only existing

graphite manufacturing plant in Australia it really sets Valence Industries apart" said Christopher Darby, MD & CEO, Valence Industries.

All significant intersections from the 2014 diamond in-fill drilling campaign are presented in Table 1 in link below.

A Good Challenge to Have - High Grades & Quality Assurance

Analysing the very high grades of flake graphite encountered in the area of previously known mineralisation and the even higher grades encountered in the new mineralised pegmatite posed a significant challenge for the independent laboratory. In the normal course the laboratory uses a set of certified reference graphite samples that represent the range of graphite grades found around the world but these did not have grades high enough to reference the samples provided by Valence Industries.

The lack of reference samples meant that to achieve the standards required for ISO9001 certified samples, the independent laboratory had to conduct multiple cross-checks and create new reference samples to verify the exceptionally high-grade flake graphite results. This program of QA & QC assurance has been the main reason for the delay in obtaining final results from the in-fill drilling campaign.

To view tables and figures, please visit:
http://media.abnnewswire.net/media/en/docs/ASX-VXL-822136.pdf

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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